

The slide features a central graphic of overlapping, semi-transparent circles in shades of blue and green. The text is centered within this graphic.

# Reserves Workshop

October 9, 2024

# Reserve Categories & Definitions

## Reserves

- Reserves are an **allocation from net revenue at the discretion of council, after the provision for all known expenditures**, as part of an overall strategy for funding programs and projects that are set out in the annual budgets or budget forecasts and is authorized under the provisions set out in the *Municipal Act, 2001*.
- It has no reference to any specific assets and does not require the physical segregation of money or assets.

# Reserve Categories & Definitions

## Discretionary Reserve

- Discretionary reserve funds are created under Section 417 of the *Municipal Act, 2001*.
- Discretionary reserve funds are established whenever a municipal Council wishes to earmark revenues to finance a future expenditure for which it has the authority to spend money and set aside a certain portion of the year's revenues so that the funds are available as required.
- In accordance with Section 417 of the *Municipal Act, 2001*, it is suggested that municipalities create new reserve funds or additional allocations to a reserve **fund through the budget process**, defining the purpose for which the reserve fund is being created.

# Reserve Categories & Definitions

## Obligatory Reserve

- These funds must be created whenever a statute requires **revenue received for special purposes** to be segregated from the general revenues of the municipality.
- Funds in this category cannot be spent on any purpose that isn't specified in the legislation that created the obligation to hold these funds in reserve.

# Why Fund Reserves?

The strategic use of reserves plays a vital role in fiscal planning, promoting stewardship in the use of public funds and ensuring the ongoing financial health of the Town.

Adequately funded reserves and reserve funds allow the Town to:

- Provide for future expenditures and/or liabilities;
- Ensure funding is set aside to meet legislated and contractual obligations;
- Provide for major capital expenditures;
- Smooth out expenditures which would otherwise cause fluctuations in the operating budget and tax levy;
- Take advantage of opportunities that may arise;
- Mitigate the impacts of economic downturns, disasters, pandemics and other negative unanticipated events;
- Provide liquidity; and
- Provide for emergencies.

Maintaining healthy reserve and reserve fund balances is an important part of ensuring fiscal sustainability.

# Reserves for Operating Purposes

## Reserves

- Tax Funded Operating Contingency
- Fire Equipment
- Building & Equipment
- Land Sales
- Ice Resurfacer
- Information Systems and Technology
- Election
- Firefighter Post- Retirement Benefits
- Caledon Public Library Board Donation and Bequests

## Discretionary

- Winter Maintenance
- Group Benefit Stabilization
- Community Improvement Plan
- Development Approvals Stabilization
- Development Engineering Stabilization
- Development Charge Exemptions & Discounts

## Obligatory

- Building Permit Stabilization
- Heritage Property
- Deferred Grant  
Funds

# Reserves for Infrastructure Purposes

## Reserves

- Equipment
- Accessibility
- Animal Shelter
- Transit
- Corporate Energy
- Fitness Equipment Replacement
- Tax Funded Capital Contingency

## Discretionary

- Capital Asset Replacement Fund
- Northwest Caledon Indoor Recreation Facility
- Cash in Lieu of Parking
- Roads Capital
- Broadband
- Comprehensive Adaptive Management Plan (CAMP) Agreement

## Obligatory

- Canada Community- Building Fund (previously Federal Gas Tax)
- Provincial Gas Tax - Transit
- Payment In Lieu of Parkland
- Development Charges

# Corporate Policy – Reserves and Reserve Funds Roles & Responsibilities:

## Council

- a) In accordance with the Municipal Act 2001, Section 224 develop and evaluate policies, ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place and maintain the financial integrity of the municipality.
- b) Approve transactions to and from reserves and reserve funds through the budget process or by specific resolution and/or by-laws.

## Chief Administration Officer

- a) Support the Treasurer in ensuring the principles and mandatory requirements contained in the Reserve and Reserve Funds policy are applied consistently across all Municipality departments.

## Department Heads

- a) Provide the Treasurer with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves;
- b) Inform the Treasurer when reserve or reserve funds transfers are required; and
- c) Consult with the Treasurer when reserve funds are required for unbudgeted transactions



# Roles & Responsibilities (continued)

## Treasurer

- a) Develop and update the policy as necessary and present changes to Council;
- b) The Treasurer will retain the overall authority for establishing and managing reserves and reserve funds and may delegate this authority in writing when applicable.
- c) Ensure that the principles and requirements contained in the policy are applied consistently across all departments;
- d) Perform the transfers to and from reserves and reserve funds as authorized by Council;
- e) Recommend strategies for the adequacy of reserve levels;
- f) Report to Council the reserve balances and forecast as part of the annual budget approval process.
- g) Develop long range fiscal planning strategy to effectively meet the Corporation's capital financing and capital asset replacement requirements.
- h) Monitors and reconciles all receipts to and disbursements from reserve and reserve fund accounts to ensure compliance with provincial regulations, PSAB and the Policy;
- i) Determines need for reserves and reserve funds for operating and capital operation;
- j) Ensures a review and report to Council of the adequacy and continuing need for reserves and reserve funds is undertaken when deemed necessary;
- k) Adherence to the Development Charges Act, Canada Community- Building Fund Agreement (previously Federal Gas Tax) and the Ontario Community Infrastructure Fund Agreement;
- l) Arranges for the preparation and presentations of required reports and/or bylaws for the creation or termination of any new or obsolete reserve or reserve funds; and
- m) Develops appropriate strategies, procedures and processes for the investment of reserves and reserve funds

# Reserve and Reserve fund balances can be increased through the following options:

A

- Contributions from the operating fund that are approved by Council through the annual budget process

B

- Year-end operating surplus allocations as recommended by the Treasurer and approved by Council

C


- Returning surplus funds from capital projects or other operating budgets

D

- Donations, bequests, surcharges, fees, or proceeds from the sale of Town assets

E

- Interest income earned on reserve fund balances
- Interest will be allocated to Obligatory reserves as required and then all other Reserves pending the Town's year-end surplus.
- Town will not go into deficit due to reserve interest allocation. Remaining surplus after Interest allocation will be allocated to underfunded reserves as recommended by Town Treasurer.



## Allocation of Surplus Funds To Reserves

- Annually the Treasurer makes a recommendation to Council regarding the allocation of any surplus funds to reserves
- Typically, the allocation is to the following reserves:
  - Firefighter Post- Retirement Benefits (required to be funded as per Staff Report 2018-025 with the minimum balance equal to the most recent actuarial estimate)
  - Tax Funded Operating Contingency
  - Tax Funded Capital Contingency



Questions