



Meeting Date: May 22, 2024

Prepared By: Tiffany Farrell, Director of Corporate Services

Report No: CPS-29-2024

Subject: Reserve and Reserve Fund Policy

Recommendation:

THAT Council approve amending the Reserve and Reserve Fund Policy to include an additional reserve fund; Municipal Drains Reserve Fund;

AND THAT Council approve amending the Reserve and Reserve Fund Policy to include an additional reserve fund; Security Deposits Reserve Fund;

AND THAT Council approve transferring in \$55,618.05 into the Security Deposits Reserve Fund for 2024;

AND THAT Council approve amending the Reserve and Reserve Fund Policy to include an additional reserve fund; Development Charge Exemptions Reserve Fund;

AND THAT Council approve amending the Reserve and Reserve Fund Policy to include administrative clean up items addressed in this report;

AND THAT Council approve closing the Safe Restart Reserve Fund;

AND THAT Council approves the Reserve and Reserve Policy as attached to this report, CPS-29, 2024.

Purpose:

To make amendments and updates to the policy for reserves and reserve funds by adding three additional reserve funds, closing one reserve fund and making administrative updates.

Background:

Reserves and reserve funds are an important financial indicator in a Municipality's overall financial health. By maintaining reserves and reserve funds, the Municipality has the capability to fund future liabilities, a key link to long-term financial planning practices. They also provide a cushion to absorb unexpected shifts in revenue and expenditures. The availability of reserves also reduces the cost of financing capital as it allows a municipality to avoid debt interest payments.

The effective use and management of reserves and reserve funds is a critical aspect of an organization's strategic financial plan and continued long-term financial sustainability. It is crucial that the municipality have principles, programs and policies formally approved by Council that serve as a framework to make important financial decisions.

Council formalized a policy for reserves and reserve funds in 2017.

Analysis:

There are multiple amendments and updates being proposed to the Reserves and Reserve Funds policy.

First, Council may establish a discretionary reserve fund to be used for any authorized exclusive purpose. Staff are proposing three new Reserve Funds.

1. **Development Charge Exemptions Reserve Fund.** Funds will be transferred into this reserve fund as contributions from operating budgets to help finance approved growth-related capital costs where development charge contributions have been reduced because of exemptions, and other such concessions. Budgeted transfers into this Development Charge exemptions reserve fund will be based on the tracked average of Development Charge exemptions, and other such concessions during the previous two to three years. This reserve fund will be established with funds from the 2023 surplus (\$1,000,000) as noted in report, CPS-30-2024.
2. **Security Deposits Reserve Fund.** Funds will be transferred into this reserve fund as contributions from older security deposits that have not been claimed or cannot be released to the payee. In 2022/2023 staff did a detailed review of all historic security deposits and advertised these publicly for people (the payee) to claim. There were few that were not claimed and could not be released to the payees. Staff have worked with the municipal auditor to determine the best course of action, which is setting up a reserve fund for these unclaimed security deposits to be used at a future time supporting municipal operations. Staff will transfer old and unclaimed security deposits into this reserve fund on a case-by-case basis. To date there is \$55,618.05 of funds to be transferred in.

3. Municipal Drains Reserve Funds. At this time staff are recommending that a new reserve fund be created to hold a balance for operating municipal drain costs that may fluctuate from year to year. Each year staff have budgeted additional funds for fluctuations in costs of new drains and drain repairs and maintenance. Therefore, it would be more beneficial to set up a reserve fund to assist in stabilizing large budget swings from year to year. This reserve fund will be established with funds from the 2023 surplus (\$200,000) as noted in report, CPS-30-2024.

Second, staff are recommending some administration clean up items to the policy including:

Cash-in-Lieu of Parkland Reserve Fund – add the following statement to the purpose of the fund, “This fund will not be used for costs related to parks in the development review process”.

Fire Public Education reserve fund - staff are recommending the removal of funding of “fire vehicles and equipment” under the purpose of the fund. This fund was set up to fund the public education program and training. This appears to be an administrative error, and the recommendation is to remove it.

Poplar Hill Log Cabin Reserve Fund – changing the category to obligatory reserve fund as this was a contractual reserve fund.

Ontario Community Infrastructure Fund (OCIF) Reserve Fund - changing the category to obligatory reserve fund as this was a contractual reserve fund.

Stormwater Capital Reserve Fund – to update purpose of the fund with the words “within settlement areas”.

Thirdly, staff are recommending closing the Safe Restart Reserve Fund. This fund has been depleted in the past and is not longer required. There are no funds remaining to be disbursed.

Finally, staff have updated annual targets and target balances based on 2024 values (account balances as well as updated replacement values from the Municipality’s asset management plan).

Financial Implications:

N/A

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report responds directly to Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

A1 Reserve and Reserve Fund Policy