

Department:	Finance	Policy Number:	F20-0500-22
Section:	Finance	Effective Date:	May 10, 2022
Subject:	Reserve and Reserve Fund Policy	Revised Date:	
Authority:	Municipal Act, 2001 Section 290 (3), Section 293 and Section 417; By-Law 2022-067		

1. Purpose

A Policy governing the management and administration of reserves and reserve funds.

The purpose of the Policy is to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for reserves and reserve funds managed by the Municipality.

2. Objective

The primary objectives for reserves and reserve funds shall be:

- Adherence to statutory requirements
- Promotion of financial stability and flexibility through long-term financial planning
- To plan for asset management and the impact and financing of major capital projects
- Smooth expenditures which would otherwise cause fluctuations in the operating budget
- To absorb the cost of one-time expenses not included in the operating budget; and
- To take advantage of financial opportunities that may arise.

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

3. Definitions

Reserve means an allocation from net revenue at the discretion of council, after the provision for all known expenditures, as part of an overall strategy for funding programs or projects as set out in annual budget or budget forecast and is authorized under the provisions set out in the Municipal Act, 2001. Reserves have no reference to a specific asset, do not earn interest, do not require segregation and may be established for a pre-determined purpose.

Reserve Fund means a fund with assets that are segregated and restricted to meet the purpose of the reserve fund. It is based on a statutory requirement or defined liability payable in the future and is usually prescriptive as to the basis for collection and use of monies in the fund. All interest earnings derived from reserve fund assets must remain and accumulate in that reserve fund. There are two types of reserve funds: obligatory and discretionary.

Obligatory Reserve Funds are created when a provincial statute requires that revenue received for specific purposes is segregated from the general revenues of the municipality. Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute.

Discretionary Reserve Funds are created under the Municipal Act, 2001 when Council wishes to earmark revenue to finance a future expenditure for which it has the authority to spend money, and to set aside a certain portion of any year's revenues so that the funds are available as required.

Deferred Revenue is a liability on the Municipality's financial statements for payments received where services have not yet been provided. Deferred revenue is set aside in an obligatory reserve fund for a specific purpose by legislation, regulation, or agreement.

4. Authority:

4.1 Municipal Act, 2001

- 4.1.1 Subsection 290(3) – in preparing the budget, a local municipality may provide for such reserves as the municipality considers necessary.
- 4.1.2 Section 293 – specifies that the Minister may make regulations requiring a municipality to establish a reserve fund designated for prescribed liabilities, defining “liabilities”, requiring a municipality to make payments into the reserve fund, prohibiting the municipality from changing the purpose for which the reserve fund is designated, and prescribing the conditions under which the municipality may change the designation of all or any part of the reserve fund, and borrow from the reserve fund
- 4.1.3 Section 417 – allows a municipality to provide in its budget for the establishment or maintenance of a reserve fund for any purpose for which it has authority to spend money and that a municipality may by by-law provide that the money raised for a reserve fund may be spent or applied to a purpose other than that for which the fund was established.

4.2 Council's authority shall be to:

- 4.2.1 Establish new Reserves and Reserve Funds
- 4.2.2 Close existing reserves and reserve funds no longer required
- 4.2.3 Amalgamate reserves and reserve funds
- 4.2.4 Transfer funds to and from reserves and reserve funds through the budget process
- 4.2.5 Transfer funds to and from reserves and reserve funds through Council resolution or by-law outside of the budget process

4.3 Staff's authority shall be to:

- 4.3.1 Provide recommendations for the establishment or dissolution of reserves and reserve funds
- 4.3.2 Provide analysis and recommendations on the adequacy levels of reserves and reserve funds
- 4.3.3 Provide recommendations on the transfer of funds to and from reserves and reserve funds
- 4.3.4 Manage reserves and reserve funds in accordance with legislation and municipal financing strategies

5. Procedures for the establishment and closure of Reserve and Reserve Funds:

- 5.1 The Chief Financial Officer shall prepare a report for the establishment which will include the following:
 - a) Statement of Purpose
 - b) Source of initial contribution, if any
 - c) Target level to be maintained in the account, if applicable
 - d) Withdrawal direction
- 5.2. If the purpose for which the Reserve or Reserve Fund was created has been accomplished and the Reserve or Reserve Fund is determined to no longer necessary, the Chief Financial Officer shall report to Council with recommendations on:
 - a) The closure of the Reserve or Reserve Fund account
 - b) The reallocation of any remaining funds

6. Procedures for the use and administration of Reserves and Reserve Funds:

- 6.1 The use of funds in reserves and reserve funds is subject to compliance with any legislative restrictions and must be authorized by Council.
- 6.2 If funds are withdrawn from a reserve or reserve fund for the specified purpose and it is subsequently determined that the funds are not necessary, in whole or in part, for the intended purpose, any unused funds shall be returned to the reserve or reserve fund from which they were withdrawn.
- 6.3 The adequacy of an individual reserve or reserve fund shall be determined on a case by case basis using an estimate of the timing and magnitude of the costs to be mitigated, and a projection of contributions.
- 6.4 Inter-fund borrowing to cover a reserve fund shortfall is permitted and encouraged to avoid debt borrowing costs. Interest shall be paid to the reserve fund that has provided the borrowed funds.
- 6.5 Contributions to and from reserves and reserve funds to capital or operating accounts will be done bi-annually (in June and December) or upon completion of a project.
- 6.6 Transfers from a reserve or reserve fund will not occur if the transfer will put the reserve or reserve fund in a negative balance. If executing a transfer would result in a negative balance, the Chief Financial Officer will report to Council recommending alternate courses of action.
- 6.7 Reserve and reserve fund balances, projected contributions and withdrawals are to be provided during the annual budget process.

7. Interest Allocation

- 7.1 Reserve funds will be invested in accordance with the Municipality's approved investment policy. Earnings shall be credited to each separate reserve bank account that invested the funds.
- 7.2 Where multiple reserve funds are included in one bank account, interest shall be allocated to reserve funds on a monthly basis based on the actual balance of the reserve fund.
- 7.3 Reserves shall not be invested and are not allocated interest.

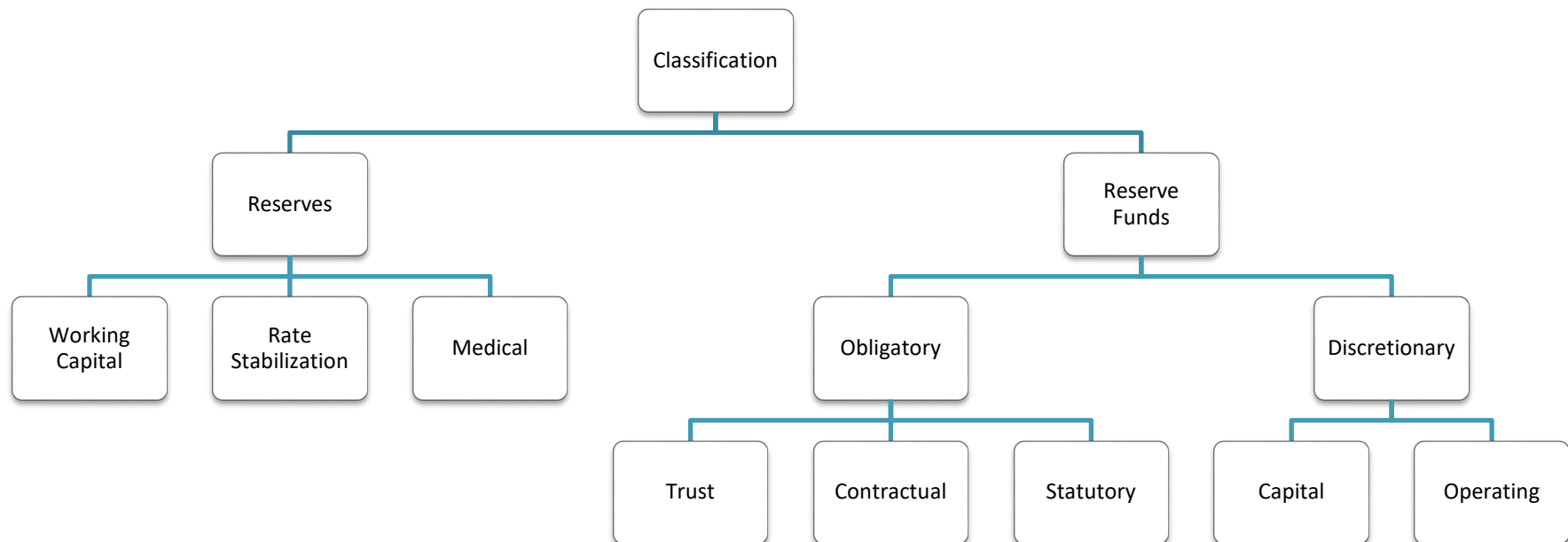
8. Classification/Categories and list of Reserves and Reserve Funds

Schedule A: Classification and Categories

Schedule B: Listing of the Municipality Reserves

Schedule C: Listing of the Municipality Reserve Funds

Schedule A: Classification and Categories of Reserves



Schedule B: Listing of the Municipality Reserve

Name	Purpose	Funding Source	Authority
Working Capital Reserve	To offset budget deficits arising from unforeseen, extraordinary, expenditures.	Budget and/or year end transfers	Council approved transfers during end of year reporting.
Rate Stabilization Reserve	Mitigate significant increases in tax rates, one-time emergency and/or unbudgeted expenditures, and tax stabilization due to significant assessment appeals beyond operating budget provisions	Budget and/or year end transfers	Council approved transfers during budget, in-year or end of year.
Medical Reserve	To provide financial aid in the recruitment of physicians within Brockton and South Bruce.	Budget and/or year end transfers	Council approved transfers during budget, in-year or end of year.

Schedule C: Listing of the Municipality Reserve Funds**Obligatory Reserve Fund**

Name	Purpose	Funding Source	Author
Well Being (NWMO)	The Community Well-Being Reserve Fund is to be used for the initiatives outlined in the agreement	Nuclear Waste Management Organization – one-time funding Interest Earned	By-law 2015-017
Parkland	In accordance to the Planning Act- this reserve is dedicated for the purchase and development of parkland in developing areas and redeveloping areas and/or support the upgrading of existing parks/facilities provided the need to upgrade is due to intensification of the surrounding neighborhood	Developer contributions received in lieu of land being conveyed to the Municipality for parkland requirements as per Planning Act Interest earned	Statutory Planning Act s. 51.1 and s. 53
Federal Gas Tax	For infrastructure in accordance with the Federal Gas Tax Agreement	Funding provided by the Government of Canada under the agreement signed with the Government of Ontario and the Association of Municipalities of Ontario (AMO, who calculates the allocation for each municipality). Interest earned	Contractual Federal Transfer Payments
Building Permit Reserve Fund	The Building Standards division must report their surpluses and deficits to the industry as a separate entity as the Building Code Act states that the fees collected are to be used to administer the Act; surpluses cannot be used to fund general expenditures, and deficits should be funded from a Reserve Fund and not from the Municipalities funds.	Building Permit fees Interest Earned	Ontario Building Code, a building services stabilization reserve fund is for managing fluctuations in to ensure that, even if building activity in a municipality goes down, building department services can continue to be provided for a time without affecting the municipality's finances.

Discretionary Reserve Fund

Name	Purpose	Funding Source	Authority
Recreation Facility	Dedicated reserve fund to allocate funds towards a future new recreational facility.	Budget and/or year end Transfers Interest earned	Established in 2021 Council Resolution 21-03-07
One-Time Funding	This funding, municipalities can improve service delivery by finding smarter, more efficient ways to spend money that help those who need it most while respecting taxpayer dollars	Provincial one-time grant funding Interest earned	Provincial One-time Funding in 2019
Brockton Police Service	Established when we removed ourselves from the joint Police Services with Hanover. Funds to be designated and used for the purposes of replacing capital equipment or reducing operational expenses from the OPP.	Budget and/or year end Transfers Interest earned	Council approved transfers during budget, in-year or end of year.
Utility Reserve Fund	To provide a source of funding for water and wastewater infrastructure	Water and Wastewater user rates set by Council. In addition, any surplus in the water and wastewater annual operating budget has been contributed to supplement the reserve balance Interest earned	Council approved transfers during budget, in-year or end of year.
Heritage	Funds to maintain and obtain heritage artifacts, as well as assist with funding events such as Doors Open.	Budget and/or year end Transfers Interest earned	Council approved transfers during budget, in-year or end of year.
Parking	In accordance to the Planning Act-this reserve is dedicated to cover costs of the Municipality maintaining parking for owner/occupants of a building that is required to provide and maintain parking facilities on the land but cannot and therefore exempt from providing or maintaining parking facilities	Monies provided through an agreement with owner/occupant of a building that is exempt from providing or maintain parking facilities as per Planning Act. Interest earned	Council approved transfers during budget, in-year or end of year.
Equipment Reserve Fund	Allocation of funds for various departments, committees, or projects that have a specific purpose at the time the funds were created. There are many sub accounts within the Equipment Reserve Fund which have a specific purpose.	Budget and/or year end Transfers Interest earned	Council approved transfers during budget, in-year or end of year.

Sub-Account Name:	Purpose
Walkerton Fire 03-2000-6801	To fund future operational and capital expenditures for fire services within Walkerton
Brockton Tree Committee 03-2000-6802	Funds set aside from the sale of the plaques outside the Municipal office. These monies are used as part of a tree replacement program which is ran by the committee.
Municipal Drain 03-2000-6803	Funds to be used towards Municipal drains within Brockton.
Brant/Greenock Landfill 03-2000-6804	To provide funding for future operational and capital needs for waste management.
Municipal Computers/ IT Infrastructure 03-2000-6805	To provide funding for replacement and expansion of information technology assets
Recreation 03-2000-6806	To be used for the upkeep and replacement of recreation equipment.
Street Lights 03-2000-6807	To maintain and replace streetlights
Heritage 03-2000-6808	Funds to maintain and obtain heritage artifacts, as well as assist with funding events such as Doors Open
Cargill Library 03-2000-6810	To provided funding for equipment and building maintenance.
Daycare 03-2000-6811	To be used for the maintenance and replacement of equipment & toys.
Walkerton Library 03-2000-6812	To provided funding for equipment and building maintenance.
Zoning and By-law Planning 03-2000-6813	Historical funds from hearings and amalgamation.
Brockton Website 03-2000-6814	To provide funding for upgrades to municipal website
Westario 03-2000-6815	Funds received in 2006 from partial sale of shares, funds to be used within Walkerton
Dry Hydrant 03-2000-6816	Historical funds set aside to fund the maintenance and replacement of dry hydrants
Walkerton Landfill 03-2000-6817	To provide funding for future operational and capital needs for waste management.
Brockton Infrastructure 03-2000-6818	To provide funding for replacement of existing infrastructure assets

Sub-Account Name:	Purpose
Walkerton Cemetery 03-2000-6819	To fund future operational and capital expenditures for cemeteries
Brockton Roads 03-2000-6820	To fund refurbishment, rehabilitation and replacement costs associated with Bridges, culverts and roads infrastructure.
General Government 03-2000-6821	This fund is used to transfer unused funding for special projects to use in proceeding year(s) or for other special projects as approved by Council.
Elections 03-2000-6822	This reserve is used to accumulate annual operating budget transfers to fund municipal election costs that are needed every four years
EDC East Ridge 03-2000-6823	To fund future development at the East Ridge Business Park
Legal Fees 03-2000-6824	To fund fees and payments resulting from court or OMB settlements and expenses relating to retaining outside experts and consultants that assist the Municipality in legal proceedings
Environmental Adv. Committee 03-2000-6825	Funds available for special environmental projects
Accessibility Fund 03-2000-6826	To provided funding for accessibility claims & accommodations
Emergency Measures Fund 03-2000-6827	To provide funding for unforeseen capital asset replacement
Elmwood Fire 03-2000-6828	To fund future capital expenditures for fire services within Elmwood
CDCF 03-2000-6830	Funds for future maintenance and repairs to the Cargill Community Centre
Council Reserve Fund 03-2000-6831	Funds established in 2012, used for equipment purchases and special council initiatives.
Elmwood Community Centre 03-2000-6832	Funds for the Elmwood Community Centre for use of maintenance and capital upgrades/replacement
WSIB Contingency Fund 03-2000-6837	To providing funding for the unexpected cost of WSIB claims.