

Memorandum

Date: October 8, 2024

To: Members of Council

From: Adil Syed, Senior Financial Analyst, Finance

Subject: 2023 Reserves and Reserve Fund Balances

Reserves and Reserve Funds established by Town of Caledon Council (Council) are key in the financial management and operations of the Town of Caledon (Town). These funds are set aside to help offset future capital needs, future obligations such as employee expenses, fiscal pressures from ongoing programs and unforeseen costs or to offset revenue shortfalls and minimizing annual tax rate fluctuations. Reserves and Reserve Funds are drawn upon to finance operating and capital expenditures as designated by Council; the contributions to, or draws from, Reserve and Reserve Funds represent a source or use of funds. Contributions to Reserves and Reserve Funds are not revenue earned by the City; similarly, draws are not expenses.

The Town's reserves broken down into three categories: Reserves, Discretionary Reserves and Obligatory Reserve Funds.

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. This group of reserve funds include the Tax Funded Operating and Capital Contingency Reserves, the Corporate Energy Reserve, and the Land Sale Reserve.

Discretionary Reserve Funds

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. This group of reserve funds include the winter maintenance reserve, the Engineering Stabilization Reserve, Capital Asset Replacement Reserve, the Development Approvals (Planning) Reserve and the cash in Lieu of Parking Reserve.

Obligatory Reserve Funds

These funds must be created whenever a statute requires revenue received for special purposes to be segregated from the general revenues of the municipality. This group of reserves includes the Building Permit Stabilizations Reserve, the Provincial Gas Tax reserve, the Payment in Lieu of Parkland Reserve and the Development Charge Reserves. Funds in this category cannot be spent on any purpose that isn't specified in the legislation that created obligation to hold these funds in reserve.

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

- Contributions from the operating fund that are approved by Council through the annual budget process
- Year-end operating surplus allocations as recommended by the Treasurer and approved by Council
- Returning surplus funds from capital projects or other operating budgets (e.g., surplus of building division operations to the Building Permit Stabilization Reserve)
- Donations, bequests, surcharges, fees, or proceeds from the sale of Town assets
- Interest income earned on reserve fund balances

Council is responsible for the approval of the establishment of new reserves and reserve funds and approves all funding from reserves.

2023 Reserves (excluding commitments and 2023 surplus allocation)

	Net Balance			
	Year-End	Year-End	Year-End	Year-End
	2020	2021	2022	2023
Reserves Funds	20,808,353	16,432,144	17,120,543	17,896,772
Discretionary Reserves Funds	26,495,011	31,351,542	25,554,543	23,521,706
Obligatory Reserves Funds	101,046,043	110,877,982	109,001,454	91,030,588
Total Reserves Funds	148,349,407	158,661,668	151,676,541	132,449,066

The table above shows the reserve balances as at December 31, 2023, excluding commitments and 2023 surplus allocation (separate report being submitted to Council). Schedule B reflects the reserve balances, less commitments as at December 31st. Staff will review our current reserve policies and target thresholds as part of the 2025 budget process to ensure the continued financial stability of the Town's long-term finances.

FINANCIAL IMPLICATIONS

Reserves and reserve funds are fundamental to the Town's long-term financial sustainability and overall financial health. The Town is committed to maintaining healthy reserve and reserve fund balances which are collected through various means (i.e., development charges, contributions, dedications, taxation, etc.).

ATTACHMENTS

Schedule A: Reserve and Reserve Fund Balances as of December 31st, 2023

Schedule B: Reserve and Reserve Fund Continuity Schedule

Schedule C: Consolidated Reserve Funds By-law No. 2020-104

Schedule D: Reserves and Reserve Funds - Corporate Policy

