Administrative Report

Office of the Director of Corporate Services/Treasurer

To: **Warden Tom Bain and Members of County Council**

From: **Robert Maisonville**
Director of Corporate Services/Treasurer

Date: **September 6, 2017**

Subject: **Corporate Reserve Strategy Update**

Report #: **2017-R19-FIN-0906-RM**

Purpose

The purpose of this report is to provide County Council with a review of the Corporate Reserve Strategy, an overview of the Corporation's current reserve position and to recommend refinements to the Corporate Reserve Strategy to meet the current and long term needs of the municipality.

Background

Reserves are allocations of accumulated net revenue and are authorized under provisions set out in the *Municipal Act, 2001*. A reserve is established by including in the annual budget the amount desired to be placed in reserve for the current fiscal period, or by transferring surplus funds in a given year to a reserve at the end of a fiscal period. In the municipal operating environment, reserves are an important means of creating and maintaining a sound financial position.

The County of Essex possesses three types of reserves, namely:

1) Discretionary reserves held by Council for **general and unspecified purposes.**

   Funds available to Council that can be applied towards any undertaking, in any manner and to whatever extent it chooses.

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An example includes the reserve held for rate stabilization, or for unbudgeted expenditures.

2) Discretionary reserves held by Council for a **specific purpose**.

Reserves intended to be applied toward a narrowly defined activity and/or specific function. Examples include the provision for WSIB claims, insurance deductibles, roadway expansion and equipment replacement.

3) Reserves **held by associated entities** and created in part by Council contributions.

The distinction of this type of reserve is that they are physically held by the associated entity and do not become consolidated under the Corporation. An example would be reserves held by the Civic Centre Building Operating Fund.

Since the inception of the Reserve Strategy in 1992, the Corporation has continually reviewed and analyzed its long-term reserve strategy to ensure that the goals identified are consistent with the organization's current and future financial needs. In 1999, the strategy was altered from an overall reserve accumulation approach to an individual reserve balance management and maintenance strategy, with each reserve balance being fully rationalized based on its current and future demands. The common theme throughout this ongoing process of reserve development and management has been the Corporation's commitment to a long-term reserve strategy tailored to address the following key principles:

- To provide working capital to support corporate cash flow requirements.
- To stabilize the County Levy and to assist Council with the challenges of meeting corporate fiscal targets.
- To demonstrate the financial strength of the organization for capital financing.
- To provide for the planned acquisition or replacement of major capital assets.
- To provide for unanticipated expenditures of a non-recurring nature, for unforeseen emergencies or for planned undertakings of a specific and non-recurring nature.
- To address the Corporation's exposure to risk and liability, including fund balances held for insurance and WSIB purposes.

- To provide for the planned expansion of County infrastructure, including, but not limited to:
  - roadway expansion
  - active transportation network
  - EMS facilities
- To address corporate automation advancement.
- To protect the County's sizeable investment in physical infrastructure.

Discussion

Analysis of Reserve Balances

At December 31, 2017, it is estimated that the County's reserve balances for general and roadway capital purposes will be approximately $113 million. The estimate incorporates budgeted and projected reserve transactions for 2017. The Consolidated Analysis of Reserves is provided in the attached appendices as Appendix A. Outlined in Appendix A and reviewed below on a reserve-by-reserve basis are the reserve balances projected as at December 31, 2017 along with the annual contributions to/from reserves for 2017.

In addition, Appendix A includes reserve balances held for Emergency Medical Services (EMS) and Library Services purposes. Included in this report is a discussion on the various EMS Reserves. Library Services reserves are the responsibility of the Library Board and are managed by the Chief Librarian.

General Reserves

Working Capital Reserve

A Working Capital Reserve is a corporation's principal source of funds to meet its day-to-day financial obligations. The timing difference between an organization's expenditures and recoveries necessitates the need for working capital to avoid incurring interest as part of its ongoing operations. Through evaluation of the timing of the Corporation's operating expenditures and revenue (cash flow requirements) it is recognized that corporate expenditures and recoveries do not occur evenly throughout the calendar year. For instance, a significant portion of Transportation Services activity occurs throughout the later-half of the calendar year while recoveries and subsidies are often received intermittently throughout the year, such as the County Levy which is received quarterly. An analysis of the Corporation's general cash flow requirements reveals that the Corporation's cash requirements exceeds monthly revenue balances significantly in the months preceding the quarterly levy instalments. In these months it is the Corporation's various capital and rate stabilization reserves that are utilized to provide sufficient funds for the Corporation to meet its day-to-day obligations. In total however, net interest earned on the non-asset replacement reserves are used to offset the County Levy requirement (net interest revenue budgeted and used to reduce the annual Levy is approximately $1.6 million for 2017 or approximately 1.8% reduction on the 2017 tax rate). It is important to keep in mind that an analysis of prior period cash flow analysis, incorporating projected interest rates and anticipated 2017 Budget revenue and expenditures can only estimate future cash flow requirements; actual expenditures and recoveries can vary from month to month and will have an impact on the Corporation's cash flow and net interest income. Although the cash flow analysis, based on prior period and the 2017 Budget, would indicate that the $4.5 million does not in itself cover operating requirements, no change to the Corporation's Working Capital Reserve ($4,500,000) is recommended at this time.

Rate (Levy) Stabilization Reserve

The purpose and use of the Rate Stabilization Reserve is twofold:

- to provide funds for emergency requirements and non-recurring expenditures, which do not represent permanent adjustments to fundamental service levels; and,
- to provide sufficient funds necessary to stabilize the County Levy during an operating cycle where significant non-budgeted fluctuations in demand for service occur (i.e. social assistance in a declining economy or unbudgeted winter control expenditures).

Mindful of the many uncertainties facing municipal financial operations, this reserve provides the opportunity to effectively manage such financial anomalies. It is of significant importance that, when this reserve is utilized, a planned approach be adopted to manage the reserve replenishment in the context of the annual budget process. As highlighted on Appendix A, the Corporation's Rate Stabilization Reserve is projected to be approximately $5.3M as at December 31, 2017 (including proposed transfers between reserves, discussed later in this report). In the 2017 Budget, approximately $902,000 is proposed to be drawn from this Reserve to support various one-time initiatives, significant items include: Sun Parlor Home training/orientation, staff replacement overlap and capital initiatives ($265,000); various Transportation studies ($525,000); Corporate Branding/Marketing ($20,000); and one-time Human Resources consulting and legal matters ($84,000).

Subject to Council's approval for reserve transfer, the projected Rate Stabilization Reserve balance as at December 31, 2017, of approximately $5.3 million, provides Council with the necessary funds to:

- to safeguard against the potential impacts related to a slowdown in the economy (i.e. spikes in demand for Social Services, Social Housing etc.), and
- to provide a modest funding resource to consider future one-time commitments for non-budgeted programs, studies or emergency situations.

Library Surplus – 2016 Operations

As at December 31, 2016, $790,000 of the Levy allocation from the Essex County Library Board was returned to the County, relating to the work stoppage / strike experienced in 2016. During the 2017 Budget presentation, County Council was made aware of this surplus allocation and directed Administration to place these funds in the County's Rate Stabilization Reserve, pending further dialogue with respect to the disposition of use.

At the County Council's July 19, 2017 meeting, Administration presented the Corporation's 2016 Consolidated Financial Statements, highlighting the $790,000 surplus, seeking direction with respect to disposition. The following resolution was passed by County Council:

> **162-2017**
> **Moved By** Mr. Santos
> **Seconded By** Mr. Antaya
>
> That $790,000 of the 2016 surplus, which was returned to the County by the Essex County Library Board, be held in a Reserve by the County for the purpose of providing grant funding to the lower tier municipalities who apply to use their proportionate share of the $790,000, towards capital improvements or enhancements to libraries located within their municipality.

Subsequent discussions ensued at County Council's August 9, 2017 meeting, clarifying the process of how the funds would be applied for and released and confirmation that the funds would be used prospectively from the establishment of the fund (effective July 19, 2017 onward). Accordingly, County Council passed the following additional resolution:

173-2017
Moved By Mr. Bachetti
Seconded By Mr. Santos

That requests from Essex County local municipalities to access their proportionate share of the 2016 Essex County Library ($790,000) surplus will be received and reviewed by the Essex County Library Board;

And further that the Essex County Library Board shall provide their recommendations for release of the requested grants to Essex County Council for the final approval from the Library Surplus Reserve.

Provided in the table below is the percentage share for each municipality of the 2016 Levy and the proportionate share of the Library 2016 surplus.

Municipality	Total Levy Payments	% of Levy	Library Surplus
Amherstburg	9,972,090	11.70%	92,396
Essex	8,095,965	9.50%	75,013
Lakeshore	20,103,342	23.58%	186,266
LaSalle	13,316,740	15.62%	123,385
Leamington	10,679,603	12.53%	98,951
Kingsville	10,161,392	11.92%	94,150
Tecumseh	12,934,039	15.17%	119,839
Totals	85,263,171	100.00%	790,000

It should be further highlighted that there were no discussions with respect to the requirement for support of expenditures associated with the approval or release of funds. It is proposed that receipts and/or municipal expenditure reports (i.e. for internal expenditures such as wages/benefits) be accompanied with the request for grants funds.

Health Benefits – Rate Stabilization

In 2012, the County, in association with several of the local municipalities tendered for health/dental/group life coverage in an effort to amalgamate service administration, reduce costs and ultimately lowering annual premiums. As a result, the County switched carriers for its health and dental coverage from Sun Life to Green Shield. Under the previous Sun Life program, a reserve was held by the carrier to cover annual overages (difference between claim costs and premiums received). In addition, funds were retained during the transition by Sun Life until final reconciliation of prior period claims were completed. In 2012, the County received $635,000 as settlement of reserve retention and finalization of service from Sun Life for health/dental benefits. A portion of these funds were allocated to the CWATS reserve, with the balance $572,680 (combination of Sun Life prior period reconciliation and 2012 Green Shield reconciliation) retained in this reserve. Under the Green Shield program no reserves will be retained by the carrier and the County will manage annual reconciliations. Variances from premiums to claims over the past several years have resulted in annual savings returned to the Corporation. The reconciled expenditures for 2015/2016 resulted in a surplus, returned from Green Shield, of $221,094, resulting in a reserve balance of $943,474. This reserve is to be capped at $750,000, with favourable variances exceeding this allocation, utilized first, to manage current year health benefit variances and any remaining surplus to be contributed to the Rate Stabilization Reserve for Council's future consideration. Accordingly, $193,474 is proposed to be transferred to the Rate Stabilization Reserve.

Insurance Reserve

Since 2000, in an effort to limit significant increases in insurance premiums, the Corporation's deductible for insurance claims have risen from $1,000 for most claim types to a comprehensive schedule of deductible limits ranging from between $5,000 and $75,000, depending on the liability (i.e. wrongful dismissal $5,000, boiler/machinery, vehicles and property $10,000, environmental liability, municipal liability and errors and omission $25,000, roads related municipal liability $75,000). The increase in deductibles are a result of an ongoing analysis of the Corporation's Insurance Program, focusing on the level of claims in recent years and the associated risk of managing the Corporation's deductible limits to provide a financial means of managing premiums. Increases in deductible limits results in the County assuming greater risk and thus this reserve was established through premium savings to mitigate the impact of additional claims on current operations. By effectively managing this risk, the Corporation is able to mitigate undue strain on the current Levy. Annually, the Corporation budgets $135,000 for claim deductibles and $25,000 as a contribution to reserve. Where a surplus exists due to actual deductible costs being less than budget, the residual budget allocation is contributed to this reserve. The projected Insurance Reserve balance as at December 31, 2017 is $740,202.

Workplace Safety and Insurance Board Reserve

In 1998, the Corporation altered its premium structure with the Workplace Safety and Insurance Board, moving from a Schedule 1 employer to a Schedule 2 employer for employees covered by CUPE 2974, CUPE 2974.1, Teamsters 880 and the Non-Union group (including EWSWA). The result of this, in short, was the elimination of prescribed premiums, replaced by the requirement to reimburse the Board for claims and fees incurred. In order that the Corporation has sufficient funds to meet the demands of WSIB claims, all departments budget premiums as per Schedule 1 calculations, with the proceeds accumulating in this reserve. Actual annual expenditures for claims, fees and insurance have ranged from a low of $30,000 to a high of $90,000. Based on current claims history, the Corporation is projecting a net contribution to reserve of $185,080 for 2017. The projected WSIB Reserve balance as at December 31, 2017 is $1,735,957, which can be equated to the premium savings derived from switching from Schedule 1 to Schedule 2 for these employee groups. To protect the Corporation, stop loss insurance with an employer exposure limit of $500,000 per claim is secured on an annual basis at a cost of $54,000, which is funded annually from this reserve.

Capital Reserve

The Capital Reserve was established to provide for the acquisition or replacement of corporate assets with a value exceeding $25,000 and a useful life extending beyond one year. The reserve is designed to replace assets previously acquired by the organization and to acquire new long-term assets, as funds allowed. Management of the reserve balance is based on the identification and analysis of corporate assets' replacement costs and useful life coupled with the identification and demand for new asset acquisition. An ongoing detailed analysis is undertaken on an annual basis to accurately determine the balance of reserve and necessary reserve contributions to maintain asset replacement. Included within the projected balance of $34,509,626 at December 31, 2017 are funds dedicated to: Asset Replacement (amortization); Facility Renewal; Land Acquisitions (right-ofway), and a small allocation for prior period projects carried over from prior year.

Included within the annual budget process is a review and update of the Corporate Asset Management Plan, including a 25-year capital forecast. A separate report will be forthcoming to Council later in 2017, prior to the formal 2018 Budget process.

Not included within this analysis are capital allocations and debt extinguishment related to potential Civic Centre acquisitions from the other part owners and association reconciliation of debt held on the County's Financial Statements related to the facility renovations.

A transfer of $2 million from the Rate Stabilization Reserve is proposed to mitigate anticipated facility costs related to EMS (easterly coverage of Lakeshore) and Civic Centre acquisition/renovations.

Capital – Sun Parlor Home, Structural Compliance

In 1998, the Ministry of Health and Long-Term Care established a funding mechanism for Homes for the Aged, titled the Structural Compliance Premium. It was a fixed dollar premium based on the per day residency of the facility. The funding was dependent on maintaining a facility within Provincial guidelines. In October 2004, the Sun Parlor Home premium was increased from $1.50 to $3.00 per resident per day. In 2005, the Ministry rolled this funding allocation into the general "Accommodation" funding envelope, effectively eliminating capital funding from its program. In order to ensure that the structural and operational integrity of the facility and grounds are preserved, the Corporation, as part of its annual Budget, continues to identify a portion of the Accommodation envelope as funding for structural capital expenditures. The reserve balance for 2017 of $402,616 represents that portion of funds not utilized and available for future capital projects. Currently, $225,500, or $3.00/resident/day is allocated for capital acquisitions, including but not limited to such items as: room repairs; beds; tubs; lifts; nursing care; laundry; and food processing equipment.

Official Plan Review

Funds have been provisioned within the annual estimates for Planning Services to mitigate spikes in the Levy to conduct a mandatory 5-year review of the County's Official Plan (OP). The current County Official Plan was adopted by County Council in February 2014 and then approved by the Province in April 2014. Based on existing legislation the next OP review will likely commence in 2019. The next five year review may include new population and employment projections, with anticipated cost to be shared with the City of Windsor. As a result, this will represent a significant increase in total cost for this project. An annual contribution of $40,000 is budgeted as a contribution to the reserve to support the next five year review, while in 2017 a $13,000 drawn from the reserve is anticipated for the conclusion of the Farm / Lot Size Study. The Reserve balance as at December 31, 2017 is projected at $504,000.

Donations – Sun Parlor Home

As an approved charitable/non-profit entity, the Sun Parlor Home actively seeks donations to support its operations. Funds received are directed back into the betterment of the facility/operations for the benefit of its residents. The projected reserve balance as at December 31, 2017 is $584,322. An RFP to replace resident room furniture throughout the Home is scheduled to be released in 2018, following the completion of the Nurse Call System implementation.

Roadway Expansion Reserve

Council has adopted a financial forecasting tool to address the roadway expansionary requirements as identified in the Essex Windsor Regional Transportation Study, updated for inflationary considerations, along with estimates, based on recent reports, for the expansion cost of County Roads 17, 19, 22, 42 and 46. The model was premised on 1.5% Levy increases through 2018 to accommodate the approximate $440 million of infrastructure. **In 2012, the financial model was amended to identify and prioritize expansion requirements exclusive of senior government funding and grade separations.**

In order to accommodate 100% municipal funding, the schedule has been elongated to manage the financial burden within reasonable limits of the County Levy. The current plan amounts to approximately $440 million (excludes grade separations) with a time-line extending through 2036. Assuming no change to the current plan of incorporating a 1.5% increase in the annual levy, the annual base funding level will continue to grow from $13.6 million in 2017 to approximately $15 million in 2018, with inflationary adjustments thereafter. This annual funding allocation will provide sufficient financial resources for the management of both the volume of expansion and the timing for financing, without the requirement of debt issuance, and then ultimately position the County to maintain this added infrastructure on a go forward basis. **Adherence to a structured plan of self-funding**

minimizes long-term costs on the local tax base; affirming the Corporation's pay-as-you-go philosophy of funding infrastructure expansion.

It is important to note that the current analysis assumes: limited receipt of funding from provincial/federal sources (Administration will continue to pressure upper levels of government on the merits of funding expansion projects); the continued cost share of Federal Gas Tax revenue at 80% local municipal / 20% County, and a modest allowance for inflationary considerations on project cost. **If it is Council's desire to narrow the time-frame of expansion, without the receipt of senior government funding, the County would need to either substantially increase the annual tax levy allocation to support transportation infrastructure expansion, continue the 1.5% levy allocation beyond 2018 or issue debt;** in all cases resulting in a greater tax burden on the residents and businesses of Essex County both at present and in the long-term.

Incorporated into the funding model for 2017, as approved by County Council (Report #R017-R001-TSD-0118-TRB), is the utilization of Capacity Expansion Reserve to support the acceleration of the CWATS Program for those structures that align with the County's rehabilitation program, but may not coincide with current priorities and limited annual CWATS resources, made available through the CWATS Committee process. These segments are planned to have paved shoulders, as provided under the CWATS Master Plan, and the timing of the construction is being advanced to take advantage of economies of scale and coincide with the timing of the road rehabilitation program. Annual transfers from the reserve to the CWATS program budget will be made and contributions to the reserve will be facilitated through the annual budget process. The impacts on the reserve will not require changes to the Capacity Expansion Program scope, however, timing of projects will need to be coordinated with availability of funds and may extend outward the time horizon for completion of expansion projects and/or result in deferral of some CWATS Paved Shoulder Program projects, should competing demands and availability of reserve dollars necessitate.

County-Wide Active Transportation Infrastructure

The focus and role of municipal highways has begun to experience a shift away from "motor vehicle only" to accommodating other modes of transportation. These other modes include pedestrian and bicycle access in a safe and sustainable manner. The County of Essex has recognized this paradigm shift, embraced the concepts and identified the significant impacts that must be addressed.

In 2010, the County initiated the County Wide Active Transportation Study (CWATS) aimed at identifying opportunities to support and strengthen the Active Transportation plans and networks across the region. The Study was designed to improve and designate a regional active transportation network of on-road corridors and off road trails, to improve connections between the proposed regional and local municipal systems and to promote the use of active transportation with the Region. The CWATS includes an implementation strategy that provides recommendations on priorities, funding and timing to develop the proposed network as well as a maintenance strategy to ensure quality and safe use into the future. Building upon the efforts of the local municipalities, the CWATS is intended to provide a continuous network with improved connectivity across the Region.

Aside from the capital cost to develop this network, the implementation of the recommendations will have impacts on Maintenance Operations and affect the on-going Rehabilitation Program. Timing, co-ordination and funding will present numerous challenges.

The Transportation Services Department's current estimation of total project costs is $71 million, with a County portion of approximately $39 million. Included within the 2017 estimates is a provision of $1.6 million, an increase of $100,000 from prior year, to address the County component funding of this program over an estimated 20-year period. As noted in previous reports to Council, a Steering Committee was established in 2013, with the goal of developing annual implementation plans; work by the Committee is on-going and reports will be brought forward for County Council's consideration. It is important to note that for the County to fulfill its commitment within the 20-year time horizon, future annual incremental levy allocations will be necessary.

As discussed above under Roadway Expansion Reserve, the timeframe for this program may be accelerated through the utilization of the Capacity Expansion Reserve to support the construction of the CWATS Program for those structures that align with the County's rehabilitation program, but may not coincide with current priorities and limited annual CWATS resources, made available through the CWATS Committee process. Annual transfers from the reserve to the CWATS program budget will be made and contributions back to the reserve will be facilitated through the annual budget process.

Economic Initiatives – Windsor-Essex Hospitals System

Proposed for the Windsor-Essex region is the construction of a portfolio of projects termed as the "New Windsor-Essex Hospitals System (NWEHS)". A project that includes:

- Construction of a new 1.6 million sq. ft., 10-storey, Single-Site Acute Care Hospital located at the corner of County Rd. 42 and Ninth Concession Rd.
- Construction of a new 80,000 sq. ft., 4-storey, Urgent Care and Satellite Facility at the former Grace Hospital Site.
- Redevelopment of the Ouellette Campus at 1030 Ouellette Ave. to support outpatient mental health services.
- Construction and redevelopment at the existing HDGH Tayfour Campus on Prince Rd, including a 60-bed acute mental health wing, expansion of diagnostic imaging and addition of dialysis services; and
- Demolition of the existing Met Campus and transfer of a clean site to the City of Windsor.

The capital cost of the proposed NWEHS is estimated at $2 billion, with a local cost share component of 10% or approximately $200 million. Timing of cost share and determination of County contribution remains outstanding. However, provided in Appendix B is an illustration of a potential funding scenario based on the following considerations:

- County contribution in the range of $90 million
- Payment to the Hospital to occur in approx. 10 years (2027)
- Interest rate return of 1.875% on interim reserve (conservative)
- Unfunded commitment balance to be paid over 8-10 years subsequent to payment to the Hospital (debt repayment)
- Financial debt instrument @ 4.5% - $35 million
- Approximately $6.8 million annually will need to be raised to satisfy the commitment over the life of the indebtedness
- Retired and unused "Bricks & Mortar" commitment allocations to be used to mitigate tax rate increases to support this initiative
- Levy increase of approximately $600,000 for 8 years will be required to finance this commitment (2016-2025). Once the annual commitment of $6.8 million per year is achieved, no additional annual requirements would be required (2025); annual payments would continue until approximately 2032.

EMS Reserves

Reserve allocations for EMS include: vehicle replacement, equipment replacement, WSIB and severance allocations. Outlined in Appendix A and reviewed below are the EMS Reserve balances projected as at December 31, 2017, along with the annual contributions to/from reserves for 2017.

EMS – Equipment and Vehicle Reserves

The EMS Equipment Replacement and Vehicle Replacement Reserves were established to provide for the replacement of emergency vehicles and the equipment within the vehicles utilized in the delivery emergency medical services. The Corporation has made great strides in developing appropriate reserve balances to address the replacement of assets from the zero reserve balance assumed with the assumption of the service from the Province in 2001.

For 2017, based on the asset replacement schedules (cost of asset and expected useful life) and compliance with the MOHLTC funding formula, projected contributions to the vehicle and equipment reserve are $1,225,770 and $790,290 respectively, while budgeted draws from the reserves to support asset replacement costs include $978,000 from the Vehicle Replacement Reserve and $425,670 from the Equipment Replacement Reserve. The balance of the Vehicle and Equipment Reserves, as at December 31, 2017 are projected at $2,400,491 and $3,786,221 respectively.

EMS – Severance Reserves

EMS severance reserves were established in 2001 upon County assumption of EMS service delivery and were based on provincial guidelines for funding from the Ministry of Health and Long-Term Care (MOHLTC). With respect to severance allowances, the reserve balances/allocations had been maintained until service delivery issues were resolved. Funds transferred to the County from the province in 2001, in trust for the private operator staff, has now been released, as approved by Council, following amalgamation of EMS service delivery by the County (consistent with funds originally transferred to provincial staff assumed by the County in 2001). Despite the fact that the Corporation does not accrue severance allowances for any other service delivery within the organization, given the joint funding nature of this service (County, City of Windsor, Pelee and Province), maintenance of a reserve balance ensures a level of funding from all partners without unanticipated spikes in funding should future severance obligations be required. It is proposed that the existing allocation of $330,153 be maintained to address any severance issues on a go forward basis.

EMS – Workplace Safety and Insurance Board Reserve

The paramedic group are part of the Corporation's Schedule 1 premium structure with the Workplace Safety and Insurance Board. Schedule 1 employers pay prescribed monthly premiums and are subject to potential large swings in NEER assessments based on claims experience year-over-year. This reserve is used to mitigate large fluctuations in Levy requirements associated with NEER surcharges beyond budgeted expenditure levels. Annual expenditures/rebates will be drawn from or contributed to this reserve based on claims experience. The reserve balance as at December 31, 2017 is $535,073 and will be adjusted in 2017 according to the NEER experience for this group and as part of the year end reconciliation.

Recommendation

That Essex County Council reaffirms the long-term reserve strategy for the Corporation of the County of Essex, tailored to address the following principal areas:

- To provide working capital to support Corporate cash flow requirements.
- To stabilize the County Levy and assist Council with the challenges of meeting corporate fiscal targets.
- To demonstrate the financial strength of the organization for capital financing.
- To provide for the planned acquisition or replacement of significant fixed assets.
- To provide for unanticipated expenditures of a non-recurring nature, for unforeseen emergencies or for planned undertakings of a specific and non-recurring nature.
- To address the Corporation's exposure to risk and liability, including fund balances held for insurance and WSIB purposes.
- To provide for the planned expansion of designated roadways throughout the County.
- To address corporate automation advancement.
- To protect the County's sizeable investment in physical infrastructure;

That budgeted reserve allocations be allocated to/from specific Reserves based on targets and guidelines established in accordance with the Reserve Strategy, and will be presented annually during the Corporation's budgeting process;

That corporate windfall recoveries and operating surpluses continue to be directed to the Corporation's Rate Stabilization Reserve;

That $2 million be transferred from the Rate Stabilization Reserve to the Capital Reserve;

That the Health Benefit Reserve residual funds, beyond $750,000, be transferred to the Rate Stabilization Reserve (approx. $193,474);

That proceeds from the sales or disposal of corporate assets be contributed to reserves for the acquisition or replacement of capital assets; and

That the status of reserve balances and recommended adjustments between reserves, if necessary, be formally reported to County Council by the Director of Finance / Treasurer annually.

Respectfully Submitted,

Robert Maisonville

Originally Signed by

Robert Maisonville Director of Corporate Services/Treasurer

Concurred With,

Brian Gregg

Originally Signed by

Brian Gregg, Chief Administrative Officer

Appendix No.	**Title of Appendix**
Appendix A	Consolidated Analysis of Reserves - 2017
Appendix B	NWEHS Funding Analysis -$90 million
Appendix C	Corporate Reserve Strategy - Presentation