



Reserve and Reserve Funds Policy Review

Town of Collingwood

February 25, 2026

Watson & Associates Economists Ltd.
905-272-3600
info@watsonecon.ca



Table of Contents

	Page
1. Introduction and Background	1-1
1.1 Introduction	1-1
1.2 Background.....	1-1
2. Reserve and Reserve Funds Overview.....	2-1
2.1 Reserves and Reserve Funds	2-1
2.1.1 Reserves.....	2-1
2.1.2 Reserve Funds.....	2-2
2.2 Types of Reserves / Reserve Funds.....	2-4
2.2.1 Operating Reserves / Reserve Funds.....	2-4
2.2.2 Capital Reserves / Reserve Funds	2-5
2.2.3 Working Funds.....	2-5
2.2.4 Statutory Reserve Funds	2-5
2.3 Reserves and Reserve Funds in Ontario	2-6
2.4 Collingwood’s Current Reserves and Reserve Funds	2-8
3. Reserve and Reserve Fund Principles	3-1
3.1 Setting the Framework and Policy	3-1
3.2 Existing Broader R.R.F. Policy.....	3-2
4. Drafting Specific Reserves and Reserve Fund Policies.....	4-1
4.1 Components of Specific Policy Development	4-1
4.2 Obligatory Reserve Fund Policies.....	4-2
4.2.1 Reserve Funds Proposed to be Continued	4-5
4.2.2 Reserve Funds Proposed to be Modified and Combined.....	4-7
4.2.3 Reserve Funds Proposed to be Terminated / Closed	4-9
4.2.4 Reserve Funds Proposed to be Reclassified	4-9
4.3 Discretionary Reserves and Reserve Funds.....	4-9
4.3.1 R.R.F.s Proposed to be Continued	4-13
4.3.2 R.R.F.s Proposed to be Modified and Combined.....	4-17
4.3.3 R.R.F.s Proposed to be Created.....	4-23



Table of Contents (Cont'd)

	Page
4.3.4 R.R.F.s Proposed to be Terminated / Closed	4-26
5. Annual Reporting	5-1
5.1 Summary of Reporting	5-1
5.2 Annual Reporting Example	5-1
6. Conclusion and Recommendations.....	6-1
Appendix A Reporting Example.....	A-1



Chapter 1

Introduction and Background



1. Introduction and Background

1.1 Introduction

The Town of Collingwood (Town) retained Aspire Consulting Group (Aspire) and Watson & Associates Economists Ltd. (Watson) to undertake an Asset Management Plan (A.M.P.), which was completed in July 2025. As part of the A.M.P. deliverables, Watson conducted a review of the Town's Reserve and Reserve Funds Policies.

Through this study, Watson worked with Town staff to:

- Review the Town's existing Reserve and Reserve Funds (R.R.F.s); and
- Develop the policy components for each R.R.F., such as their purpose, source of funding, targets, etc.

The overall objective of this study is to establish clear, consistent, and sustainable policies to guide the management and use of the Town's R.R.F.s.

1.2 Background

Within Ontario, municipalities have the authority to establish or maintain R.R.F.s for any purpose within their jurisdiction. This authority is currently provided by Section 417 of the *Municipal Act, 2001*, which grants municipalities broad powers to manage financial matters, including establishing reserves and reserve funds for services under the municipality's jurisdiction (e.g. local boards). Other statutes, as will be discussed later, can also direct the establishment of reserve funds.

In its simplest form, a reserve or reserve fund is a sum of money set aside for future known expenditures or contingent purposes. The establishment of an R.R.F. is at the discretion of Council and represents a financial management tool for smoothing out fluctuations in taxes and rates over time. To summarize, R.R.F.s:

- Provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements;
- Provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions; and
- Serve as a budgetary option during uncertain economic times, helping to mitigate the need to cut services or to raise taxes.



Most R.R.F.s are established to provide resources for future intended uses. It is important to note that R.R.F.s should not be viewed as a “parking lot” for excess cash. Best practices dictate that a R.R.F. should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the R.R.F.

The Town of Collingwood has a long history of establishing and utilizing R.R.F.s for various purposes. The Town has a policy framework document titled “Reserve and Reserve Fund Management Policy” (FIN-004-04). While numerous R.R.F.s have been created following this framework, the policies and intent surrounding many of these R.R.F.s have not been clearly established. Therefore, the purpose of this review is to develop clear and comprehensive policies for the Town’s existing R.R.F.s.



Chapter 2

Reserve and Reserve Funds Overview



2. Reserve and Reserve Funds Overview

2.1 Reserves and Reserve Funds

At the outset, it must be stated that there are differences between a reserve and a reserve fund. The establishment of each may be by different legislation and the rules over the use and maintenance of each will vary. The following sections provide detailed information on each type.

2.1.1 Reserves

Reserves are authorized under the provisions set out in the *Municipal Act*. A reserve may be established for a predetermined purpose and applied for that purpose at the discretion of Council.

While reserves may be established for any municipal purpose, the following listing provides the most common uses:

2.1.1.1 Reserve for working funds

In most municipalities, expenditures are often incurred before taxes, grants, and other revenues become available. This timing difference can create cash flow issues.

To address this, municipalities can obtain short-term loans, but this approach incurs interest charges. In order to reduce reliance on short-term borrowing, a working fund reserve is often employed as a financial management technique.

2.1.1.2 Reserve for stabilization

A stabilization reserve is established to mitigate the impacts of unforeseen increases in expenditures or decreases in revenue. The funds are used to offset potential tax rate increases due to temporary economic conditions or other unforeseen circumstances. They may also be used to mitigate water and wastewater revenue fluctuations due to weather conditions (e.g. a year that experiences high precipitation may reduce water billings due to a reduction in outdoor usage). By maintaining a stabilization reserve, municipalities can continue to deliver existing services without imposing significant tax and/or rate increases on residents.



2.1.1.3 *Reserve for contingencies*

A contingency reserve can also be established in anticipation of unknown expenditures or potential liabilities, such as damage claims or shortfalls in forecast operating revenues. Without contingency reserves, an unforeseen event could lead to significant tax or rate increases or an increased reliance on debt.

2.1.1.4 *Reserve for equipment replacement*

Major items of equipment, such as fire vehicles, require replacement on a recurring basis. A reserve can be established to set aside funds for future equipment replacement. This type of reserve eliminates the need to levy the full cost of the equipment in the year of acquisition, thereby reducing year-to-year fluctuations in the tax levy and minimizing the need for short-term or long-term debt.

2.1.2 **Reserve Funds**

Reserve funds are similar to reserves in that they set aside monies for future expenditure. However, reserve funds are normally created by statutory authority or through a municipal by-law and are restricted to specific uses.

The two types of reserve funds are described in more detail below: **obligatory reserve funds** and **discretionary reserve funds**.

2.1.2.1 *Obligatory Reserve Funds*

Obligatory reserve funds shall be created whenever a statute requires revenue received for special purposes to be segregated from the general revenues of the municipality.

Examples include:

- Monies received as development charges as set out under Sections 33 to 37 of the *Development Charges Act*;
- Monies received as community benefits charges as set out under Sections 37 of the *Planning Act*;
- Monies received in lieu of land for park purposes as set out under Sections 42, 51, and 53 of the *Planning Act*;
- Monies received from special charges to provide additional sewer or water supply;



- Contributions received in consideration of expenses incurred or to be incurred as the result of a proposed subdivision;
- Funds received from the Canada Community-Building Fund Agreements;
- Currency exchange premiums received on debentures expressed in a foreign currency as set out in the *Municipal Act*;

Obligatory reserve funds are to be used solely for the purpose prescribed to them by statute.

2.1.2.2 *Discretionary Reserve Funds*

Discretionary reserve funds are created by by-law under the *Municipal Act*. These funds are established whenever a municipal Council wishes to earmark revenues to finance a future expenditure and set aside a certain portion of any year's revenues so that the funds are available as required.

Discretionary reserve funds may be used for a number of different purposes, including (but not limited to):

- Major capital projects (e.g. facilities, rolling stock, roads, watermains, sewers, etc.);
- Future expenditures for land acquisition;
- Industrial promotion;
- Insurance claims; and
- Future sick leave commitments.

There are two major advantages to discretionary reserve funds:

- **Stabilization of Tax Levy:** Similar to a reserve, they help to stabilize the general municipal tax levy requirements. In a year when a large amount of revenue is required to finance capital projects, a previously established discretionary reserve fund can enable a municipality to spend money without affecting the general municipal levy or the need to incur debt.
- **Investment Income:** The assets of the reserve fund may be specifically directed to be invested to earn additional income, thus helping to reduce the amount of money to be set aside.



2.2 Types of Reserves / Reserve Funds

The previous section summarized the differences between a Reserve and a Reserve Fund. R.R.F.s can be further categorized into four types:

- Operating
- Capital
- Working Funds
- Statutory

2.2.1 *Operating Reserves / Reserve Funds*

Operating R.R.F.s are generally discretionary and may or may not be established by by-law. These reserves are primarily used to manage fluctuations in operating expenditures and revenues, including those arising from cyclical activities or unexpected costs. The following subsections provide examples of operating R.R.F.s:

2.2.1.1 *Financial Stabilization*

These types of R.R.F.s are utilized to offset revenue shortfalls within a given year. They are commonly associated with building permits to mitigate reduced revenues as a result of low levels of building activity, winter maintenance to provide funding in case of an unexpected heavy snowfall, and other R.R.F.s to mitigate unforeseen circumstances.

2.2.1.2 *Insurance*

An insurance reserve is typically established to cover the cost of insurance claims and deductibles. This reserve may also be used to bridge the impacts of significant premium increases. As the magnitude and timing of claims are often indeterminable, municipalities should set aside annual amounts during the budget process to assist in years that experience a larger number of claims.

2.2.1.3 *Other Programs and Contingencies*

Municipalities may consider establishing other types of operating R.R.F.s for cyclical or unexpected expenditures. These could include election reserves to fund municipal elections held every four years, legal reserves to offset lawyer and court fees, and general contingency reserves set aside for emergency situations (e.g. floods, tornadoes, etc.).



2.2.2 Capital Reserves / Reserve Funds

Capital R.R.F.s are established to assist in financing all, or part of the cost of construction, reconstruction, or acquisitions of facilities, equipment, and land. Capital reserve policies are generally developed as part of a Long-Term Financial Plan, a Master Plan, or part of an Asset Management Plan. These funds assist in reducing the overall impact to tax rates or user fees and limit the need for debt financing.

Capital R.R.F.s can be utilized for general capital requirements (e.g. facilities) or for specific projects (e.g. a skate park or community centre). Additionally, this type of R.R.F. typically includes lifecycle replacement to address the ongoing replacement and maintenance of capital assets over their useful life. In a municipal finance setting, this R.R.F. establishes a basis for planning for the long-term replacement of capital assets.

Examples of Capital R.R.F.s include, but are not limited to:

- Equipment Replacement
- Asset Management
- Facilities
- Water Infrastructure
- Wastewater Infrastructure

2.2.3 Working Funds

Working funds are established to provide cash flow for operations to eliminate the need for short-term borrowing to meet immediate obligations. For example, if a municipality does not collect the first installment of taxes until April 30th, expenditures are still being incurred during the months of January to March. Therefore, the working funds provide assistance with the required expenditures for the first four months, until the taxation revenue is received in April.

Although municipalities can short-term borrow to cover these expenditures, doing so would add interest costs to the municipality's budget.

2.2.4 Statutory Reserve Funds

Statutory reserve funds are established through legislation and are classified as obligatory reserve funds. Examples of these reserve funds are created through the following:



- *Development Charges Act*;
- *Planning Act* (Cash-in-Lieu of Parkland, Cash-in-Lieu of Parking);
- *Building Code Act*; and
- Federal / Provincial Transfer Payments (Canada Community-Building Fund).

These reserve funds must be separated from other reserve fund accounts and can only be used for the specific purposes as outlined in their respective legislation or regulations.

2.3 Reserves and Reserve Funds in Ontario

As stated in the preceding section, municipalities in Ontario have the ability to establish R.R.F.s for a variety of purposes and goals. These R.R.F.s can be intended for roads, water, wastewater, parks, transit, protection services, libraries, insurance, parking, health, or any other service that falls within the sphere of jurisdiction for a municipality.

To demonstrate the use of R.R.F.s within Ontario, the following figure (Figure 1) has been extracted from the 2022 Financial Information Return (F.I.R.) data and provides an overview of all reported reserves and reserve fund balances for various purposes. As can be seen, Obligatory Reserve Funds are a distinct category. However, as presented, Discretionary Reserve Funds and Reserves are often used interchangeably for many services and purposes. The key difference is that Discretionary Reserve Funds are established through a by-law.



Figure 1
Summary of Reserves and Reserve Funds for Ontario Municipalities – 2022

FIR2022: PROVINCIAL SUMMARY		Schedule 60		
CONTINUITY OF RESERVES AND RESERVE FUNDS				
for the year ended December 31, 2022				
		Obligatory Res. Funds, Deferred Rev.	Discretionary Res. Funds	Reserves
		1	2	3
		\$	\$	\$
Totals in line 2099 are analysed as follows:				
5010	Working funds		446,969,765	1,216,637,034
5020	Contingencies		309,130,106	670,081,095
Asset Replacement funds for: Sewer & Water				
5030	Sewer		733,532,246	443,402,975
5040	Water		353,217,691	624,831,314
5050	Replacement of equipment		382,549,658	1,281,520,864
5060	Sick leave		136,636,440	232,482,853
5070	Insurance		295,731,643	67,068,617
5080	Workplace Safety and Insurance Board (WSIB)		312,128,341	125,219,878
5090	Post-employment benefits		807,694,983	116,153,717
5091	Tax rate stabilization		655,671,138	2,215,293,259
5630	Lot Levies		78,236,065	127,043
5660	Parking revenues		35,220,636	2,707,154
5670	Debtenture repayment		1,484,903,619	219,203,216
5680	Exchange rate stabilization		0	0
Per Service Purpose:				
5205	General government		2,766,013,471	1,188,156,393
5210	Protection services		171,568,315	318,762,004
Transportation services:				
5215	Roadways		1,482,088,562	1,211,012,294
5216	Winter Control		20,746,135	91,036,187
5220	Transit		348,215,254	160,541,897
5221	Parking		64,288,834	15,307,961
5222	Street Lighting		3,139,534	8,639,483
5223	Air transportation		8,411,172	20,031,226
Environmental services:				
5225	Wastewater system		1,906,096,527	686,190,248
5230	Storm water system		296,807,089	113,012,101
5235	Waterworks system		2,050,003,703	813,315,223
5240	Solid Waste collection		70,203,101	21,021,717
5245	Solid Waste disposal		403,809,371	366,544,660
5246	Waste Diversion		139,651,509	143,935,676
5250	Health services		184,351,456	136,606,528
5255	Social and family services		200,245,852	261,351,852
5260	Social housing		922,636,757	486,733,706
Recreation and cultural services:				
5265	Parks		103,095,444	99,406,612
5266	Recreation programs		3,070,372	14,595,488
5271	Recreation facilities - Golf Course, Marina, Ski Hill		5,655,678	31,353,505
5274	Recreation facilities - All Other		146,468,845	242,292,936
5275	Libraries		71,179,723	73,290,620
5276	Museums		12,150,288	13,276,008
5277	Cultural services		43,156,756	38,594,191
5280	Planning and development		673,074,398	331,098,118
5290	Other		1,270,280,738	1,671,859,952
Obligatory Deferred Revenue:				
5635	Development Charges (61 0299 14)		10,306,228,529	
5636	Development Charge Installments Receivable (Uncollected) (61 0299 13)		362,387,441	
5640	Subdivider contributions		198,805,189	
5650	Recreational land (the Planning Act)		2,492,047,261	
5655	Community Benefit Charges		28,331,345	
5661	Building Code Act, 1992 (Section 2.23)		584,940,009	
5690	Gasoline Tax - Province		208,138,872	
5691	Gasoline Tax - Federal		1,774,515,871	
5692	Canada Transit Funding (Bill C-48)		0	
5693	Building Canada Fund (BCF)		39,452,719	
5695	Other		428,017,340	
5696	Other		106,472,037	
5697	Other		147,005,118	
5698	Other		51,312,388	
5699	Other		(9,141,438)	
9930				
TOTAL			16,718,512,681	15,772,695,605



Based on Figure 1, municipalities in Ontario have a combined R.R.F. balance of \$51.9 billion, of which \$16.7 billion is related to statutory or obligatory requirements.

2.4 Collingwood's Current Reserves and Reserve Funds

The Town of Collingwood currently has 62 R.R.F.s. These R.R.F.s have been established either by by-law, Council resolution, or by allocation through the budgeting process.

As of December 31, 2024, the combined balance of the Town's obligatory reserve funds, discretionary reserve funds, and discretionary reserves is \$116.7 million. Out of which, \$43.7 million are obligatory reserve funds, \$66.6 million are discretionary reserve funds, and \$6.4 million are discretionary reserves.

The Town's R.R.F.s have been categorized into the four primary types: operating, capital, working funds, and statutory. Figure 3 provides a summary of the Town's current R.R.F.s, allocated by type and category. Note that all Development Charges related reserve funds have been grouped into Development Charges Reserve Funds.



Figure 3

Summary of the Town's Reserves and Reserve Funds – by Type and Category

Type	Name	Category	Closing Balance December 31, 2024
Obligatory Reserve Fund	Building Dept. Stabilization Reserve	Statutory	1,402,615
Obligatory Reserve Fund	Development Charges Reserve Funds	Statutory	34,629,259
Obligatory Reserve Fund	Federal Gas Tax	Statutory	4,627,049
Obligatory Reserve Fund	OCIF	Statutory	1,623,891
Obligatory Reserve Fund	Parkland Levy - Cash in Lieu	Statutory	1,344,177
Obligatory Reserve Fund	Parkland Reserve Fund	Statutory	60,000
Subtotal - Obligatory Reserve Funds			43,686,991
Discretionary Reserve Fund	Working Capital Reserve Fund	Working Funds	2,021,386
Discretionary Reserve Fund	Heritage Reserve Fund	Operating	72,681
Discretionary Reserve Fund	Asset Sale Proceeds Reserve Fund	Capital	(1,389)
Discretionary Reserve Fund	Commuter Cycling	Capital	45,573
Discretionary Reserve Fund	CW Arts & Culture Legacy RF	Capital	1,324,676
Discretionary Reserve Fund	CW Greening Legacy RF	Capital	1,082,513
Discretionary Reserve Fund	Greening Reserve Fund	Capital	977
Discretionary Reserve Fund	Hospital Redevelopment RF	Capital	3,999,686
Discretionary Reserve Fund	Land Acquisition Reserve Fund	Capital	1,084,553
Discretionary Reserve Fund	Lifecycle Replacement Reserve Fund	Capital	7,382,470
Discretionary Reserve Fund	Main Street Revitalization	Capital	3,291
Discretionary Reserve Fund	Modernization	Capital	127,302
Discretionary Reserve Fund	Multi Use Facility Reserve Fund	Capital	3,247,359
Discretionary Reserve Fund	Municipal Parking Reserve Fund	Capital	2,427,161
Discretionary Reserve Fund	Non DC Growth Related Reserve Fund	Capital	-
Discretionary Reserve Fund	Social Housing - Birch St. Apts	Capital	100,599
Discretionary Reserve Fund	Special Capital Levy	Capital	3,169,553
Discretionary Reserve Fund	Wastewater Reserve Fund	Capital	19,730,770
Discretionary Reserve Fund	Water Reserve Fund	Capital	15,521,361
Discretionary Reserve Fund	Waterfront Master Plan	Capital	5,294,767
Subtotal - Discretionary Reserve Funds			66,635,288
Discretionary Reserve	2012-13 Ontario Winter Games Busary	Operating	118,665
Discretionary Reserve	Accessibility Committee	Operating	30,000
Discretionary Reserve	Affordable Housing	Operating	921,862
Discretionary Reserve	BIA	Operating	241,968
Discretionary Reserve	Employee Future Benefits	Operating	-
Discretionary Reserve	General	Operating	2,331,901
Discretionary Reserve	Library General	Operating	43,903
Discretionary Reserve	Mayors Golf	Operating	32,983
Discretionary Reserve	Municipal Election	Operating	99,866
Discretionary Reserve	Operating Contingency	Operating	396,000
Discretionary Reserve	Paralympic Bursary	Operating	30,489
Discretionary Reserve	Winter Control	Operating	350,727
Discretionary Reserve	WSIB	Operating	300,000
Discretionary Reserve	Airport	Capital	138,308
Discretionary Reserve	Balsam Debenture	Capital	(1)
Discretionary Reserve	Cultural Reserve Fund	Capital	8,190
Discretionary Reserve	Library Capital	Capital	779
Discretionary Reserve	Library Internet	Capital	10,241
Discretionary Reserve	Public Art	Capital	6,059
Discretionary Reserve	Public Works	Capital	(147,869)
Discretionary Reserve	Reserve - Capital Contingency	Capital	1,500,000
Subtotal - Discretionary Reserves			6,414,068
Total			116,736,346



Chapter 3

Reserve and Reserve Fund Principles



3. Reserve and Reserve Fund Principles

3.1 Setting the Framework and Policy

The development of policies for reserves and discretionary reserve funds is based in part on the preferences of the municipality and the objective the reserve or reserve fund is meant to achieve. Generally, the creation of a reserve or discretionary reserve fund shall address several key matters, such as:

- Objective of the fund
- Rules regarding usage
- Source of funding
- Funding targets

With regards to obligatory reserve funds, the objectives and policies are determined through their respective legislation and regulations.

As described in the previous section, R.R.F.s can be a useful financial planning tool when combined with a comprehensive analysis of future financial needs and obligations. However, historical research provides that a level of oversight, evaluation and communication to the public is generally warranted to validate municipal policy. Based on the foregoing, the following questions and considerations may be considered as part of developing reserve policy:

- Has the financial need or purpose served by the reserve been identified?
- Does the reserve fit within or complement the long range financial or capital plans of our locality?
- Has a written reserve fund plan or policy been developed?
- What events and obligations are the municipality planning for? i.e. Is cash being accumulated for the purchase of a major piece of equipment or to help finance other major capital outlays?
- Is cash being sequestered to help mitigate the impact of other large, nonrecurring expenditures?
- Are there risks that need to be protected against?
- Does the municipality's policy address how to replenish depleted reserve balances, as appropriate?
- Is the Council provided with periodic financial reports on reserve fund activity?



- Are reserve balances at an appropriate level?
- Has the Council reviewed all reserve funds currently established and determined if the balances are necessary and reasonable?
- Is there a limit on the dollar amount to be accumulated?
- Is the reserve serving the purpose for which it was established?
- Are the best interests of the taxpayers being met?

Based on the questions presented above, it is important to have policies that outline the overall approach and management of reserves and reserve funds. As well, specific policies, rules, and target levels can be set for individual R.R.F.s.

The Town currently has an existing framework for the broader R.R.F. Policy. Through discussions with staff, the review of these policies is not part of the study undertaking and is proposed to continue. Details of the existing policy are outlined in Section 3.2 below.

3.2 Existing Broader R.R.F. Policy

The “Reserve and Reserve Fund Management Policy” document (FIN-004-04) establishes the Town’s broader policy framework, which serves as the foundation for all individual R.R.F. policies. This framework addresses the following key components:

- Policy Statement
- Application
- Purpose
- Definitions
- Description
 - Philosophy for Reserves and Reserve Funds
 - Objectives of Reserve and Reserve Funds
- Standard of Care
 - Delegation of Authority
 - Management of Reserves and Reserve Funds
 - Reporting Requirements
 - Responsibilities

The following outlines the Town’s current broader policy framework as outlined in the “Reserve and Reserve Fund Management Policy” document:



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.

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.

Definitions

Corporation: Refers to the Corporation of the Town of Collingwood.

Debt: 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.

Development Charges: 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.

Discretionary Reserve Funds: 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.



Obligatory Reserve Fund: 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).

Reserve: 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.

Reserve Funds: 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.

Surplus Management Policy: A policy approved by Council that directs the allocation of any operating surpluses on an annual basis.

- Transfer to Capital Contingency Reserve, General Reserve, Operating Contingency Reserve and the Working Capital Reserve Fund sufficient funds to maintain their target balances.
- Transfer 10% of the remaining surplus to reduce the outstanding balance of internal loans.
- Transfer 60% of the remaining surplus to the Lifecycle Replacement Reserve Fund.
- Transfer 10% of the remaining surplus to the 10% Non DC Growth Reserve Fund.
- 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.

Description

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:

- Replace or rehabilitate major Corporate assets as required.
- Provide for future liabilities.
- Provide a source of contingency funding for one time and unforeseeable events beyond the control of the Municipality.
- 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.

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 of document FIN-004-04 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 of document FIN-004-04 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 a proportion of the amount needed to fund the renewal 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 of document FIN-004-04 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:

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

Standard of Care

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

Delegation of Authority

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

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.

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.

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.



Chapter 4

Reserve and Reserve Fund Policies



4. Drafting Specific Reserves and Reserve Fund Policies

4.1 Components of Specific Policy Development

The establishment of a broader policy framework allows the Town to have policies for R.R.F.s that outline, at a general level, the overall approach and management of the reserves and reserve funds. Using those concepts, this chapter will focus on the development of specific policies, rules, target levels and other details for individual R.R.F.s.

To establish policies related to specific reserves and reserve funds, the components for each R.R.F. should describe the following:

- Purpose & Objective
- Legislative Reference (if required)
- Reserve and Reserve Fund Management
 - Revenue Sources
 - Eligible Expenditures
 - Minimum / Maximum Target Levels
 - Permitted Borrowing

To develop these policies, detailed meetings with staff were undertaken throughout this study process. Each R.R.F. was examined based on the components outlined above, leading to the creation of new policies for both obligatory and discretionary reserves and reserve funds.

A benchmarking exercise was also undertaken to examine how Collingwood's comparable municipalities handle their respective R.R.F. policies. These samples assisted in providing insight as to how to develop the Town's R.R.F. policies. The findings of the benchmarking for specific R.R.F. are provided as examples in the following sections.

The following sections provide the drafted policies for specific R.R.F.s. It is recommended that the policies within this chapter replace any existing policies that may be encased in an existing by-law.



4.2 Obligatory Reserve Fund Policies

The Town of Collingwood currently has 21 obligatory reserve funds as identified by staff, each governed by specific legislative requirements. The Town's obligatory reserve funds are as follows:

- Development Charges
 - Administration
 - Airport
 - By-Law Services
 - Fire Protection
 - Indoor Recreation Services
 - Library
 - Municipal Parking
 - Outdoor Recreation Services
 - Police Protection
 - Roads and Related
 - Transit
 - Wastewater
 - Wastewater Treatment Plant
 - Water
 - Water Treatment Plant
 - BAC Watershed & Special Policy Area
- Parkland Levy - Cash in Lieu
- OCIF Formula Based
- Federal Gas Tax
- Parkland Reserve Fund
- Building Department Stabilization Reserve

Detailed discussions were undertaken with staff to assess the use and adequacy of each current obligatory reserve fund. Considerations were given to whether each reserve fund was achieving its intended purpose or if some changes were required for the funds to meet the Town's future financial needs.

In developing appropriate policies for the obligatory reserve funds, a comparative review was conducted using reserve fund policies from comparable municipalities. The



following figure provides an overview of policies related to selected obligatory reserve funds.

Figure 4
Survey of Select Obligatory Reserve Fund Policies

Development Charges Reserve Fund				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Township of Ramara	Development Charges Reserve Fund	To provide funding for capital expansion related to growth.	Collected from developers in accordance with the Development Charges Act, as enacted via By-law.	N/A
The City of Waterloo	Consolidated Development Charges Reserve Funds	The Development Charges (DC) Reserve Funds provide financing for growth related projects undertaken by the City as detailed in the DC Background Study and By-law. The DC Reserve Funds include 860039-Fleet & Public Works, 860040-DC Roads, 860041-DC Water & Sewer, 860042-DC Stormwater, 860043-DC Parks & Indoor Rec, 860045-DC Library, 860047-DC Fire, and 860048-DC Studies.	DC legislation took effect in 1991. A charge is imposed and collected prior to the issuance of a building permit on new development and redevelopment that will result in the demand for engineered and general services.	The Reserve Funds balances should cover projected expenditures and debt charges in the current approved DC Background Study and By-law.
Town of Parry Sound	Development Charges Reserve Fund	To provide funding for capital expansion related to growth.	Collected from developers in accordance with the Development Charges Act, as enacted via By-law.	N/A
Township of Georgian Bay	Development Charges Reserve Fund	Fund growth related capital in accordance with the Development Charges Act.	Collections of Development Charges from developers.	Not required.
Township of West Lincoln	Development Charges Reserve Fund	Provides financing for growth related projects undertaken by the Township as detailed in the Development Charges Background Study and By-law.	A charge is imposed and collected prior to the issuance of a bulding permit on new development and redevelopment that will result in the demand for hard and soft services.	N/A



Building Department Stabilization Reserve Fund				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Town of The Blue Mountains	Building Division Rate Stabilization Reserve Fund	This Reserve Fund will be used to fund annual capital purchases as well as fund any operating budget deficits on an annual basis. The Building Division is 100% user-fee funded and in years where sufficient user-fees are not collected to fund the annual operations the Reserve Fund will be used to offset this deficit.	Funds will be received either from an annual contribution established through the annual operating budget or in years where the Building Division has an annual surplus.	A Council approved target level for the Building Division Rate Stabilization Reserve Fund balance is to maintain a minimum equal to 12 months of projected operating expenses, to mitigate the sharp cyclical drops experienced, or when the economy is in a recessionary period, and to protect against low building permit activity. The maximum target level for this Reserve Fund will be equal to 125% of the annual building permit revenue generated.
The City of Waterloo	Building Permit Reserve Fund	The Building Code Act states that the fees collected are to be used to administer the Act; surpluses cannot be used to fund general City expenditures, and deficits should be funded from a Reserve Fund and not from the City funds. For this reason, the Building Permit Reserve Fund was established for the Building Standards division to provide for capital expenditures and revenue stabilization, as building permit activity is highly cyclical.	Revenues to the Building Permit Reserve Fund are surpluses from Building Permits. Contributions and balances associated with building permits should be reviewed every 5 years.	The Building Reserve Fund aims to maintain a target balance equal to 18 months of projected operating expenses to mitigate the sharp cyclical drops experienced or for when the economy faces a recessionary period, as well as to protect against building activity downturns. The reserve fund should not drop below a minimum of 12 months of projected operating expenses.
Town of Whitby	Building Permit Reserve Fund	The Town maintains a Building Permit Reserve Fund to accumulate building code enforcement related surpluses to fund and manage building code service delivery responsibilities.	From annual building code revenue surplus.	A maximum of 2.07 times the annual total building code costs (i.e. direct, indirect and capital costs).
Town of Pelham	Building Code Act	To offset the cost of administration and enforcement of the Building Code when fee revenues are less than costs of delivering building services.	Year-end building department surplus transferred to the reserve.	Target balance based on two years of projected Building Department operating expenditures, given the risk and unpredictable timing of development.
Township of West Lincoln	Building Code Act	Statutory under Building Code Act to offset the cost of administration and enforcement of the Building Code when fee revenues are less than costs of delivering building services.	Year end surpluses from Building Department.	Target balance based on 12 months of projected Building Dept. operating expenditures.

Canada Community-Building Fund (CCBF) Reserve Fund				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Town of Gravenhurst	Gas Tax Revenue Reserve Fund	Fund capital investment in infrastructure and initiatives that enhance sustainability outcomes in accordance with the New Deal for Cities and Communities agreement	Federal Government through the Gas Tax agreement administered by AMO	N/A
Town of Whitby	Federal Gas Tax Reserve Fund	The purpose of the reserve fund is to provide a funding source for the eligible municipal infrastructure as identified in the Municipal Funding Agreement for the Transfer of Federal Gas Tax Funds (the Agreement).	1. Transfers of Funds made from the Association of Municipalities Ontario (AMO) on behalf of the Federal Government as per the schedule of payout funds in the Agreement. 2. The annual interest allocated by Treasury to this reserve fund. 3. If applicable, investment income earned.	1. At minimum, the reserve fund cannot go below \$0.00. 2. At maximum, the reserve cannot exceed five years of allocations under the Agreement.
Township of Georgian Bay	Federal Gas Tax	Fund capital infrastructure projects that qualify under the Federal Gas Tax Program	Federal Government through Gas Tax agreement administered by AMO	N/A
Town of Bracebridge	Canada Community Building Fund	To fund a broad range of infrastructure, including local roads and bridges, public transit, capacity building projects, brownfield redevelopment projects, sport infrastructure, recreational infrastructure, and tourism infrastructure.	Annual allocations prescribed through a multi-year Municipal Funding Agreement with the Association of Municipalities of Ontario (AMO).	N/A - objective is to deploy these funds on eligible projects as quickly as possible to mitigate the levy requirement.
Township of Seguin	Gas Tax	Limited to funding expenditures as dictated by the Federal Gas Tax Program. Federal fund to assist municipalities with capital projects that will reduce greenhouse gas emissions.	Annual Gas Tax Funding, as set by federal government Investment Income	N/A



Using the benchmarking information as a guide, policies were developed for the Town's obligatory reserve funds that are consistent with their respective legislative requirements and best practices. The general policy components for these obligatory reserve funds include the following key elements:

- Purpose:
 - Funds must be used solely for their legislated or designated purpose (e.g. Cash-in-Lieu of Parkland is for acquisition of parkland or other park-related expenditures).
- Source of Funding:
 - Funding is generally collected from fees or charges imposed on development or through specific programs, such as the Canada Community-Building Fund or the *Aggregate Resources Act*.
- Target Balances:
 - The target balances should equal the budgeted or forecasted expenditure amounts.
 - The minimum balances typically should not fall below \$0.

Based on this analysis, the Town's R.R.F. structure was categorized as follows, as detailed in the subsequent subsections:

- Reserve funds proposed to be continued;
- Reserve funds proposed to be modified and combined;
- Reserve funds proposed to be reclassified; and
- Reserve funds proposed to be terminated / closed.

4.2.1 Reserve Funds Proposed to be Continued

The following are the Town's obligatory reserve funds that are proposed to continue, with updates to the naming of the reserve funds if required:

- Development Charges Reserve Funds
 - Administration D.C. Reserve Fund
 - By-Law Services D.C. Reserve Fund
 - Fire Protection D.C. Reserve Fund
 - Library D.C. Reserve Fund
 - Roads and Related D.C. Reserve Fund
 - Transit D.C. Reserve Fund



- Wastewater D.C. Reserve Fund
- Wastewater Treatment Plant D.C. Reserve Fund
- Water D.C. Reserve Fund
- Water Treatment Plant D.C. Reserve Fund
- Ontario Community Infrastructure Fund (OCIF) Reserve Fund
- Canada Community-Building Fund (CCBF) Reserve Fund
- Building Department Stabilization Reserve Fund

Through detailed discussions with staff, the policies for the above reserve funds were developed through an examination of how each of the funds was utilized based on the Town's current and future practices.

For all reserve funds related to development charges, it is proposed to have a single policy that is applied to all applicable D.C. services. It is noted that there are three D.C. reserve funds that are no longer proposed to be continued, which are Airport Reserve Fund, BAC Watershed & Special Policy Area Reserve Fund, and Police Protection Reserve Fund. This is further discussed in Section 4.2.3 of the report.

The following summarizes the policies related to the reserve funds that are to be continued:



Figure 5

Town of Collingwood’s Obligatory Reserve Funds Proposed to be Continued

Suggested Name	Purpose - Proposed	Source of Funding - Proposed	Suggested Practice: Target Balance	Suggested Practice: Target Balance (Maximum)	Borrowing
Development Charges Reserve Fund	The Development Charge Reserve Funds are obligatory reserve funds that provide financing for growth-related capital projects required to meet the increased demand for services arising from new development. The funds ensure that the costs of growth are recovered in accordance with the municipality's Development Charges Background Study and by-law. Each reserve fund is a legislative requirement of the <i>Development Charges Act, 1997</i> .	Each reserve fund is funded through the collection of development charges imposed on new development under the authority of the <i>Development Charges Act, 1997</i> . These charges are collected at the time of building permit issuance or other trigger points defined in the by-law.	Individual reserve funds may fall below \$0, while the sum of all D.C. reserve fund balances should not fall below \$0.	The sum of all reserve fund balances should not exceed the estimated funding required to complete anticipated growth-related capital projects within the forecast period, as outlined in the Development Charges Background Study.	Inter-fund borrowing, as allowed under the Act, should be limited to amounts under \$1 million to ensure that the Town has sufficient flexibility to complete the capital projects contemplated in the DC Background Study.
Ontario Community Infrastructure Fund (OCIF) Formula Based Reserve Fund	The Ontario Community Infrastructure Fund (OCIF) Formula Based Reserve Fund is an obligatory reserve fund used to track receipts and disbursements of funds in accordance with the terms of the Ontario Community Infrastructure Fund (OCIF) Formula-Based Component Agreement.	The reserve fund is funded exclusively through transfers received under the Ontario Community Infrastructure Fund (OCIF) Formula-Based Component Agreement. These transfers are made annually by the Province of Ontario in accordance with the terms and conditions set out in the Agreement.	The balance should not fall below \$0.	The balance should not exceed the cumulative value of five years of OCIF allocations, in compliance with the Agreement requirement that all funds must be spent within five years of receipt.	Borrowing is not permitted, prescribed use only.
Canada Community-Building Fund (CCBF) Reserve Fund	The Canada Community-Building Fund (CCBF) Reserve Fund is a permanent source of federal funding for local infrastructure. Funds are provided to communities up front and can be strategically invested across 18 project categories to address local priorities.	Association of Municipalities Ontario (AMO) on behalf of the Federal Government per a Municipal Funding Agreement which requires the funds be deposited in a dedicated reserve fund.	The balance should not drop below \$0 and should be monitored regularly to make best use of the opportunity available to the Town.	Per the Municipal Funding Agreement, funds must be expended within five years after the end of the year in which funds were received. Therefore, the maximum balance should be equal to the total contributions over a five year period.	Borrowing is not permitted, prescribed use only.
Building Department Stabilization Reserve Fund	The Building Department Stabilization Reserve Fund is an obligatory reserve fund is 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. This reserve fund is a legislative requirement of the <i>Building Code Act, 1992</i> .	Annual operating surpluses of the Building Department, after accounting for all direct and indirect operating costs and future capital requirements, should be transferred into the reserve fund.	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.	The balance should not exceed the equivalent of 36 months of projected Building Department operating expenditures. This cap ensures that building permit fees collected do not accumulate beyond what is reasonably required to manage risks, while continuing to uphold the principle of cost recovery and self-sufficiency under Bill 124.	Borrowing is not permitted, prescribed use only.

4.2.2 Reserve Funds Proposed to be Modified and Combined

Through discussions with Town staff, it was noted that the Town currently has reserve funds that serve a similar purpose. As part of this review, it is recommended that the following reserve funds be consolidated:



Figure 6

Town of Collingwood's Obligatory Reserve Funds Proposed to be Combined

Proposed to be Combined	Combined Reserve Fund Title
Indoor Recreation Services	Parks and Recreation Services D.C. Reserve Fund
Outdoor Recreation Services	
Parkland Levy - Cash in Lieu	Parkland Levy - Cash in Lieu Reserve Fund
Parkland Reserve Fund	

It is proposed that Indoor Recreation Services and Outdoor Recreation Services be combined into a single Parks and Recreation Services D.C. Reserve Fund, and follow the proposed policy for Development Charges Reserve Funds outlined in Section 4.2.3.

Based on recommendations from the finance staff, it is proposed that the Parkland Levy – Cash in Lieu and Parkland Reserve Fund be consolidated into a single Parkland Levy – Cash in Lieu Reserve Fund. The policies surrounding this reserve fund are summarized as follows:

- Purpose
 - The Parkland Levy - Cash in Lieu Reserve Fund is an obligatory reserve fund created 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. This reserve fund is a legislative requirement of the *Planning Act*.
- Source of Funding
 - The *Planning Act* provides municipalities the authority to request the conveyance of land for parks at a rate of 5% for residential development and 2% of industrial and commercial development.
- Suggested Target Balance (Minimum)
 - The balance should not fall below \$0.
- Suggested Target Balance (Max.)
 - The funding level should be sufficient to purchase and develop new parkland opportunities and to provide funding for the upgrade of parks/facilities in new areas and areas undergoing intensification, as required. The targets should reflect the requirements of the Town's Asset Management Plan, Official Plan, and any other relevant planning documents.



- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

4.2.3 Reserve Funds Proposed to be Terminated / Closed

Through this evaluation process, it was observed that certain reserve funds currently maintained by the Town have either fulfilled their intended purpose or are no longer required. Therefore, it is recommended that the following reserve funds be closed:

- Airport Reserve Fund: This is a D.C. reserve fund that is no longer needed. The balance has been zero over the last five years.
- BAC Watershed & Special Policy Area Reserve Fund: This is a D.C. reserve fund that is no longer needed. The balance has been zero over the last five years.
- Police Protection Reserve Fund: This is a D.C. reserve fund that is no longer needed, as the Town's 2024 D.C. By-law discontinued the collection of D.C.s for Police Services. As of Dec. 31, 2024, the Police Protection Reserve Fund has an estimated balance of \$507,000. Given that there are no outstanding commitments for the Police Protection Reserve Fund, it is recommended that the Town transfer the remaining balance to the Fire Protection D.C. Reserve Fund, as both reserve funds support comparable protection-related services.

4.2.4 Reserve Funds Proposed to be Reclassified

Under the *Development Charges Act*, municipal parking is no longer considered an eligible service for development charge funding. As a result, the existing Municipal Parking D.C. reserve fund, which was previously categorized as an obligatory reserve fund, is proposed to be reclassified as a discretionary reserve fund. This change ensures compliance with current legislative requirements while allowing the Town to continue setting aside funds to support future municipal parking initiatives. The detailed policy for this reserve fund is provided in Section 4.3.2 of this report.

4.3 Discretionary Reserves and Reserve Funds

With respect to discretionary R.R.F.s, the Town currently has 41 reserves and reserve funds that are related to operating, capital, or working funds. A breakdown of these funds is presented below:

Operating:



- Reserve - Operating Contingency
- Heritage Reserve Fund
- Reserve - Accessibility Committee
- Reserve - Employee Future Benefits
- Reserve - General
- Reserve - Mayor's Golf
- Reserve - Municipal Election
- Reserve - Winter Control
- Reserve - WSIB
- Paralympic Bursary
- 2012-13 Ontario Winter Games Bursary
- Reserve - Affordable Housing
- Reserve - BIA
- Reserve - Library General
- Water Reserve Fund
- Wastewater Reserve Fund

Capital:

- Non-DC Growth Related Reserve Fund
- Land Acquisition Reserve Fund
- Lifecycle Replacement Reserve Fund
- Municipal Parking Reserve Fund
- Waterfront Master Plan
- Balsam Debenture
- Reserve - Capital Contingency
- Reserve - Public Works
- Reserve - Public Art
- Modernization
- Special Capital Levy
- Multi-Use Facility Reserve Fund
- Hospital Redevelopment RF
- Social Housing - Birch St. Apts
- Reserve - Airport
- Asset Sale Proceeds Reserve Fund



- Reserve - Library Capital
- CW Greening Legacy RF
- CW Arts & Culture Legacy RF
- Reserve - Library Internet
- Commuter Cycling
- Main Street Revitalization
- Cultural Reserve Fund
- Greening Reserve Fund

General Working Fund:

- Working Capital Reserve Fund

Similar to the approach taken for obligatory reserve funds, a survey of comparable municipalities was conducted to inform the development of policies for the Town's discretionary R.R.F.s. This benchmarking exercise helped identify common principles, objectives, and best practices, which were used to guide the formulation of the Town's own discretionary R.R.F. policies. A summary of discretionary R.R.F. policies from municipalities with available data is presented below:



Figure 8
Survey of Select Discretionary Reserves and Reserve Fund Policies

Municipal Election Reserve				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Township of Ramara	Election	Budget contributions set aside to help cover the cost of the election every four (4) years.	Budget contributions of 25% of estimated election costs.	Estimated budget cost.
Town of Parry Sound	Municipal Election Reserve	To fund future municipal election costs.	Tax levy.	25% per year of anticipated election costs.
Town of Gravenhurst	Election Reserve	Fund expenditures related to the municipal elections held as per legislation.	Town operating budget contributions approved annually.	Estimated cost of Municipal Election and related costs including potential by-elections.
Township of Georgian Bay	Election	Fund expenditures related to the municipal election held every four years as per legislation.	Annual approved operating budget contribution.	Estimated cost of the municipal elections. (Estimate: \$15,000 annually).
Town of Lincoln	Election Costs Reserve	The Elections Reserve was established to amortize the cost of a municipal election over 4 years, rather than expensing the entire amount in the year of the election.	The Elections Reserve receives an allocation from the operating budget.	Min: The Elections Reserve balance should not drop below zero. Max: The maximum amount is, in the Clerk and Treasurer's opinion, the required amount to undertake an election.
Township of Seguin	Election	Fund the municipal election (held every four years).	Tax revenue.	N/A

Operating Contingency Reserve				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Township of Ramara	Contingencies Reserve	Budget contributions to cover emergency or contingent liabilities that may arise.	Budget contributions.	N/A
The City of Waterloo	General Contingency Reserve	The General Contingency Reserve funds operating expenditure variations that result from cyclical spending. In addition, unanticipated operating opportunities and pressures, and those which are anticipated but for which the timing is undetermined would also be funded from this reserve. The reserve may also be used for strategic, one-time, capital contingency expenditures.	The General Contingency Reserve receives an annual operating budget allocation. In addition, an annual allocation of 10% of gross rent from City Centre leases is transferred to this reserve.	The General Contingency Reserve minimum balance is \$500,000, which is equal to the highest potential charge per incident by the Ministry of Labour under the Occupational Health & Safety Act, Section 66. The target balance of the reserve is 3% of the net tax levy. The maximum balance for the reserve is 4% of the net tax levy. If funding levels reach this maximum, funds would be redirected to the Tax Rate Stabilization Reserve.
Town of Whitby	Contingency Reserves	To provide a source of funding to offset extraordinary and unforeseen expenditures, one-time expenditures or unplanned revenue shortfalls. The Town's Contingency Reserves and Reserve Funds are comprised of the following: General Contingency Reserve, Bad Debt Allowance Reserve, Winter Control Reserve, and Insurance Reserve Fund.	The funding source for this reserve is dependent upon the Disposition of Operating Surplus Policy and the Insurance Reserve Fund Policy.	The target is based on an overall contingency reserve category balance (i.e. the target balance when all of the above contingency reserves and reserve funds are combined). The consolidated target is a minimum of 5% and maximum of 10% of gross expenditures.

Detailed discussions were undertaken with staff to assess the use and adequacy of each current discretionary R.R.F. Considerations were given to whether each R.R.F. was achieving its intended purpose or if some changes are required for the funds to meet the Town's future financial needs.

The resultant R.R.F. structures were categorized as follows:

- R.R.F.s proposed to be continued;
- R.R.F.s proposed to be modified and combined;
- R.R.F.s proposed to be created; and



- R.R.F.s proposed to be terminated / closed.

4.3.1 R.R.F.s Proposed to be Continued

The following are the Town's discretionary R.R.F.s that are proposed to continue, with updates to the naming of the R.R.F.s if required:

- Land Acquisition Reserve Fund
- Water Reserve Fund
- Waterfront Master Plan Reserve Fund
- Wastewater Reserve Fund
- Collingwood Greening Legacy Reserve Fund
- Collingwood Arts & Culture Legacy Reserve Fund
- Multi-Use Facility Reserve Fund
- Hospital Redevelopment Reserve Fund
- Asset Sale Proceeds Reserve Fund
- Heritage Reserve Fund
- Paralympic Bursary
- 2012-13 Ontario Winter Games Bursary
- Accessibility Committee Reserve
- Affordable Housing Reserve
- Airport Reserve
- Business Improvement Area (BIA) Reserve
- Capital Contingency Reserve
- Mayors Golf Reserve
- Municipal Election Reserve
- Operational Asset Replacement Reserve Fund
- Public Art Reserve
- Winter Control Reserve
- Workplace Safety and Insurance Board (WSIB) Reserve

Through detailed discussions with staff, the policies for the above R.R.F.s were developed through an examination of how each of the funds were utilized based on the Town's current and future practices. The following summarizes the policies related to the R.R.F.s that are to be continued:



Figure 9

Town of Collingwood's Discretionary R.R.F.s Proposed to be Continued

Suggested Name	Purpose - Proposed	Source of Funding - Proposed	Suggested Practice: Target Balance (Minimum)	Suggested Practice: Target Balance (Maximum)	Borrowing
Land Acquisition Reserve Fund	The Land Acquisition Reserve Fund is a discretionary reserve fund established 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.	Any funds generated from the sale of municipally owned properties regardless of the nature of the property should 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 should be transferred to the reserve fund.	The balance should not fall below \$0.	The target balance should be maintained at a level sufficient to fund at least one significant strategic land acquisition opportunity, or approximately 1% of the Town's assessment base, whichever is greater.	Borrowing is not permitted, prescribed use only.
Water Reserve Fund	The Water Reserve Fund is established to provide a source of funding for operating and maintenance needs of the Town's water system. The fund supports day-to-day operational requirements, routine maintenance, and repairs of water treatment and distribution systems. It may also be used to address unforeseen operational emergencies or cost fluctuations.	Water Services is a self supporting department fully funded through user fees. Annually, the surplus in the water operating budget will be transferred to this reserve fund.	The balance should not fall below \$0. However, it is recommended that the Water Reserve Fund maintain a minimum target balance of \$2 million to ensure adequate liquidity for operational contingencies and maintenance needs.	No target maximum balance.	Inter-fund borrowing should be limited to the Water and Wastewater Reserve Funds and amounts of \$2 million or under.
Waterfront Master Plan Reserve Fund	The Waterfront Master Plan is a discretionary reserve fund established to provide for a source of funding for the Town to implement the Waterfront Master Plan that was adopted at the November 28th 2016 meeting. The cost estimate for complete implementation of the plan is \$50 million however the project can and will be completed in phases.	<ul style="list-style-type: none"> Annual contributions from the Town's operating budget as approved by Council. Proceeds from grants or contributions received from Federal and/or Provincial governments to support implementation of the Waterfront Master Plan. Any other funding sources approved by Council, including donations or special levies, that are designated for Waterfront Master Plan implementation. 	The balance should not fall below the amount required to fund one-third of the estimated costs for the next phase of the Waterfront Master Plan.	The balance should not exceed the estimated Town share of the total Waterfront Master Plan implementation cost for the current phase plus a contingency of 10%.	Borrowing is not permitted, prescribed use only.
Wastewater Reserve Fund	The Wastewater Reserve Fund is established to provide a source of funding for operating and maintenance needs of the Town's wastewater system. The fund supports day-to-day operational requirements, routine maintenance, and repairs of wastewater treatment and distribution systems. It may also be used to address unforeseen operational emergencies or cost fluctuations.	Wastewater Services is a self supporting department fully funded through user fees. Annually, the surplus in the wastewater operating budget will be transferred to this reserve fund.	The balance should not fall below \$0. However, it is recommended that the Water Reserve Fund maintain a minimum target balance of \$2 million to ensure adequate liquidity for operational contingencies and maintenance needs.	No target maximum balance.	Inter-fund borrowing should be limited to the Water and Wastewater Reserve Funds and amounts of \$2 million or under.



Suggested Name	Purpose - Proposed	Source of Funding - Proposed	Suggested Practice: Target Balance (Minimum)	Suggested Practice: Target Balance (Maximum)	Borrowing
Collingwood Greening Legacy Reserve Fund	The Collingwood Greening Legacy Reserve Fund is a discretionary reserve fund that provides a dedicated source of funding for initiatives that enhance and sustain green infrastructure, environmental stewardship, and natural heritage in the Town of Collingwood.	<ul style="list-style-type: none"> Contributions from the municipal operating budget as approved by Council. Donations or grants received from external organizations or individuals for environmental initiatives. Proceeds from the sale of municipal assets earmarked for environmental purposes. 	Sufficient to fund at least one major planned greening project planned within one year, or annual priority initiative as approved by Council.	The balance should not exceed the anticipated funding required to complete all planned greening initiatives over the next three years, plus a 10% contingency to account for project cost variability.	Borrowing is not permitted, prescribed use only.
Collingwood Arts & Culture Legacy Reserve Fund	The Collingwood Arts & Culture Legacy Reserve Fund is a discretionary reserve fund established to provide funding for arts, cultural, and heritage initiatives, supporting programs, facilities, and community events that promote cultural development in Collingwood.	<ul style="list-style-type: none"> Annual contributions from the municipal operating budget. Donations or sponsorships from individuals, organizations, or foundations. Grants from provincial or federal arts and culture programs. 	Sufficient to support the Town's annual arts and cultural programming obligations or one significant arts/culture initiative.	The balance should not exceed the total projected funding requirements for planned arts and culture initiatives over the next three years, plus a 10% contingency.	Borrowing is not permitted, prescribed use only.
Multi Use Facility Reserve Fund	The Multi Use Facility Reserve Fund is a discretionary reserve fund to provide a dedicated source of funding for the planning, construction, maintenance of a new multi-use facility.	<ul style="list-style-type: none"> Contributions from the municipal operating budget. Grants or funding from senior levels of government. Proceeds from fundraising or facility-related fees. 	The balance should not fall below \$0.	The balance should not exceed the estimated municipal contribution required for all planned facility projects over the next three years, plus a 10% contingency.	Borrowing is not permitted, prescribed use only.
Hospital Redevelopment Reserve Fund	Fund is a discretionary reserve fund to provide a source of funding to support municipal contributions to hospital redevelopment projects, including expansions, upgrades, or major renovations.	<ul style="list-style-type: none"> Annual contributions from the municipal operating budget. Donations, fundraising campaigns, or community partnerships. Provincial or federal grants specifically tied to hospital redevelopment. 	The balance should be sufficient to cover at least one year of anticipated municipal contributions toward hospital redevelopment.	The balance should not exceed the total projected municipal contribution for the next major phase of redevelopment, plus a 10% contingency.	Borrowing is not permitted, prescribed use only.
Asset Sale Proceeds Reserve Fund	The Asset Sale Proceeds Reserve Fund is a discretionary reserve fund to hold funds from the sale of assets to finance future capital expenditures, reduce debt, or stabilize budgets.	Funded through the sale of municipal assets.	The balance should not fall below \$0.	No target maximum balance.	Borrowing is permitted with the approval of Council.
Heritage Reserve Fund	The Heritage Reserve Fund is a discretionary reserve fund to be used for the establishment of a new Heritage Conservation District and/or expansion of the current Heritage Conservation District. This reserve fund was established by Council at the adoption of the 2016 Budget on March 7th 2016.	An allocation of \$10,000 in the operating fund.	The minimum balance should be set at \$10,000, equivalent to one year of the planned annual contribution.	The maximum balance should be set at \$30,000, equivalent to three years of the planned annual contribution.	Borrowing is not permitted, prescribed use only.
Paralympic Bursary	The Paralympic Bursary is a discretionary reserve provide financial support for Collingwood residents who are participating in Paralympic-level training or competition.	Funded through allocations approved by Council, community donations, and any interest earned on the balance of the fund.	The minimum balance should be maintained at \$5,000, ensuring that sufficient funds are available to provide at least one bursary award each year.	The balance should be capped at \$50,000, to ensure that funds are actively deployed to support athletes rather than held idle, while still allowing capacity for multi-year awards or expanded bursary programs.	Borrowing is not permitted, prescribed use only.
2012-13 Ontario Winter Games Bursary	The 2012-13 Ontario Winter Games Bursary is a discretionary reserve to support Collingwood residents participating in provincial or national-level competitions inspired by the legacy of the 2012-13 Ontario Winter Games hosted in Collingwood.	Financed through legacy funds from the 2012-13 Ontario Winter Games, Council-approved allocations, community sponsorships or donations, and interest earned on the balance.	The minimum balance should be maintained at \$5,000, ensuring that sufficient funds are available to provide at least one bursary award each year.	The balance should be capped at \$50,000, to ensure that funds are actively deployed to support athletes rather than held idle, while still allowing capacity for multi-year awards or expanded bursary programs.	Borrowing is not permitted, prescribed use only.
Accessibility Committee Reserve	The Accessibility Committee Reserve is a discretionary reserve to provide funding for accessibility initiatives in municipal facilities and/or on Town owned lands.	Unexpended balance from Accessibility account in the Operating fund.	The balance should not fall below \$0.	The target balance is \$30,000.	Borrowing is not permitted, prescribed use only.



Suggested Name	Purpose - Proposed	Source of Funding - Proposed	Suggested Practice: Target Balance (Minimum)	Suggested Practice: Target Balance (Maximum)	Borrowing
Affordable Housing Reserve	The Affordable Housing Reserve is a discretionary reserve established to provide a dedicated source of funding to support the planning, development, and implementation of affordable housing initiatives within the Town. The reserve may be used to fund capital contributions, partnerships with not-for-profit and private sector housing providers, land acquisition for affordable housing purposes, and other initiatives that directly increase or preserve the supply of affordable housing.	<ul style="list-style-type: none"> Annual contributions approved through the Town's operating budget. Contributions from upper levels of government designated for affordable housing. Donations, grants, or other external funding specifically designated for affordable housing. Proceeds from the sale of municipally owned properties where Council has directed funds to support affordable housing. 	The minimum balance should be set at \$200,000 to ensure sufficient funds are available to respond to urgent or time-sensitive housing opportunities, such as leveraging senior government or private sector contributions.	No target maximum balance.	Borrowing is not permitted, prescribed use only.
Airport Reserve	The Airport Reserve is a discretionary reserve established to provide a source of financing for the operation, maintenance, and capital replacement of the Town's airport infrastructure and equipment.	<ul style="list-style-type: none"> Annual operating surpluses generated from airport operations. Allocations approved through the Town's operating or capital budget. Proceeds from the sale of airport-related assets, where directed by Council. 	The minimum balance should be maintained at an amount equal to one year of projected airport operating expenditures to ensure adequate funds are available to stabilize operations in the event of a revenue shortfall, emergency, or unexpected capital repair.	The maximum balance should be set at the equivalent of five years of planned capital needs identified in the Airport's long-term capital forecast, or \$2,000,000, whichever is greater.	Borrowing is not permitted, prescribed use only.
Business Improvement Area (BIA) Reserve	The Business Improvement Area (BIA) Reserve Fund is a discretionary reserve fund established to provide financial stability for BIA operations and to support special projects, capital improvements, beautification initiatives, promotions, and events within the BIA boundaries.	<ul style="list-style-type: none"> Annual BIA operating surpluses, after recognition of all direct and indirect costs. Contributions approved by Council through the BIA levy process or the Town's budget. Sponsorships, donations, or grants specifically designated for BIA-related purposes. 	The minimum balance should be equal to 25% of the annual BIA operating levy to provide a financial buffer against unforeseen operating pressures or revenue fluctuations.	The maximum balance should be the equivalent of 100% of the annual BIA operating levy, unless earmarked for an approved capital project or strategic initiative. This ensures that funds are available for major projects while preventing the unnecessary accumulation of unutilized resources.	Borrowing is not permitted, prescribed use only.
Capital Contingency Reserve	The Capital Contingency Reserve is a discretionary reserve to provide funding for emergency capital expenditures or unforeseen costs related to budgeted capital projects.	Allocation of Operating Surplus to maintain the reserve balance at the target balance.	The balance should not fall below \$750,000. If the balance falls below this level, no funds should be expended from this reserve until the target balance has been re-established.	The target balance is \$1,500,000.	Borrowing is not permitted, prescribed use only.
Mayors Golf Reserve	The Mayors Gold Reserve is a discretionary reserve to provide startup funding for the Mayor's Golf Challenge tournament each year.	Surplus proceeds from the Mayor's Golf Challenge tournament, as well as sponsorship contributions and other fundraising efforts.	The balance should not fall below \$0.	The funding required for the Mayor's Golf Challenge tournament each year.	Borrowing is not permitted, prescribed use only.
Municipal Election Reserve	The Municipal Election Reserve is a discretionary reserve to mitigate budget pressure resulting from the expenditures of a municipal election.	Contribution from Operating fund. One-quarter of the estimated costs of the election will be transferred annually to this reserve and drawn upon in the year of election.	The balance should not fall below \$0.	The target balance is \$140,000, or in the Clerk's opinion, the cost of one municipal election.	Borrowing is not permitted, prescribed use only.
Operational Asset Replacement Reserve Fund	The Operational Asset Replacement Reserve Fund is a discretionary reserve fund established to provide funding for the cyclical replacement and refurbishment of municipal fleet, vehicles, and equipment required for day-to-day operations.	Contribution from the operating budget based on an internal "machine rental fee".	The minimum balance should be sufficient to fund at least one year of planned fleet and equipment replacements as identified in the Asset Management Plan to ensure service	The maximum balance should be equal to the estimated replacement value of all operational assets required over a five year horizon in the Asset Management Plan.	Borrowing is not permitted, prescribed use only.



Suggested Name	Purpose - Proposed	Source of Funding - Proposed	Suggested Practice: Target Balance (Minimum)	Suggested Practice: Target Balance (Maximum)	Borrowing
Public Art Reserve	The Public Art Reserve is a discretionary reserve that 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.	<ul style="list-style-type: none"> • Annual contribution from Operating fund. • Private sector and community donations. 	The balance should not fall below \$0.	The target balance is \$42,500.	Borrowing is not permitted, prescribed use only.
Winter Control Reserve	The Winter Control Reserve is a discretionary reserve 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.	<ul style="list-style-type: none"> • Contribution from the unexpended winter control funds, if any. • Allocation of Operating Surplus. 	The minimum balance should be equal to 25% of the five year average actual winter control costs.	The maximum balance should be equal to 100% of the five-year average of actual winter control costs.	Borrowing is not permitted, prescribed use only.
Workplace Safety and Insurance Board (WSIB) Reserve	The Workplace Safety & Insurance Board Reserve is a discretionary reserve established to cover any significant potential future claims, damage settlements or Ministry of Labour fines.	<ul style="list-style-type: none"> • No on-going source of funding. • Contribution from unused Salary Contingency account in the Operating fund as needed to maintain the target balance. 	The balance should not fall below \$0.	The target balance is \$300,000.	Borrowing is not permitted, prescribed use only.

4.3.2 R.R.F.s Proposed to be Modified and Combined

Through discussions with Town staff, it was noted that the Town currently has R.R.F.s that serve a similar purpose. As part of this review, it is recommended that the following R.R.F.s be consolidated:

Figure 10
Town of Collingwood's Discretionary R.R.F.s Proposed to be Combined

Proposed to be Combined	Combined R.R.F. Title
Commuter Cycling Main Street Revitalization Modernization	Provincial Grants Reserve Fund
Working Capital Reserve Fund Reserve - Operating Contingency	Operating Contingency Reserve
Lifecycle Replacement Reserve Fund Special Capital Levy	General Asset Management Reserve Fund
Municipal Parking Reserve Fund Municipal Parking	Municipal Parking Reserve Fund
Reserve - General Cultural Reserve Fund Greening Reserve Fund	General Reserve
Reserve - Library Capital Reserve - Library General Reserve - Library Internet	Library Reserve

It is proposed that the Commuter Cycling, Main Street Revitalization, and Modernization reserve funds be consolidated into a single Provincial Grants Reserve Fund. Future grant funding from the Province that does not require the establishment of a separate



legislated reserve fund will also be directed into this new consolidated reserve fund. The following policy has been drafted for Council's consideration:

- Purpose
 - The Provincial Grants Reserve Fund is intended to provide a mechanism for managing and accounting for unspent or committed provincial grant funding received by the municipality. The funds may be used for
 - 1) expenditures directly tied to the original intent of the grant,
 - 2) projects or initiatives deferred due to timing, regulatory, or operational constraints, and
 - 3) covering eligible costs in future fiscal years as approved by Council or in accordance with multi-year agreements.
- Source of Funding
 - Unspent balances from provincial operating or capital grants,
 - Surplus allocations designated for future provincial grant match requirements, as approved by Council.
- Suggested Target Balance (Min.)
 - The balance should not fall below \$0.
- Suggested Target Balance (Max.)
 - No target maximum balance.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

Based on recommendations from the finance staff, it is proposed that the Working Capital Reserve fund and Reserve – Operating Contingency be consolidated into a single general reserve titled the Operating Contingency Reserve. The Operating Contingency Reserve would continue to support the original intents of the individual reserves but would provide broader discretion to address unforeseen expenditures or priority initiatives as they arise. The policies surrounding this reserve is summarized as follows:

- Purpose
 - The Operating Contingency Reserve provides financial flexibility to respond to unforeseen or unplanned expenditures that may arise during the year and are not accommodated in the approved operating budget. The fund acts as a stabilization mechanism to ensure the Town can



manage unexpected financial pressures without significant disruption to services or unplanned tax increases.

- Source of Funding
 - Allocation of Operating Surplus to maintain the reserve balance at the target balance.
- Suggested Target Balance (Min.)
 - 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.
- Suggested Target Balance (Max.)
 - The upper limit is established at 1% of projected funds to be raised from taxation for the subsequent year.
- Permitted Borrowing
 - Borrowing is permitted.

Furthermore, it is recommended that the Lifecycle Replacement Reserve Fund and Special Capital Levy be consolidated into a single reserve titled the Asset Management Reserve Fund. The target balances for the reserve fund are proposed to be tied with tax-supported requirements outlined in the 2025 Asset Management Plan (A.M.P.), which is currently being undertaken by Aspire and Watson. The annual lifecycle cost over a 10-year period (2025 – 2034) as identified from the 2025 A.M.P. is outlined below:

Figure 11
Town of Collingwood 2025 A.M.P. Annual Lifecycle Cost by Asset Category



Asset Category	AMP Lifecycle Cost (2025\$)
Tax Supported	
Core Assets	
Transportation	6,228,500
Stormwater	2,317,400
Non-Core Assets	
Buildings and Facilities	3,263,400
Culture and Community Assets	67,600
Fleet and Equipment	4,904,600
Information Technology	491,400
Library	58,000
Natural Assets	-
Parking	116,500
Parks and Recreation	2,972,400
Total Tax Supported (2025\$)	20,419,800
Water	
Water - Linear / Vertical	2,870,200
Total Water (2025\$)	2,870,200
Wastewater	
Sanitary - Linear / Vertical	5,076,300
Total Wastewater (2025\$)	5,076,300
Grand Total (2025\$)	28,366,300

The following policy has been drafted for Council's consideration:

- Purpose
 - The General Asset Management Reserve Fund is a discretionary reserve fund established to provide a source of funding for lifecycle maintenance, rehabilitation, and replacement of municipal infrastructure assets not classified under water or wastewater systems, ensuring sustainable levels of service over the long term. The capital projects are related to non-rate-supported categories of the Town's Asset Management Plan.
- Source of Funding
 - Annual allocations from the Town's operating budget surplus and the special capital levy approved by Council.
 - Grants, subsidies, or other external funding sources designated for asset management.
- Suggested Target Balance (Min.)
 - The reserve fund balance should not fall below \$0.



- Suggested Target Balance (Max.)
 - The balance should not exceed the estimated funding required to complete anticipated lifecycle projects for tax-supported assets within the forecast period, as outlined in the Town's Asset Management Plan, plus a 20% contingency to account for potential cost fluctuations and timing variations.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

In addition, finance staff have suggested that the Municipal Parking Reserve Fund and Municipal Parking be consolidated into a single Municipal Parking Reserve Fund. Municipal Parking was previously categorized as an obligatory reserve fund and is now proposed to be reclassified as a discretionary reserve fund to ensure compliance with current legislation. The consolidation of the two reserve funds will provide a more efficient means of managing all parking-related revenues and expenditures under one unified account. The following policy has been drafted for Council's consideration:

- Purpose
 - The Municipal Parking Reserve Fund is a discretionary reserve fund established to ensure that parking related operating surpluses are retained for ongoing maintenance and future increased parking infrastructure needs.
- Source of Funding
 - The Parking operations of the Town of Collingwood are fully funded through user fees.
- Suggested Target Balance (Min.)
 - The minimum balance for the Parking Reserve Fund is \$500,000.
- Suggested Target Balance (Max.)
 - The balance should not exceed the estimated funding required for the design and construction of one major parking facility (such as a surface lot or structure), plus associated technology and fleet requirements, as identified in the Town's Parking Strategy or capital forecast.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

Furthermore, it is recommended that the Reserve – General, Cultural Reserve Fund, and Greening Reserve Fund be consolidated into a single reserve titled the General



Reserve. This consolidation is intended to simplify the Town's reserve structure, reduce administrative complexity, and improve the flexibility and responsiveness of funding allocation to support a wide range of municipal initiatives. The following policy has been drafted for Council's consideration:

- Purpose
 - The General Reserve is a discretionary reserve established to provide short-term funding for cash flow deficiencies, interim financing needs, and other temporary working capital requirements. This reserve may also be utilized to address unforeseen or emergency expenditures that arise during the fiscal year, subject to Council approval. The General Reserve supports the Town's liquidity management objectives and ensures sufficient financial flexibility to maintain stable municipal operations.
- Source of Funding
 - Allocation of Operating Surplus.
- Suggested Target Balance (Min.)
 - The balance 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.
- Suggested Target Balance (Max.)
 - The target balance is \$500,000.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

Lastly, through discussions with staff, it is recommended that the Reserve – Library Capital, Reserve – Library General, and Reserve – Library Internet reserves be consolidated into a single reserve titled the Library Reserve. This consolidation will streamline financial management and provide a more efficient and transparent means of administering all library-related revenues and expenditures through one unified account. The following policy has been drafted for Council's consideration:

- Purpose
 - The Library Reserve is a discretionary reserve established to provide a source of funding for the Town's library operations, programs, and capital requirements. This reserve ensures financial flexibility to address both planned and unforeseen library needs, supporting the continued delivery of library services to the community.



- Source of Funding
 - Contributions approved by Council through the annual budget process; and
 - Donations, fundraising proceeds, or grants specifically designated for library purposes.
- Suggested Target Balance (Min.)
 - The minimum balance shall be 10% of the annual Library operating budget to provide a buffer for unforeseen operating needs or revenue fluctuations.
- Suggested Target Balance (Max.)
 - The maximum balance shall be equal to the greater of \$100,000 or 100% of the annual Library operating budget, unless earmarked for an approved capital project such as facility renewal or expansion.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

4.3.3 R.R.F.s Proposed to be Created

Through this study process, it was identified that four reserves should be established based on the Town's evolving needs. These proposed reserves include

- Water Asset Management Reserve Fund
- Wastewater Asset Management Reserve Fund
- Federal Grants Reserve Fund
- Legal Reserve Fund
- Tourism Reserve

The proposed Water Asset Management Reserve Fund and Wastewater Asset Management Reserve Fund are aligned with the Town's A.M.P. and are specifically designated for the Water and Wastewater asset categories, respectively. Similar to the Other Assets Asset Management Reserve Fund outlined in the previous section, the target balances for these reserves will be directly linked to the funding requirements identified in the A.M.P. and reviewed annually to ensure ongoing alignment with updated asset data, condition assessments, and lifecycle forecasts. The following policies have been drafted for Council's consideration:

Figure 12



Town of Collingwood Water Asset Management Reserve Fund and Wastewater Asset Management Reserve Fund Policy

Suggested Name	Purpose - Proposed	Source of Funding - Proposed	Suggested Practice: Target Balance (Minimum)	Suggested Practice: Target Balance (Maximum)	Borrowing
Water Asset Management Reserve Fund	The Water Asset Management Reserve Fund is a discretionary reserve fund established to provide a source of funding for lifecycle maintenance, rehabilitation, and replacement of water system infrastructure, ensuring sustainable levels of service over the long term. The capital projects are related to the Water - Linear / Vertical category of the Town's Asset Management Plan.	<ul style="list-style-type: none"> • Annual contributions from water rates as approved in the Town's annual budget. • Grants, subsidies, or other external funding sources allocation for water asset management. 	The balance should not fall below \$0.	The balance should not exceed the estimated funding required to complete anticipated water system lifecycle projects within the forecast period, as outlined in the Town's Asset Management Plan, plus a 20% contingency to account for potential cost fluctuations and timing variations.	Borrowing is not permitted, prescribed use only.
Wastewater Asset Management Reserve Fund	The Wastewater Asset Management Reserve Fund is a discretionary reserve established to provide a source of funding for lifecycle maintenance, rehabilitation, and replacement of wastewater system infrastructure, ensuring sustainable levels of service over the long term. The capital projects are related to the Sanitary - Linear / Vertical category of the Town's Asset Management Plan.	<ul style="list-style-type: none"> • Annual contributions from wastewater rates as approved in the Town's annual budget. • Grants, subsidies, or other external funding sources allocation for wastewater asset management. 	The balance should not fall below \$0.	The balance should not exceed the estimated funding required to complete anticipated wastewater system lifecycle projects within the forecast period, as outlined in the Town's Asset Management Plan, plus a 20% contingency to account for potential cost fluctuations and timing variations.	Borrowing is not permitted, prescribed use only.

Similar to the Provincial Grants Reserve Fund described in the previous section, a Federal Grants Reserve Fund is proposed. This reserve fund would serve as a holding account for future federal grant funding that does not require the establishment of a separate legislated reserve fund. Based on the objective, the following policy has been drafted:

- Purpose
 - The Federal Grants Reserve Fund is intended to provide a mechanism for managing and accounting for unspent or committed federal grant funding received by the Town. The funds may be used for
 - 1) expenditures directly tied to the original intent of the grant,
 - 2) projects or initiatives deferred due to timing, regulatory, or operational constraints, and
 - 3) covering eligible costs in future fiscal years as approved by Council or in accordance with multi-year agreements.
- Source of Funding
 - Unspent balances from federal operating or capital grants,
 - Surplus allocations designated for future federal grant match requirements, as approved by Council.
- Suggested Target Balance (Min.)



- The balance should not fall below \$0.
- Suggested Target Balance (Max.)
 - No target maximum balance.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

Following consultation with staff, it is proposed that a Legal Reserve Fund be established to ensure dedicated financial capacity and flexibility to address current and future legal matters. The policies surrounding the proposed reserve fund are as follows:

- Purpose
 - The Legal Reserve Fund is a discretionary reserve established to fund legal costs arising from Ontario Land Tribunal (OLT) proceedings and other unanticipated legal matters.
- Source of Funding
 - Transfers from operating funds when required.
 - Annual budget surpluses.
- Suggested Target Balance (Min.)
 - The reserve fund balance should not fall below \$0.
- Suggested Target Balance (Max.)
 - The balance should be maintained at a level sufficient to fund legal costs associated with at least one major Ontario Land Tribunal (OLT) proceeding and other unanticipated legal matters, based on the average cost over the last five years.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

Furthermore, it is proposed that a Tourism Reserve be established to provide dedicated funding to support tourism-related initiatives, programs, and infrastructure that enhance the Town's visitor economy and promote sustainable growth in the tourism sector. The policies surrounding the proposed reserve are as follows:

- Purpose
 - The Tourism Reserve is a discretionary reserve established to support initiatives, events, infrastructure, and marketing efforts that enhance tourism, promote the Town as a destination, and contribute to economic development.



- Source of Funding
 - Allocations from municipal accommodation tax, including tourism-related revenues (40% for the Town of Collingwood).
 - External funding or grants specifically designated for tourism that remain unspent at year-end.
- Suggested Target Balance (Min.)
 - The minimum balance shall be equal to 25% of the average annual tourism program costs over the previous three years, ensuring the Town has adequate resources to support ongoing tourism initiatives and respond to unforeseen opportunities.
- Suggested Target Balance (Max.)
 - The maximum balance shall not exceed the equivalent of two years of average annual tourism program costs, providing capacity for strategic tourism investments without accumulating excessive idle funds.
- Permitted Borrowing
 - Borrowing is not permitted, prescribed use only.

4.3.4 R.R.F.s Proposed to be Terminated / Closed

Through this evaluation process, it was observed that certain R.R.F.s that the Town currently maintains have either fulfilled their intended purpose or are no longer required. Therefore, it is recommended that the following R.R.F.s be closed:

- Non-DC Growth Related Reserve Fund: This reserve fund was originally established to provide funding for the 10% mandatory deduction on soft service assets and for growth-related items not eligible for D.C. funding. However, under the current *Development Charges Act*, municipalities are now permitted to recover the full cost of growth-related capital needs. As a result, the purpose of this reserve fund is no longer relevant, and its balance has been zero since December 31, 2024.
- Social Housing - Birch St. Apartments Reserve Fund: This reserve fund was originally established to provide funding for the repair and maintenance of the Birch Street Apartments, which were previously managed on the Town's behalf by the Rotary Club. As the Birch Street Apartments are no longer owned or operated by the Town, and the land has since been transferred to the County for the development of new social housing, the original purpose of this reserve fund is no longer applicable. Accordingly, it is recommended that this reserve fund be



closed. As of Dec. 31, 2024, the Social Housing - Birch St. Apartments Reserve Fund has an estimated balance of \$101,000. Given that there are no outstanding commitments associated with this reserve fund, it is recommended that the remaining balance be transferred to the Affordable Housing Reserve to ensure the funds continue to support housing-related purposes consistent with their original intent.

- **Balsam Debenture:** The balance of the reserve has been zero as of December 31, 2024, and is no longer required as the related project has been completed and the associated debenture fully repaid.
- **Employee Future Benefits Reserve:** Following consultation with staff, it is proposed that this reserve be closed, as the Town now recognizes and maintains this obligation as a liability rather than through a reserve. The balance of the reserve has been zero since December 31, 2023.



Chapter 5

Annual Reporting



5. Annual Reporting

5.1 Summary of Reporting

The previous chapters set the foundational principles for the creation, management, maintenance, and termination of the Town's R.R.F.s, along with specific policies for each account. To ensure transparency and accountability, it is recommended that the Town undertake annual reporting to stakeholders, including Council, Town departments, and the public. These reports should:

- Identify the current state of the R.R.F., providing balances, commitments, and transactions performed throughout the year;
- Provide a forecast of funds, which includes potential expenditures and revenues over a period of time; and
- Identify any issues that should be addressed. This may include:
 - Target balances not being met;
 - Target balances being exceeded; or
 - Balances not sufficient for proposed expenditures.

5.2 Annual Reporting Example

As part of the study process, other municipalities were examined in order to analyze best practices that could be adopted by the Town. Through this review, it was noted that one municipality provides a comprehensive R.R.F. annual report to Council. The report provides details to the various types of reserves and reserve funds that are currently in place, including:

- An overview of the Town's current reserves and reserve funds;
- Opening balances, projected activity for the following year, and the estimated closing balances;
- An explanation of how the R.R.F.s will be utilized;
- A summary of R.R.F.s related to the Town's Boards and Committees;
- Details for significant changes in each R.R.F.;
 - Reasons for substantial decreases (or increases) in balances
- Schedule of Movement – summarizing the transaction activity in the current year; and



- Forward forecast of their R.R.F.s over the next 10-years.

This type of reporting would assist the Town of Collingwood in maintaining transparency for stakeholders, in addition to providing a document that will assist in forecasting the reserve and reserve fund positions for budgetary considerations. A sample of the R.R.F. presentation is provided in Appendix A.



Chapter 6

Conclusion and Recommendations

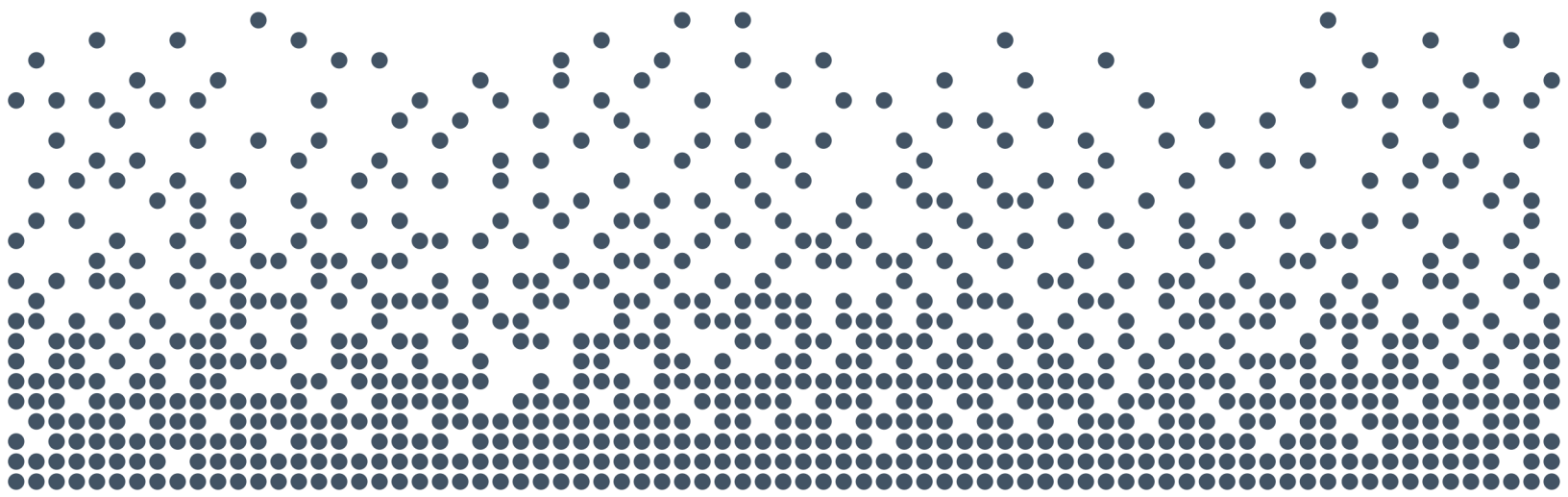


6. Conclusion and Recommendations

In summary, this study has reviewed the Town's existing reserves and reserve funds, provided a historical background and the policy framework, and developed policies for specific R.R.F.s.

Based on the findings of this review, the following recommendations are being presented for staff and Council's consideration:

- Approve the specific reserve and reserve fund policies as outlined in Chapter 4;
- Draft a reserve fund by-law that incorporates the specific reserve and reserve fund policies; and
- Repeal all existing non-obligatory reserve and reserve fund by-laws.



Appendices



Appendix A

Reporting Example

Overview

Reserves and reserve funds are an important element of the [Municipality]'s long-term financial plan as they allow the [Municipality] to set aside funds for a future purpose and fulfill a critical financial need for the municipality. They make provisions for the replacement and rehabilitation of existing [Municipality] assets, provide a contingency for one-time and unforeseeable events and provide flexibility to manage debt levels and protect the [Municipality]'s financial position.

Reserves

A reserve is an allocation of accumulated net revenue and is governed by Council policies that identify the intended purpose, target balance and funding sources. Reserves are part of the [Municipality]'s overall revenue fund and are non-interest bearing. Therefore, any interest earned by the [Municipality] from the investment of funds in reserves is retained as revenue in the overall operating fund.

Reserve Funds

Reserve funds are established to segregate funds that are acquired for a specific purpose as identified through legislation, financial agreements or Council direction. Reserve funds are interest bearing and earnings are applied to each reserve fund based on yields earned on the [Municipality]'s total investment portfolio and cash balances. There are two types of reserve funds:

- 1. Obligatory Reserve Funds** - these funds are acquired by the [Municipality] for a legislated purpose or for a specifically defined purpose through a financial agreement. They are segregated and created solely for the purpose prescribed for them.
- 2. Discretionary Reserve Funds** - these funds are established based on Council direction and are used to finance specific future expenditures or to fund specific contingent liabilities. These funds are also segregated from the general revenues of the [Municipality].

Reserves and reserve funds are a key funding source for capital infrastructure with [X]% of the 2026 capital budget funded from reserves and reserve funds including development charges and capital provision revenues. This section includes an overview of the reserves and reserve funds by their intended or legislated use.

[Municipality] Reserves and Reserve Funds

Stabilization Reserves

Stabilization reserves are used to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, cyclical expenses, revenue shortfalls and they help to minimize fluctuations in the tax levy.

Stabilization Reserves	Dec 31, 2024 Balance	Dec 31, 2025 Estimated Balance	Projected 2026 Activity	Dec 31, 2026 Estimated Balance
Tax Rate Stabilization	[X]	[X]	[X]	[X]
Election	[X]	[X]	[X]	[X]
Winter Control	[X]	[X]	[X]	[X]
Building Rate Stabilization	[X]	[X]	[X]	[X]
Total Stabilization Reserves	[X]	[X]	[X]	[X]
Total Stabilization Reserves	[X]	[X]	[X]	[X]

As illustrated in the table, the estimated balance in these reserves at December 31, 2025 is \$[X] million. The 2026 budget is forecast to increase these reserves to \$[X] million, largely driven by an increase in the Building Stabilization Reserve due to an increase in the estimated development activity during 2026.

Overview

Corporate Use Reserves

Corporate use reserves provide for various contingent and potential future liabilities. At the end of this year, the estimated balance in the corporate use reserves is \$[X] million as illustrated in the table.

Corporate Use Reserves	Dec 31, 2024 Balance	Dec 31, 2025 Estimated Balance	Projected 2026 Activity	Dec 31, 2026 Estimated Balance
Legal Matters	[X]	[X]	[X]	[X]
Per Unit Development Processing Fee	[X]	[X]	[X]	[X]
Insurance	[X]	[X]	[X]	[X]
WSIB	[X]	[X]	[X]	[X]
Working Funds	[X]	[X]	[X]	[X]
Training	[X]	[X]	[X]	[X]
Growth Related Resources	[X]	[X]	[X]	[X]
Total Corporate Use Reserves	[X]	[X]	[X]	[X]

Capital Reserves

Capital reserves are used to fund the annual capital program including both the replacement/rehabilitation of existing infrastructure to maintain assets in a state of good repair and the construction/purchase of infrastructure to service the growing community. The assets base owned by the [Municipality] continues to increase with the ongoing growth in the community which will require long term investment for their future renewal. As such, the contribution to reserves for capital replacement should be adjusted regularly to align with the future lifecycle costing identified in the [Municipality]'s asset management plans.

As illustrated in the table, the estimated total balance for these reserves at year end is \$[X] million, of which \$[X] million specifically relates to future investment in growth infrastructure.

Capital Reserves	Dec 31, 2024 Balance	Dec 31, 2025 Estimated Balance	Projected 2026 Activity	Dec 31, 2026 Estimated Balance
Infrastructure Renewal	[X]	[X]	[X]	[X]
Municipal Building Components	[X]	[X]	[X]	[X]
Capital Provision	[X]	[X]	[X]	[X]
Capital Works	[X]	[X]	[X]	[X]
Transit and Transportation	[X]	[X]	[X]	[X]
Computer Requirements	[X]	[X]	[X]	[X]
Equipment Replacement	[X]	[X]	[X]	[X]
Municipal Buildings Replacement	[X]	[X]	[X]	[X]
Cash-in-lieu of Parkland	[X]	[X]	[X]	[X]
Property Transactions	[X]	[X]	[X]	[X]
Cash-in-lieu of Parking	[X]	[X]	[X]	[X]
Cash-in-lieu of Storm Water Management	[X]	[X]	[X]	[X]
Ontario Lottery Corporation Proceeds	[X]	[X]	[X]	[X]
Development Charges	[X]	[X]	[X]	[X]
Total Capital Reserves	[X]	[X]	[X]	[X]

The [Municipality] continues to improve its financial forecasting and planning through the development of asset management plans. The current asset management plans for Roads, Bridges and Culverts, as well as Facilities and Transit, identify an annual combined funding shortfall of \$[X] million compounded by an existing infrastructure deficit of \$[X] million. Future budgets will need to consider increases to the Infrastructure Renewal Reserve to eliminate the overall funding deficit and ensure the long-term financial sustainability of the [Municipality].

Overview

Government Funded Reserves and Reserve Funds

Government funded reserves and reserve funds are established to appropriately monitor and record revenues received from the Provincial and Federal governments through various grant funding programs. The funds accumulate in the respective reserve funds until such time as they can be used in the [Municipality]'s budgets in accordance with the guidelines of each program. The balances reflected in the following table include all outstanding commitments against these reserves and reserve funds. The Ontario Community Infrastructure Reserve Fund shows a zero balance as the funds are anticipated to be utilized in the year received until 2027.

Government Funded Reserves	Dec 31, 2024 Balance	Dec 31, 2025 Estimated Balance	Projected 2026 Activity	Dec 31, 2026 Estimated Balance
Ontario Community Infrastructure Fund	[X]	[X]	[X]	[X]
Provincial Gas Tax	[X]	[X]	[X]	[X]
Federal Gas Tax	[X]	[X]	[X]	[X]
Total Government Funded	[X]	[X]	[X]	[X]

Program Specific Reserve Funds

Program specific reserve funds are non-obligatory reserve funds established to accumulate funds for specific programs or contain funding received for a specified purpose as outlined in the reserve and reserve fund policies. Reserve fund balances for this classification are summarized in the following table:

Program Specific Reserves	Dec 31, 2024 Balance	Dec 31, 2025 Estimated Balance	Projected 2026 Activity	Dec 31, 2026 Estimated Balance
Perpetual Maintenance	[X]	[X]	[X]	[X]
Aggregate Permit Fees	[X]	[X]	[X]	[X]
Sportsfield Development	[X]	[X]	[X]	[X]
Investment in the Arts	[X]	[X]	[X]	[X]
Metrolinx Bike	[X]	[X]	[X]	[X]
Mayor's Legacy Fund	[X]	[X]	[X]	[X]
Total Program Specific	[X]	[X]	[X]	[X]

Boards and Committees

The following table summarizes the reserves and reserve funds that are established for the specific use of [Municipality] boards and committees as well as the expansion of the [Municipality] District Hospital.

Boards and Committees Reserves	Dec 31, 2024 Balance	Dec 31, 2025 Estimated Balance	Projected 2026 Activity	Dec 31, 2026 Estimated Balance
Library Tax Rate Stabilization	[X]	[X]	[X]	[X]
Library Capital Works	[X]	[X]	[X]	[X]
DBIA Surplus	[X]	[X]	[X]	[X]
Seniors' Fundraising	[X]	[X]	[X]	[X]
[Municipality] District Hospital Expansion	[X]	[X]	[X]	[X]
Total Boards and Committees	[X]	[X]	[X]	[X]

A significant decrease in the balance is anticipated due to the completion of the expansion to the [Municipality] District Hospital and the associated [Municipality] payment to [Municipality] Healthcare Services in early 2026.

Overview

Significant Changes in Reserves and Reserve Funds

Reserve and reserve fund balances can vary greatly from year to year as funds are utilized to support the ongoing operations and capital investment of the [Municipality]. It is important to understand and address the causes of the large swings and update the long-term financial plans accordingly.

Substantial Increases in Balances

Numerous of the [Municipality]'s reserve and reserve fund balances are anticipated to experience a positive change greater than 10% of the prior year end balance.

Stabilization Reserves

- Election
- Winter Control

Corporate Use Reserves

- Legal Matters
- Insurance
- Training
- Growth Related Resources

Capital Reserves

- Infrastructure Renewal
- Capital Provision
 - Equipment Replacement
 - Municipal Buildings Replacement
 - Property Transactions
- Development Charges

Government Funded

- Provincial Gas Tax
- Federal Gas Tax

Program Specific

- Investment in the Arts

Boards and Committees

- Library Tax Rate Stabilization
- DBIA Surplus

Increases in stabilization, corporate use and Boards and Committees reserves are largely driven by contributions in the 2026 budget to replenish previous draws on the reserves and ensure sufficient balances to address future requirements. A large transfer to the Growth Related Resources Reserve was approved mid-year 2025 through [Insert Staff Report Reference] due to savings in vacancies from new approved positions.

As the [Municipality] continues to grow and infrastructure ages, the need for capital reserves to fund infrastructure renewal requirements and future property and growth needs will necessitate both larger contributions and average annual balances in the reserves to support the growing capital program. Although these reserves are increasing in the short-term, as large capital projects are undertaken the balances will decrease and require replenishment.

Although the balance in the government funded reserve funds are forecast to increase over the prior year, many of the funds in the Federal Gas Tax reserve fund are committed to various road infrastructure projects that are anticipated to be completed during 2026. In addition, future growth in the transit system will require increased draws from the Provincial Gas Tax reserve fund to minimize the impact on the operating fund commencing in 2026.

Through [Insert Staff Report Reference], a portion of the sale of the property adjacent to the [Municipality] Centre for the Arts was directed to be deposited into the Investment in the Arts reserve fund which is causing the large increase in the balance over the prior year. These additional funds are intended to cover the balance of the debenture payments issued for the construction of the facility and will be completely depleted by 2029.

Overview

Substantial Decreases in Balances

On the contrary, numerous of the [Municipality]'s reserve and reserve fund balances are anticipated to experience a decrease greater than 10% of the prior year end balance.

Stabilization Reserves

- Tax Rate Stabilization
- Building Rate Stabilization

Corporate Use Reserves

- WSIB

Capital Reserves

- Capital Works
- Computer Requirements

Large decreases in the stabilization and corporate use reserves are driven by operating requirements during 2025 primarily caused by a temporary slowdown in growth resulting in lower building permit revenues and a smaller capital program. When growth accelerates in 2026 and continues through the forecast, the balances in the stabilization reserves are expected to recover.

Estimated reserve and reserve fund balances for 2025 as well as projections for 2026 activity are outlined in the following tables.

Summary of Projected 2026 Activity

Revenues into the [Municipality]'s reserves and reserve funds are anticipated to reach nearly \$[X] million in 2026, largely from development revenues including development charges, cash flow assistance for roads infrastructure and capital provision along with grants from the federal and provincial governments through the Federal Gas Tax and Ontario Community Infrastructure Fund. External funding sources generate significant contributions to the [Municipality]'s reserves and reserve funds and play a critical role in the [Municipality]'s long-term financial management.

Significant transfers of \$[X] million from reserves and reserve funds are anticipated in 2026 to fund the large capital program, including the expansion of the [Municipality] District Hospital as well as for committed funds not yet transferred from prior year budget approvals. Nearly two thirds of the transfers are from the development charge reserve funds and will be used to support such projects as the development of the Sherwood Community Centre and Library, redevelopment of Fire Station #1 and numerous road infrastructure projects to service growth. Transfers to the Operating Fund of \$[X] million are forecast for 2026. These transfers are made to fund the debenture principle and interest payments on previously approved reserve fund debt as well as to support the daily operations of the organization including WSIB, insurance and legal matters, staff training, transit expenditures and transfers to the community fund.

Development charge debenture payments will be funded directly through the reserve fund in the amount of \$[X] million for debt previously issued.

