



**POLICY STATEMENT:**

Reserves and reserve funds play a very important role in the Corporation's finances and provide a strong indicator of the overall health of the municipality. For this reason, the management of reserves and reserve funds is vitally important and therefore the primary basis for this policy. The policy is intended to establish consistent guidelines and standards which will assist in the management and administration of reserves and reserve funds in a responsible and consistent manner.

**APPLICATION:**

This policy applies to all employees who are responsible for the control, administration and management of the Corporation's reserve and reserve funds.

**1. PURPOSE**

This policy establishes the objectives for reserves and reserve funds, standard of care, as well as it delineates the responsibilities for their management and administration.

**2. DEFINITIONS**

<b>Corporation:</b>	Refers to the Corporation of the Town of Collingwood.
<b>Debt:</b>	Any obligation for the payment of money. The Corporation considers debt to consist of debentures, notes or cash loans from financial institutions, loans from reserves and discretionary reserve funds, financing leases, loan guarantees, mortgages, demand loans and internal loans.
<b>Development Charges:</b>	Development charges are one-time fees levied by municipalities on new residential and non-residential properties to pay for a portion of growth-related capital infrastructure requirements. The charges are determined and accounted for by type of service component (i.e. roads, water, and fire protection) and are collected at the time a building permit is issued.



<b>Discretionary Reserve Funds:</b>	Discretionary Reserve Funds are established, based on Council direction, to finance future expenditures for which the Town has the authority to spend money or to provide for a specific contingent liability. Discretionary reserve funds are segregated from the general revenues, earn interest and are created by by-law.
<b>Obligatory Reserve Fund:</b>	Obligatory Reserve Funds are funds acquired by the Town for a legislated purpose through a financial agreement. These reserve funds are segregated and created solely for the purpose prescribed for them (i.e. Development Charge Reserve Funds, Federal and Provincial Gas Tax).
<b>Reserve:</b>	A Reserve is an allocation of accumulated net revenue set aside at the discretion of Council to provide future expenditure requirements such as working funds, contingencies, equipment replacement or any other municipal need. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. They are generally used but are not limited to use in conjunction with the operating fund to support or supplement activities which are normally funded from general revenues.
<b>Reserve Funds:</b>	Funds that have been set aside either by a bylaw of the municipality or by a requirement of legislation to meet a future event. As a result, reserve funds are either “discretionary” being those set up by Council or “obligatory” being those set up by virtue of a requirement of a provincial statute. Municipal councils may set up reserve funds for any purpose for which they have the authority to spend money.



<p><b>Surplus Management Policy:</b></p>	<p>A policy approved by Council that directs the allocation of any operating surpluses on an annual basis.</p> <ul style="list-style-type: none"> <li>• Transfer to Capital Contingency Reserve, General Reserve, Operating Contingency Reserve and the Working Capital Reserve Fund sufficient funds to maintain their target balances.</li> <li>• Transfer 10% of the remaining surplus to reduce the outstanding balance of internal loans.</li> <li>• Transfer 60% of the remaining surplus to the Lifecycle Replacement Reserve Fund.</li> <li>• Transfer 10% of the remaining surplus to the 10% Non DC Growth Reserve Fund.</li> <li>• When a reserve fund reaches and maintains the target balance, remaining surplus funds shall be transferred in proportion to the remaining funds that are not at their targeted limit.</li> </ul>
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### 3. DESCRIPTION

#### 3.1 Philosophy for Reserves and Reserve Funds

Reserve and Reserve Funds are a critical component of the Corporation's long term financial strategy. Their creation and use should be based on the following financial principles:

1. Replace or rehabilitate major Corporate assets as required.
2. Provide for future liabilities.
3. Provide a source of contingency funding for one time and unforeseeable events beyond the control of the Municipality.
4. Provide flexibility to manage debt levels and protect the Corporation's financial position.

Adequacy of these funds is paramount in the affordability and sustainability of the community.

Building on these principles, this Policy's philosophy is to promote fiscal prudence through the creation and management of reserves, as well as to achieve a best practice for reserving among municipal governments.



While the Town does not seek financing in the marketplace, this policy acknowledges that reserves have a direct impact on the credit rating awarded by Bond Rating Agencies and therefore, the Town's long-term cost of financing.

### **3.2 Objectives of Reserve and Reserve Funds**

The primary objectives for reserves and reserve funds shall be in priority order:

- Adherence to statutory requirements;
- Promotion of financial stability and flexibility;
- Provision for major replacement or rehabilitation of existing Town assets; and,
- Reduce the need for tax-levy funded debentures.

#### **a. Adherence to Statutory Requirements**

It shall be the Corporation's practice to establish and maintain segregated funds and/or reserves that meet all statutory obligations. Appendix A identifies the current statutory reserve funds as well as reference to their applicable legislation.

All reserves and reserve funds will be managed in accordance with provincial legislation. Included in the *Municipal Act* are the following requirements:

- Section 417 (3) that money raised for a reserve fund shall be paid into a special account and shall be invested only in securities or classes of securities prescribed;
- Section 418 (3) a municipality may combine money held in any fund for investment purposes; and
- Section 418 (4) that earnings from combined investments shall be credited to each segregated fund in proportion to the amount invested in it.

Furthermore, it will be the Corporation's practice to establish all reserves and reserve funds by by-law, Council Resolution or the annual budget process and all appropriations be approved by Council either through the annual budget or by specific resolution or by by-law.

#### **b. Promotion of Financial Stability and Flexibility**

It will be the Corporation's practice to maintain adequate non-capital reserves to achieve long-term financial stability and flexibility.



To meet these objectives, the following types of funds will be established and adequately funded:

- Reserves for known and recurring material cash flow deficiencies (e.g. Winter Control);
- Reserves for large or erratic periodic or one time payments (e.g. Contingency);
- Reserves for long-term contingencies (e. g. Employee Future Benefits);
- Reserves for potential liabilities; and,
- Reserve for unanticipated expenditures (e.g. Contingency).

Appendix B identifies the current reserves and reserve funds established for financial stability and flexibility.

The Corporation will strive to maintain reserves and reserve funds that promote financial stability and flexibility within a target range of 5% - 15% of own source revenues and the Treasurer shall report to Council annually on this standard.

#### **c. Provision for Replacement or Rehabilitation of Major Capital Assets**

It will be the Corporation's practice to maintain adequate reserves and reserve funds to replace and rehabilitate major capital assets, as required, and to provide for new capital assets that have been identified in the long-term corporate strategy.

To achieve this, the following principles will apply where practicable:

- Reserve funds for the full cost of replacement or rehabilitation of major assets will be funded from ongoing operations at a rate which reflects the consumption of that asset by current taxpayers. Contributions to this reserve fund will commence in the fiscal year that the asset is acquired or put into service and will be based on an estimate of the useful life underlying the asset;
- Where the total cost is material, the purchase of minor assets which must be replaced on an ongoing basis (e.g. computers systems, furniture) the expenditure will be funded through operations;
- The Operating Budget will include an annual contribution for the replacement or rehabilitation of major capital assets as determined by Council. These contributions will be allocated to asset replacement reserve funds based upon reserve fund adequacy analyses.
- Reserve funds will be maintained for growth related capital projects that will be fully funded from developer contributions (Development Charge Reserve Funds).



- Reserve funds will be maintained for the component of the growth related project that benefits the existing ratepayers or for which a discount has been given.
- Reserves will be maintained for the acquisition of land and/or land and buildings that are strategic in nature, non-growth related and therefore not fundable through development charges, and not environmentally sensitive.

Appendix C identifies current reserves and reserve funds established for major capital expenditures.

**d. Reducing the Need for Tax-Levy Funded Debentures**

It will be the Corporation's practice to fund reserves and reserve funds to ensure adequate funds are available to reduce the need to issue tax-levy debentures. The Town has adopted a debt servicing cost limit of 7% of own source revenues and adopted a "Pay As You Go" philosophy for all spending as part of the long-term financial strategy.

To succeed in reaching this goal, the following principles will apply:

1. Additional debt will not be undertaken until the debt servicing cost limit is achieved;
2. As debt charges decline due to the retirement of debt, savings will be applied to the Lifecycle Replacement Reserve Fund; and
3. Long-term debt for replacement and rehabilitation of existing capital assets will be reduced and ultimately eliminated by increased contributions to this reserve.

**4. STANDARD OF CARE**

Reserves and reserve funds are important assets of the Corporation for which a high standard of care will be maintained.

**4.1 Delegation of Authority**

The Treasurer will retain the overall administrative authority for establishing and managing reserves and reserve funds.



## **4.2 Management of Reserves and Reserve Funds**

It is the Corporation's policy to use best practices to manage its reserves and reserve funds. These practices will include:

### **a. Establishing a Reserve or Reserve Fund**

Prior to establishing a new reserve or reserve fund, a financial plan will be prepared which identifies need, target funding level (if applicable), contribution sources and projected disbursements (when practicable) to meet planned future obligations.

### **b. Reserve Funding Targets**

A target funding level will be established for every reserve or reserve fund at the time that it is created. This target will be reviewed annually by staff to ensure adequacy. In addition, annually a third party assessment of the Corporation's financial health will be conducted to provide Council and tax/rate payers with an independent opinion on the Corporation's financial position.

Methodologies for calculating targets are specific to each reserve or reserve fund however consideration will be given to the following:

- Purpose of the fund (operating or capital);
- Certainty of end needs (for contingent liability or long-term asset replacement);
- Economic factors (inflation, interest rates, cyclical pressures);
- Industry/Government/Accounting standards; and,
- Multi-year forecast of contribution and projected usage.

A report forecasting reserve and reserve fund balances with discussion on adequacy to the target objectives shall be prepared annually based on the most current information available.

### **c. Investment of Reserves and Reserve Funds**

Reserves and reserve funds may be invested for a term that will not exceed the expected date of need. The investment income will be credited to reserves and reserve funds when required by legislation in the proportionate share of the investment portfolio. Investments shall further be governed by the Corporation's Investment Policy.

### **d. Contributions to/withdrawals from Reserves and Reserve Funds**

All contributions to and/or withdrawals from reserves and reserve funds shall be approved by Council, normally as part of the annual budget approval process or specifically by resolution with the following exceptions:



- Direct contributions to a reserve or reserve fund such as development charge contributions or Federal Gas Tax monies;
- Transfers that are the result of the Surplus Management Policy;
- Transfer of funds between asset replacement reserves based upon reserve adequacy analyses or other related information at the discretion of the Treasurer.

Withdrawals from reserves or reserve funds will be made at the actual cost of the project or purchase. Where a project or purchase requires more than the amount of budgeted funding, staff will require Council approval for withdrawing additional funds in excess of 20% of budget.

All contributions to and/or withdrawals from reserve and reserve funds will be clearly identified and segregated within the Corporation's accounting system and accounted for by entry either to or from an operating account or a capital project.

Funding strategies developed for reserves and reserve funds will take into account fairness to current and future tax/rate payers, affordability and sustainability.

#### **e. Lending/Transferring of Reserves and Reserve Funds for Other Purposes**

The following principles apply to only those reserves and reserve funds that Council exercises direct control over:

##### **i. Use for Other Purposes**

If required, Council may by by-law provide that the funds in a reserve or reserve fund be spent, pledged or applied to a purpose other than that for which it was established.

##### **ii. Internal Loans/Transfers**

Consistent with Goals and Financial Measures adopted by Council, intra-fund lending from reserves and reserve funds is permitted to temporarily finance capital fund expenditures or cash flow deficiencies to avoid external temporary borrowing costs. Funds will be returned to the lending reserve or reserve fund as soon as possible. In cases where a long-term loan is required, repayment of internal loans will be included in the budget on an annual basis with a maximum time of 10 years for repayment and bearing interest equivalent to the Bank of Canada overnight lending rate.

#### **4.3 Reporting Requirements**

The Treasurer will provide Council with the following reports:

**Annual Treasurer's Statement of Development Charge and Cash-in-Lieu of Parkland Reserve Funds.**



This is a mandatory report required by the *Development Charges Act, 1997* and the *Planning Act*. Components of the report are prescribed in the legislation.

### **Annual Audited Financial Statements**

The consolidated financial statements shall include a statement of financial position, financial activities and changes in fund balances with notes on obligatory reserve funds and summarized reserve and reserve funds in the note on accumulated surplus.

### **Annual Statement of Reserve and Reserve Funds**

This report will provide the change in reserve and reserve fund balances for the year.

### **Adequacy Review Report**

Annually a review of the reserves and reserve funds will be made to determine if balances are adequate or if the need for a particular reserve or reserve fund still exists or if new reserves and reserve funds are required.

### **Annual Budget and Business Plan**

Contributions to and budget appropriations from reserves and reserve funds will normally be approved by Council as part of the annual Business Plan and Budget or specifically by resolution with the exception of those instances noted above.

### **Annual Assessment of the Municipalities Financial Health**

Annually, an independent third party assessment of the financial health of the municipality will be presented to Council.

## **4.4 Responsibilities**

The Treasurer has overall responsibility for the management of reserves and reserve funds. These responsibilities include:

- Determining the need for reserves and reserve funds for operating and capital operation.
- Sets targets for various reserves and reserve funds where appropriate.
- Ensures a review and report to Council of the adequacy and continuing need for reserves and reserve funds is undertaken annually.
- Arranges for the preparation and presentation of required reports and/or by-laws for the creation or termination if any new or obsolete reserve or reserve funds.
- Develops appropriate strategies, procedures and processes for the investment of reserves and reserve funds.
- Develops long range fiscal planning strategy to effectively meet the Corporation's capital financing and capital asset replacement requirements.



- Ensures the appropriate allowances, contributions and/or withdrawals are accounted for in the annual budget and business plan relating to the financial requirements of the reserves and reserve funds.
- Monitors and reconciles all receipts to and disbursements from reserve and reserve fund accounts to ensure compliance with provincial regulations, PSAB and the Reserve and Reserve Fund Policy.

**Revision History:**

Review Date	Description



## APPENDIX A

### STATUTORY (OBLIGATORY) RESERVE FUNDS

Reserve Fund	Reference Legislation
Development Charges Reserve Fund	Development Charges Act, 1997
Building Stabilization Reserve Fund	Building Code Act, 1992 (s. 1.9.1.1 (d))
Parkland Levy	Planning Act
Federal Gas Tax Reserve Fund	Federal New Building Canada Plan



**APPENDIX B****RESERVES AND RESERVE FUNDS FOR STABILITY AND FLEXIBILITY**

Name	Year Estb'd	By-law	Purpose	Sources of Funding
Accessibility	2012	2017-060	To fund accessible initiatives in Town owned facilities	Unspent budgeted funds
Balsam Debenture	2013	2017-060	To reduce the Black Ash Creek debenture payments	Funds arose from the sale of 160 Balsam Street which was part of the Black Ash Creek Channelization debenture.
Employee Future Benefits	2009	2017-060	To fund the future liability for benefits to eligible retired employees.	Annual Operating Fund allocation.
General		2017-060	To fund cash flow deficiencies, Townhall refurbishment and other working capital requirements.	Allocation of Operating Surplus to maintain the reserve at target balance.
Municipal Election		2017-060	To mitigate budget pressure in the year of election	Annual Operating Fund allocation.
Operating Contingency	2013	2017-060	To provide for one-time or unexpected operating expenditures.	Allocation of Operating Surplus to maintain the reserve at target balance.
Winter Control	2010	2017-060	To provide funding for winter control costs which exceed the amount provided for in the budget.	Allocation of Operating Surplus.
WSIB		2017-060	To provide funding for any significant potential future claims, damage settlements or Ministry of Labour fines.	Contribution from Salary Contingency account in the Operating fund to maintain the target balance.
Building Code	2006	2017-060	To mitigate fluctuations in building permit fees.	Allocation of Building Department operating surplus.
Heritage	2016	2017-060	To provide funding for the establishment of a new Heritage Conservation District and/or expansion of the current district.	Contribution from the Operating Budget.
Working Capital	2010	2017-060	To provide a source of funding for temporary cash shortfalls, urgent unforeseen expenditure requirements, and business continuity needs.	Annual Operating Fund contribution.  Allocation Operating surplus.



**APPENDIX C****RESERVES AND RESERVE FUNDS FOR MAJOR CAPITAL EXPENDITURES**

Name	Year Estb'd	By-law	Purpose	Sources of Funding
Capital Contingency	2011	Reserve	To provide funding for emergency capital expenditures or unforeseen costs on budgeted capital projects	Allocation of Operating Surplus to maintain the reserve at target balance.
Development Charges		2012-114 2014-066	To fund growth related capital	Development charges are levied based on a fixed charge for residential and non-residential construction at the time a building permit is issued.
Federal Gas Tax		There is no bylaw for this reserve fund.	To fund capital projects in the eligible categories defined in the Funding Agreement	Funding provided by the Government of Canada under the agreement signed with the Government of Ontario and AMO (who calculates the allocation for each municipality).
Parkland Levy	2004	04-63	To fund the acquisition of land for parks or any other public recreational purposes.	Developer payments of cash-in-lieu of parkland dedication.
Land Acquisition	2010	2017-060	To provide a source of funding for the Town to acquire land and/or land and buildings that are strategic in nature, non-growth related and not environmental sensitive	Funds generated from the sale of municipally owned properties except those properties that have outstanding debentures against them or they have pledged as a funding source for another capital project.
Lifecycle Replacement	2010	2017-060	To provide funding for expenditures related to the replacement or rehabilitation of existing capital infrastructure either in their entirety or on a component basis.	Annual Operating Fund allocation.  Allocation of Operating Surplus to maintain the reserve at target balance.
10% Non DC Growth	2010	2017-060	To provide funding for the 10% mandatory deduction for soft service assets and those growth related items not eligible for Development Charge Funding	Allocation of Operating Surplus to maintain the reserve at target balance.



Parking	2017	2017-060	To provide funding for the ongoing maintenance and acquisition of parking related infrastructure needs.	Allocation of Parking Services operating surplus.
Water	2017	2017-060	To fund major maintenance and replacement of water treatment and distribution infrastructure. It is also used to finance the non-growth component of new infrastructure.	Funding is from the surplus in the water annual operating budget.
Wastewater	2017	2017-060	To fund major maintenance and replacement of wastewater treatment and collection infrastructure. It is also used to finance the non-growth component of new infrastructure.	Funding is from the surplus in the wastewater annual operating budget.
Waterfront Master Plan	2017	2017-060	To provide a source of financing for the Town to implement the plan.	To be determined.
Public Art	2012	2017-060	To provide funding to acquire, maintain and preserve Public Art on or in municipally owned assets.	Annual Operating Fund allocation
Public Works		2017-060	To provide funding for the replacement and refurbishment of Public Works vehicles and equipment to ensure that the current level of service is maintained.	Contribution from the Operating budget based on an internal “machine rental fee”.





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -004-01**

**Purpose**

The purposes of this policy are:

- to ensure that operating surpluses are returned to the taxpayers; and,
- to establish a priority framework for the allocation of any operating surpluses and eliminate any operating deficits through the use of the same priority framework.

This policy is limited to all reserves or discretionary reserve funds.

**Application:**

This policy applies to all Town departments, boards, committees, and other organizations falling within the financial reporting requirements of the Town of Collingwood. Exclusions from this policy are those services that are fully funded through user fees.

**Definitions:**

**Year-end Operating  
Surplus:**

The year-end operating surplus will be any excess funds generated during the year after all budgeted transfers to reserve or reserve funds have been accounted for.

**Guiding Principles:**

- A deficit shall be funded as outlined in the “Priority Application for Operating Deficits” noted below.
- Surpluses not required to fund reserve balance thresholds shall be distributed as outlined in the “Priority Application for Operating Surpluses” noted below.
- Department staff will respect the nature of and manage a global budget by first offsetting higher than expected spending in one area through savings in another.

**Priority Allocation for Operating Surpluses:**

The Council of the Town of Collingwood is committed to demonstrating financial stability and sustainability. This framework assists in formalizing a defined and transparent process for ensuring stability and sustainability while maintaining the flexibility to react to changing circumstances.



The Treasurer is authorized to allocate any year-end operating surplus in the following manner:

- a) Transfer to Capital Contingency Reserve, General Reserve, Operating Contingency Reserve and the Working Capital Reserve Fund sufficient funds to maintain their target balances.
- b) Transfer 10% of the remaining surplus to reduce the outstanding balance of internal loans.
- c) Transfer 60% of the remaining surplus to the Lifecycle Replacement Reserve Fund.
- d) Transfer 10% of the remaining surplus to the 10% Non DC Growth Reserve Fund.
- e) When a reserve fund reaches and maintains the target balance, remaining surplus funds shall be transferred in proportion to the remaining funds that are not at their targeted limit.

#### **Priority Application for Operating Deficits:**

In the event of an operating deficit, the Treasurer is authorized to:

- a) Transfer the necessary funds from the Working Capital Reserve Fund.

#### **Reporting Requirements**

In addition to any information requested by Council or that the CAO and/or Treasurer consider appropriate, Council shall receive a report detailing the distribution of the operating surplus or deficit funding.

#### **Policy Review:**

This policy will be reviewed annually after the year-end operating surplus or deficit figures have been verified.

#### **Revision History:**

Review Date	Description





Effective Date:  
August 21, 2017

POLICY NUMBER:  
FIN -006-01

**Purpose**

The purpose of this reserve is to provide funding for accessibility initiatives in municipal facilities and/or on Town owned lands.

**Target Balance:**

- \$30,000.

**Funding Sources:**

- Unexpended balance from Accessibility account in the Operating fund.

**Utilization of Funds:**

- To fund accessibility initiatives in municipal facilities and/or on Town owned lands, including municipal programs and services.
- Department Head responsible for the Accessibility portfolio shall have the administrative authority to determine if the expenditure is eligible for funding from this reserve.

**Revision History:**

Review Date	Description



**Balsam Debenture  
Reserve**

**Effective Data:  
August 21, 2017**



**FINANCE**

**POLICY NUMBER:  
FIN -006-02**

**Purpose**

The purpose of this reserve is to provide funding for the repayment of the debenture related to 160 Balsam Street.

**Target Balance:**

- \$-0- to be reached in 2024.

**Funding Sources:**

- Proceeds of sale of 160 Balsam Street.

**Utilization of Funds:**

- To repay the outstanding debenture related to 160 Balsam Street

This reserve will progressively decrease until all funds have been expended.

**Revision History:**

Review Date	Description



## Capital Contingency Reserve

**Effective Date:**  
**August 21, 2017**



## FINANCE

**POLICY NUMBER:**  
**FIN – 006-03**

### **Purpose**

The purpose of this reserve is to provide funding for emergency capital expenditures or unforeseen costs related to budgeted capital projects.

### **Target Balance:**

- \$1,500,000.
- The balance in this reserve should not fall below \$750,000. If the balance falls below this level, no funds shall be expended from this reserve until the target balance has been re-established.

### **Funding Sources:**

- Allocation of Operating Surplus to maintain the reserve balance at the target balance.

### **Utilization of Funds:**

- Contribution to Capital Fund to provide for emergency capital purchases.
- Contribution to Capital Fund to provide for unforeseen costs on budgeted capital projects.
- Treasurer has the administrative authority to determine if the expenditure is eligible for funding from this reserve.

### **Revision History:**

Review Date	Description



## General Reserve

**Effective Date:**  
**August 21, 2017**



## FINANCE

**POLICY NUMBER:**  
**FIN -006-05**

### **Purpose**

The General Reserve is a source of funding cash flow deficiencies, Townhall refurbishment and other working capital requirements.

### **Target Balance:**

- \$500,000.
- The balance in this reserve should not fall below \$250,000. If the balance falls below this level, no funds shall be expended from this reserve until the target balance has been re-established.

### **Funding Sources:**

- Allocation of Operating Surplus to maintain reserve at target balance.

### **Utilization of Funds:**

- Contribution to Operating fund or Capital fund as required.
- Treasurer has the administrative authority to determine if the expenditure is eligible for funding from this reserve.

### **Revision History:**

Review Date	Description



**Mayor's Golf Challenge  
Reserve**



**FINANCE**

**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN – 006-06**

**Purpose**

To provide startup funding for the tournament each year.

**Target Balance:**

- \$5,000.

**Funding Sources:**

- Surplus funds from the Mayor's Golf Challenge tournament.

**Utilization of Funds:**

- Annually, Council will be asked to specify a charitable organization located in Collingwood to receive funding.

**Revision History:**

Review Date	Description



**Municipal Election  
Reserve**

**Effective Date:  
August 21, 2017**



**FINANCE**

**POLICY NUMBER:  
FIN -006-07**

**Purpose**

In order to mitigate budget pressure resulting from the expenditures of a municipal election, one-quarter of the estimated costs of the election will be transferred annually to this reserve and drawn upon in the year of election.

**Target Balance:**

- \$140,000.

**Funding Sources:**

- Contribution from Operating fund.

**Utilization of Funds:**

- Contribution to Operating fund for election related expenses.
- The Clerk has the administrative authority to determine if the expenditure is eligible for funding from this reserve.

**Revision History:**

Review Date	Description
July 10, 2023	Update to the target balance to ensure recovery of the new cost of elections (see staff report T2023-13).



**Operating Contingency  
Reserve**

**Effective Date:  
August 21, 2017**



**FINANCE**

**POLICY NUMBER:  
FIN -006-08**

**Purpose**

To provide funding for one-time unexpected or unforeseen operating expenditures.

**Target Balance:**

- The upper limit is established at 1% of projected funds to be raised from taxation for the subsequent year.
- The balance in this reserve should not fall below \$150,000. If the balance falls below this level, no funds shall be expended from this reserve until the target balance has been re-established.

**Funding Sources:**

- Allocation of Operating Surplus to maintain the reserve balance at the target balance.

**Utilization of Funds:**

- Contribution to Operating fund.
- Treasurer has the administrative authority to determine if the expenditure is eligible for funding from this reserve.

**Revision History:**

Review Date	Description



## Public Art Reserve

**Effective Date:**  
**August 21, 2017**



## FINANCE

**POLICY NUMBER:**  
**FIN -006-09**

### **Purpose**

The Public Art Reserve provides funding to acquire, maintain and preserve Public Art in or adjacent to new or existing municipal buildings, infrastructure projects, parks, trails and other Town-owned land and facilities.

### **Target Balance:**

- \$42,500.

### **Funding Sources:**

- Annual contribution from Operating fund.
- Private sector and community donations.

### **Utilization of Funds:**

- Acquisition of Public Art.
- Director of Parks, Recreation and Culture has the administrative authority to determine if the expenditure is eligible for funding from this reserve.

### **Revision History:**

Review Date	Description





Effective Date:  
August 21, 2017

POLICY NUMBER:  
FIN -006-10

**Purpose**

The Public Works Reserve was established to provide funding for the replacement and refurbishment of Public Works vehicles and equipment to ensure that the current level of service is maintained. These vehicles and equipment are not growth related and therefore not eligible for DC funding.

**Target Balance:**

- Sufficient funding to ensure the vehicle and equipment replacements can be accomplished in accordance with the Asset Management Plan and community needs.

**Funding Sources:**

- Contribution from the operating budget based on an internal “machine rental fee”.

**Utilization of Funds:**

- Replacement and refurbishment of Public Works vehicles and equipment.
- Director of Public Works and Engineering has the administrative authority to determine if the expenditure is eligible for funding from this reserve.

**Revision History:**

Review Date	Description





Effective Date:  
August 21, 2017

POLICY NUMBER:  
FIN -006-11

**Purpose**

The Winter Control Reserve was established to provide funding for winter control costs which exceed the amount provided for in the Town's operating budget to mitigate an adverse effect on the current years' operating fund.

**Target Balance:**

- 25% of the five (5) year average actual winter control costs.

**Funding Sources:**

- Contribution from the unexpended winter control funds, if any.
- Allocation of Operating Surplus.

**Utilization of Funds:**

- Winter maintenance in the event of a deficiency in the Operating Budget amount.

**Revision History:**

Review Date	Description





**Purpose**

The Workplace Safety & Insurance Board Reserve is to cover any significant potential future claims, damage settlements or Ministry of Labour fines.

**Target Balance:**

- \$300,000

**Funding Sources:**

- No on-going source of funding.
- Contribution from unused Salary Contingency account in the Operating fund as needed to maintain the target balance.

**Utilization of Funds:**

- To fund claims, damage settlements or fines and associated costs filed by employees who are injured in the workplace.
- The CAO, Treasurer and Manager of Human Resources have the administrative authority to determine if the associated costs are in line with the intent of this reserve.

**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -007-01**

### **Purpose**

To ensure that the Building Department operates as a self-sustaining operation, as per Bill 124, this reserve fund will be used to mitigate fluctuations in building permit fees by managing the risk associated with an economic downturn and managing the financial implications resulting from additional compliance costs.

### **Guiding Principles:**

- The Building Code Stabilization Reserve Fund is an obligatory reserve fund created under Section 1.9.1.1 (d) Division C, Part 1 of the *Building Code Act, 1992*.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- Any surplus earned in the Building Department after recognition of all direct and indirect operating costs and future capital requirements shall be transferred to the reserve fund.
- Expenditures from the reserve fund can only be used to fund administration and enforcement shortfalls of the *Act*.

### **Target Balance:**

- The target balance at a minimum is equal to 24 months of projected operating expenses to mitigate the sharp cyclical drops experienced, or when the economy faces a recessionary period, and to protect against building activity down turns.

### **Reporting Requirements:**

- In accordance with Section 1.9.1.1 (d) Division C, Part 1 of the *Building Code Act, 1992* an annual report will be prepared and provided to Council; and
- Notice of the preparation of a report shall be given to every person and organization that has requested they be provided with such notice and has provided an address for the notice.



**Policy Review:**

- This policy will be reviewed, by staff, annually after the year-end departmental operating surplus or deficit figures have been verified and recommended changes provided to Council for approval.
- This policy will be reviewed at the time of legislative changes that impact the purpose and/or guiding principles of this policy.

**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN – 007-02**

### **Purpose**

The Development Charges Reserve Funds are obligatory reserve funds created when a municipality imposes development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies.

### **Guiding Principles:**

- The *Development Charges Act, 1997* is the prescriptive legislation that governs the imposition, collection, disbursement and management of the DC reserve funds.
- The Development Charges Reserve Funds provide financing for growth related capital projects as detailed in the Development Charges (DC) Background Study and by-law.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- The consolidated balance of the DC reserve funds shall consistently remain in a positive position.
- Inter-fund borrowing, as allowed under the Act, shall be limited to amounts under \$1,000,000 to ensure that the Town has sufficient flexibility to complete the capital projects contemplated in the DC Background Study.
- DC Background Studies will be completed at least every five (5) years to ensure continuity of funding for growth related capital costs.

### **Target Balance:**

- The target balance is a sufficient funds in the consolidated reserve fund balance to fund the five (5) year capital projects contemplated in the DC Background Study.

### **Reporting Requirements:**

- In accordance with Section 43 of the *Development Charges Act, 1997* an annual financial statement will be prepared and provided to Council and the public.



**Policy Review:**

This policy will be reviewed at the time of:

- legislative changes that impact the purpose and/or guiding principles of this policy; and
- passing a new Development Charges By-law.

**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN –007-03**

**Purpose**

This reserve fund is used to track receipts and disbursements of funds in accordance with the terms of the Municipal Funding Agreement for the transfer of Federal Gas Tax revenues under the Federal New Deal for Cities and Communities legislation.

**Guiding Principles:**

- The *Municipal Funding Agreement* is the prescriptive legislation that governs the transfer of funds to the municipality, how those funds may be used, and the establishment and management of the reserve fund required for any unspent funds.
- Funds transferred to the municipality shall be expended within five (5) years after the year in which the funds were received.
- All Federal Gas Tax Funds received under the *Municipal Funding Agreement* shall be expended by December 31, 2028.
- The attached Standard Operating Procedure for the use of Federal Gas Tax funds is a requirement of the *Municipal Funding Agreement* and outlines the steps to be taken to ensure compliance.

**Target Balance:**

- The target balance is based on annual contributions from the Federal Government and the anticipated eligible capital expenditures.

**Reporting Requirements:**

- In accordance with Section 7 of the *Municipal Funding Agreement* the Treasurer will report annually by March 31<sup>st</sup> of the following year providing the Association of Municipalities of Ontario with the prescribed information for eligible projects.



**Policy Review:**

This policy will be reviewed at the time of legislative changes that impact this policy.

**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -007-04**

### **Purpose**

The monies collected in this reserve fund will be used to fund the acquisition of land for parks or any other public recreational purposes, including the erection, improvement or repair of buildings and the acquisition of machinery for park or other public recreational purposes.

### **Guiding Principles:**

- Section 42 of the *Planning Act* deals with the conveyance of land for park purposes and provides for the municipality to accept cash-in-lieu of parkland.
- Cash-in-lieu of parkland can be taken by the municipality consistent with the Parkland Dedication By-law No. 04-63.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- The use of the Reserve Fund will be prioritized as follows:
  - Land acquisition for additional parks in developing areas or redeveloping areas.
  - The non-growth component of growth-related capital projects for Parks, Recreation and Culture as identified in the Development Charges Background Study.
  - Construction, improvement or repair of buildings.
  - Acquisition of machinery.

### **Target Balance:**

- The target balance is based on anticipated contributions from developers and anticipated eligible capital expenditures.

### **Reporting Requirements:**

- In accordance with Section 42 (17) of the *Planning Act* the Treasurer will provide Council with a financial statement relating to the activity of the Parkland Levy Reserve Fund.



- Council shall ensure that the statement is made available to the public.

**Policy Review:**

This policy will be reviewed at the time of legislative changes that impact this policy.

**Revision History:**

Review Date	Description





**Effective Date:  
December 31, 2017**

**POLICY NUMBER:  
FIN –007-05**

**Purpose**

This reserve fund is used to track receipts and disbursements of funds in accordance with the terms of the Ontario Community Infrastructure Fund (OCIF) Formula-Based Component Agreement

**Guiding Principles:**

- The Ontario Community Infrastructure Fund Formula-Based Component Agreement is the prescriptive legislation that governs the transfer of funds to the municipality, how those funds may be used, and the establishment and management of the reserve fund required for any unspent funds.
- Funds transferred to the municipality shall be expended within five (5) years after the year in which the funds were received.

**Target Balance:**

- The target balance is based on anticipated contributions from OCIF allocations and anticipated eligible capital expenditures.
- Funds received from this program maybe “saved up” to undertake a large project and, if the municipality deems it appropriate to do this, the funds must be used within five (5) years.

**Reporting Requirements:**

- In accordance with Schedule I of the Ontario Community Infrastructure Fund Formula-Based Component Agreement, the Treasurer shall provide the province with the prescribed information for eligible projects within the established timeframes.

**Policy Review:**

This policy will be reviewed at the time of legislative changes that impact this policy.



**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -008-01**

**Purpose**

The purpose of this reserve fund is to provide for a source of financing for the Town to acquire land and/or land and buildings that are strategic in nature, non-growth related and therefore not fundable through DC's and not environmentally sensitive.

**Guiding Principles:**

- The Land Acquisition Reserve Fund will be used for the acquisition of land and/or land and buildings that are strategic in nature, non-growth related and not environmentally sensitive.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- Any funds generated from the sale of municipally owned properties regardless of the nature of the property shall be transferred to the reserve fund. Exceptions to this principle are:
  - i. proceeds of property sales that have been included as a funding source for a capital project;
  - ii. proceeds of properties that have outstanding debenture balances. Only funds in excess of the amount required to "retire" the entire portion of the applicable debenture shall be transferred to the reserve fund.

**Target Balance:**

- The target balance is \$1,000,000

**Reporting Requirements:**

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.



**Policy Review:**

This policy will be reviewed, by staff, annually during the adequacy review process and recommended changes, if any, provided to Council for consideration.

**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -008-02**

**Purpose**

This reserve fund has been established to provide for expenditures related to the replacement or rehabilitation of existing capital infrastructure in their entirety or on a component basis including but not limited to roads, sidewalks and related infrastructure, recreational sports fields, parks and facilities and non recreational facilities.

**Guiding Principles:**

- The Lifecycle Replacement Reserve Fund will be used for the replacement or rehabilitation of existing capital infrastructure **excluding** those expenditures that are funded entirely by user fees (Building, Parking, Water and Wastewater).
- Funding for the replacement of equipment and vehicles for the Public Works Department is generated through their operating budget and will not fall under this reserve fund.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- Before drawing on the reserve fund, all sources of external funding will be exhausted.
- All possible efficiencies in terms of future operating costs will be considered in the approved project plan.
- Staff will maintain segregated balances for the components of the reserve fund under the categories shown in Appendix A which conform to the presentation used for the audited financial statements.
- Annual contributions will be allocated to the various components on the percentage of the asset base to the overall asset base.
- Projects requiring funding from this reserve fund will be determined in accordance with the Capital Projects Prioritization Strategy and the 'Pay As You Go' funding approach adopted by Council August 4<sup>th</sup> 2015.



### Target Balance:

- Annual funding is provided in the Operating Budget as follows:

Computer hardware and software	\$5,500
Fire fleet and equipment	\$100,000
Transfer to Lifecycle Reserve Fund <sup>1</sup>	\$1,402,000
Special Capital Levy <sup>1</sup>	\$225,000

<sup>1</sup>Amounts will vary depending on assessment values and supplemental tax billings

- Any surplus generated from the operation of the Sailing School will be transferred to this reserve fund to provide funding for replacement and maintenance of the boats and facility that the school operates from.
- Provision has been made in the Surplus Management Policy to transfer a portion of the operating surplus to this reserve fund.
- The balance in this reserve fund should not fall below \$2,000,000 and should be sufficient to provide the proportion of funding for two (2) years of projected project needs included in the five (5) year capital forecast.

### Reporting Requirements:

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.

### Policy Review:

This policy will be reviewed, by staff, annually during the adequacy review process and recommended changes, if any, provided to Council for consideration.

This policy will be reviewed at any time legislative changes that impact the purpose and/or guiding principles of this policy are enacted.

### Revision History:

Review Date	Description



## Appendix A

### Components of the Lifecycle Replacement Reserve Fund

Category	% of Asset Base	Assets Excluded
Buildings	24.33%	Environmental services
Equipment	2.71%	Public Works and Environmental services
Fleet	2.55%	Building Services, Parking Services, Public Works and Environmental services
Land Improvements	11.34%	Environmental services
Linear Assets	59.07%	





### **Purpose**

The *Development Charges Act, 1997 as amended* inhibits the ability of the municipality to recover the full costs of growth. The mandatory 10% capital deduction for the “soft” service component means that the shortfall will always exist and be borne by the taxpayers. The components that this mandatory deduction relates to are:

- Municipal parking spaces (indoor and outdoor);
- Airport facilities;
- Parks, trails, rolling stock and yards;
- Recreation facilities;
- Recreation vehicles and equipment;
- Libraries; and
- Other services (i.e. studies) are limited in the same manner as their service component.

Certain items are ineligible for DC funding entirely – park land acquisition, land and facilities related to municipal administration and computer systems.

Further deductions to potential DC funding include post period benefit and benefit to existing tax/rate payers. These deductions can impact all eligible service categories.

This reserve fund has been established to provide funding for the 10% mandatory deduction for soft service assets and those growth related items not eligible for DC funding.

### **Guiding Principles:**

- The 10% Non DC Growth Reserve Fund will be used to fund the mandatory, post period and benefit to existing deductions related to DC eligible projects.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- Before drawing on the reserve fund, all sources of external funding will be exhausted.



**Target Balance:**

- Annually, a portion of the Operating Surplus, if any, as defined in the Surplus Management Policy will be transferred to the 10% Non DC Growth Reserve Fund.
- The balance in this reserve fund should not fall below \$400,000 and should be sufficient to provide two (2) years of projected expenditures included in the five (5) year capital forecast.

**Reporting Requirements:**

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.

**Policy Review:**

This policy will be reviewed, by staff, annually during the adequacy review process and recommended changes, if any, provided to Council for consideration.

This policy will be reviewed at any time legislative changes that impact the purpose and/or guiding principles of this policy are enacted.

**Revision History:**

Review Date	Description





Effective Date:  
August 21, 2017

POLICY NUMBER:  
FIN -008-04

### **Purpose**

The purpose of this reserve fund is to ensure that parking related operating surpluses are retained for ongoing maintenance and future increased parking infrastructure needs.

### **Guiding Principles:**

- The Parking operations of the Town of Collingwood are fully funded through user fees.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- The Parking Reserve Fund shall be used for:
  - Purchase and capital maintenance of any Town parking infrastructure and the purchase of associated components, including parking related technology and fleet requirements;
  - Where metered parking is implemented, design and construction of new Town parking infrastructure and the purchase of associated land, including financing costs;
  - Costs associated with parking related studies, analysis, policy or strategy development; and,
  - Any operating deficit incurred by the Town's Parking Program.

### **Target Balance:**

- The minimum balance for the Parking Reserve Fund is \$500,000.

### **Reporting Requirements:**

- In addition to any information requested by Council or that the CAO, Clerk or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.



**Policy Review:**

This policy will be reviewed, by staff, annually during the adequacy review process and recommended changes, if any, provided to Council for consideration.

**Revision History:**

Review Date	Description





Effective Date:  
August 21, 2017

POLICY NUMBER:  
FIN -008-05

### **Purpose**

The Water Reserve Fund is established to primarily fund major maintenance, replacement or installation of new water treatment and distribution assets, equipment, rolling stock and to supplement day-to-day operations if the need arises.

### **Guiding Principles:**

- Water Services is a self supporting department fully funded through user fees. As a result the target balance and current user rates must be affordable and sustainable.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- The timing of capital projects will generally follow the capital budget forecast as presented in the Water and Wastewater Rate Study.
- Inter-fund borrowing shall be limited to the Water and Wastewater Reserve Funds and amounts of \$2,000,000 or under to ensure that the Town has sufficient flexibility to complete the capital projects contemplated in the Water and Wastewater Rate Study.
- Staff will take every opportunity to apply for Federal and/or provincial funding for water capital projects.

### **Target Balance:**

- Annually, the surplus in the water operating budget will be transferred to this reserve fund.
- The target balance will generally follow the reserve balance forecast as presented in the Water and Wastewater Rate Study.

### **Reporting Requirements:**

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.



**Policy Review:**

This policy will be reviewed at the time of:

- legislative changes that impact the purpose and/or guiding principles of this policy; and
- adopting a new Water and Wastewater Rate Study.

**Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -008-06**

**Purpose**

The Wastewater Reserve Fund is established to primarily fund major maintenance, replacement or installation of new wastewater treatment and distribution assets, equipment, rolling stock and to supplement day-to-day operations if the need arises.

**Guiding Principles:**

- Wastewater Services is a self supporting department fully funded through user fees. As a result the target balance and current user rates must be affordable and sustainable.
- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- The timing of capital projects will generally follow the capital budget forecast as presented in the Water and Wastewater Rate Study.
- Inter-fund borrowing shall be limited to the Water and Wastewater Reserve Funds and amounts of \$2,000,000 or under to ensure that the Town has sufficient flexibility to complete the capital projects contemplated in the Water and Wastewater Rate Study.
- Staff will take every opportunity to apply for Federal and/or provincial funding for wastewater capital projects.

**Target Balance:**

- Annually, the surplus in the wastewater operating budget will be transferred to this reserve fund.
- The target balance will generally follow the reserve balance forecast as presented in the Water and Wastewater Rate Study.

**Reporting Requirements:**

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.



**Policy Review:**

This policy will be reviewed at the time of:

- legislative changes that impact the purpose and/or guiding principles of this policy; and
- adopting a new Water and Wastewater Rate Study.

**Revision History:**

Review Date	Description





Effective Date:  
August 21, 2017

POLICY NUMBER:  
FIN -008-07

### **Purpose**

The Heritage Reserve Fund was established by Council at the adoption of the 2016 Budget on March 7<sup>th</sup> 2016. The reserve fund is to be used for the establishment of a new Heritage Conservation District and/or expansion of the current Heritage Conservation District.

### **Guiding Principles:**

- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.

### **Target Balance:**

- The funding source is an allocation of \$10,000 in the operating fund.
- The target balance is \$30,000.

### **Reporting Requirements:**

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.

### **Policy Review:**

This policy will be reviewed at the time the target balance is reached.

### **Revision History:**

Review Date	Description





**Effective Date:  
August 21, 2017**

**POLICY NUMBER:  
FIN -008-08**

### **Purpose**

The Town of Collingwood adopted the Waterfront Master Plan at the November 28<sup>th</sup> 2016 meeting. The cost estimate for complete implementation of the plan is \$50 million however the project can and will be completed in phases. This reserve fund is established to provide for a source of financing for the Town to implement the plan.

### **Guiding Principles:**

- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- Staff will take every opportunity to apply for Federal and/or Provincial funding for implementation of the plan.

### **Target Balance:**

- Estimated cost of phase 1 is \$6,842,668. It is anticipated that the Town will need to raise one-third of this amount to partner with the Federal and Provincial governments in realizing this phase of the Waterfront Master Plan.
- The target balance is \$2,300,000.

### **Reporting Requirements:**

- In addition to any information requested by Council or that the CAO or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.

### **Policy Review:**

This policy will be reviewed, by staff, annually during the adequacy review process and recommended changes, if any, provided to Council for consideration.



**Revision History:**

Review Date	Description





### **Purpose**

The Working Capital Reserve Fund provides a contingency for funding:

- Temporary cash shortfalls minimizing the need for short-term borrowing;
- Urgent, unforeseen expenditure requirements;
- Unpredictable one time expenditures; and,
- Business continuity in the event of a disaster or long term interruption of operations.

### **Guiding Principles:**

- The Reserve Fund will be maintained in accordance with the provisions of the *Municipal Act, 2001* with due regard to the targets outlined below.
- Council will approve all expenditures from the reserve fund either through the budget process or a staff report prepared outside the budget process.
- Before drawing on the reserve fund, all sources of external funding will be exhausted.
- This reserve fund shall be funded through:
  - an annual allocation of \$60,000 from the Operating Budget; and,
  - a portion of the Operating Surplus, if any, as defined in the Surplus Management Policy.

### **Target Balance:**

- The upper limit is established at 5% of net own source revenues for the prior year as determined on Schedule 81 of the Financial Information Report.
- The minimum balance to be maintained in the reserve fund is established at \$750,000. If the balance falls below this level, no funds shall be expended from this reserve until the minimum balance has been re-established.

### **Reporting Requirements:**

- In addition to any information requested by Council or that the CAO, Clerk or Treasurer considers appropriate, an annual *Statement of Discretionary Reserve Funds* will be prepared for Council information.



**Policy Review:**

This policy will be reviewed, by staff, annually during the adequacy review process and recommended changes, if any, provided to Council for consideration.

**Revision History:**

Review Date	Description