



Meeting Date: October 1, 2025

Prepared By: Tiffany Farrell, Director of Corporate Services

Submitted by: Tiffany Farrell, Director of Corporate Services

Report No: CPS-49-2025

Subject: Reserve and Reserve Fund Policy

Recommendation:

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

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

AND THAT council approve the transfer from the Buildings and Facilities Reserve Fund of \$4,170,240, the Fire Vehicles and Equipment Reserve Fund of \$68,365, the Roads Capital Reserve Fund of \$2,495,307, and the General Vehicles and Equipment Reserve Fund of \$102,547 to establish the Growth Reserve Fund;

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

AND THAT council approve the transfer from the Buildings and Facilities Reserve Fund of \$250,000, the Roads Capital Reserve Fund of \$250,000 to establish the Efficiencies and Improvements 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 Ilderton Lions Park Reserve Fund;

AND THAT Council approve closing the Municipal Office Build Reserve Fund;

AND THAT Council approve closing the Computer Replacement Reserve Fund, and transfer the balance of \$60,026.93 to the Modernization Reserve Fund;

AND THAT Council approves By-Law 2025-076 the Reserve and Reserve Fund Policy

Purpose:

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

Background:

Reserves and reserve funds serve as financial indicators for a municipality's overall financial condition. Maintaining reserves and reserve funds enables the municipality to address future liabilities and supports long-term financial planning. They also help mitigate unexpected changes in revenue and expenditures. Access to reserves and reserve funds can decrease capital financing costs by reducing the need for debt and related interest payments.

Proper management of reserves and reserve funds is an integral aspect of strategic financial planning and maintaining financial sustainability. Municipalities are encouraged to have formally approved principles, programs, and policies established by Council to inform key financial decisions. This approach has contributed to the Municipality's financial position, as increased reserve fund contributions have addressed previous shortfalls and created a more stable financial base. Since 2015, reserve funds have increased by approximately \$65 million.

Council implemented a reserves and reserve funds policy in 2017, which undergoes review and updates as required. In June 2025, Council authorized the Tax Supported Long-Range Financial Plan (LRFP).

Analysis:

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

Establishing New Funds

Council may establish a discretionary reserve fund to be used for any authorized exclusive purpose. Staff are proposing three new Reserve Funds in 2025. The first two reserve funds being presented align with the recommendations included in the approved tax supported long-range financial plan. The third reserve fund being proposed is related to a new grant the municipality received in 2025.

1. Growth Reserve Fund. Contributions to this reserve fund will be allocated from operating budgets to support authorized growth-related capital expenditures, as identified in the Municipality's approved Development Charge (DC) Study for benefits to existing areas not covered by DCs in tax-rate supported projects. Transfers into this reserve fund will adhere to the tax-supported long-range financial plan, ensuring that adequate funding is available prior to project initiation. The annual target for this reserve fund is \$5.4M, however, the plan is built to reach this annual target over a 15-year period. The LRFP recommends transferring in 30% of the reserve fund balances from the following reserve funds to open the Growth Reserve Fund:

- Buildings and Facilities Reserve Fund (61.5%) - \$4,170,240
- Fire Vehicles and Equipment Reserve Fund (1%) - \$68,365
- Roads Capital Reserve Fund (36.5%) - \$2,495,307
- General Vehicles and Equipment Reserve Fund (1.5%) - \$102,547

Thirty per cent (30%) of the audited 2024-year end balances of the four reserve funds were used totaling \$6,836,459. Each fund contributed a portion based on the percentage of growth-related benefit to existing projects as identified in the DC Study over the next ten years.

2. Efficiencies and Improvements Reserve Fund (for discretionary service improvements, currently listed as "unfunded capital" in the municipal budget). Contributions to this reserve fund will be allocated from operating budgets to support authorized efficiencies and improvements capital expenditures and new capital expenditures not included in the DC study, as identified in the Municipality's annual capital budget for tax-rate supported projects. Transfers into this reserve fund will adhere to the tax-supported long-range financial plan, ensuring that adequate funding is available prior to project initiation. The LRFP recommends transferring in \$500,000 of the reserve fund balances to establish the fund. Staff have allocated 50% from Roads Capital Reserve Fund and 50% from Buildings and Facilities as most unfunded projects are related to these categories.

3. Housing Accelerator Reserve Fund.

4. Housing Accelerator Reserve Fund. Allocations to this reserve fund will consist of annual unspent balances from the Housing Accelerator Fund (HAF). The HAF, administered by the Canada Mortgage and Housing Corporation (CMHC), is designed to assist municipalities in optimizing land use planning and expediting development approval processes, thereby accelerating the increase of housing supply and streamlining building approvals. The Municipality is scheduled to receive a total of \$4.24 million in funding over four years, from 2025 to 2028, with the initial instalment of \$1,061,700 already received for 2025. Subsequent funding will be contingent upon the Municipality's achievement of objectives set

out in its Housing Action Plan. At year-end, any unspent funds will be transferred into this reserve fund to accrue interest until utilized or returned. Establishing a dedicated reserve fund facilitates effective grant expenditure tracking and reporting.

In addition to the establishment of two new reserve funds, the Growth Reserve Fund and the Efficiencies and Improvements Reserve Fund, the LRFPP also proposed consolidating the following reserve funds into a single Asset Management Reserve Fund:

- Buildings and Facilities Reserve Fund
- Fire Vehicles and Equipment Reserve Fund
- Roads Capital Reserve Fund
- General Vehicles and Equipment Reserve Fund

However, following internal discussions and further review, it was determined that maintaining these four individual reserve funds, rather than merging them, is preferable. These reserve funds will continue to be dedicated exclusively to asset management activities, specifically the replacement and rehabilitation of existing capital assets. As this remains consistent with their intended purpose, the only update to the current Reserve and Reserve Fund Policy was to the General Vehicles and Equipment Reserve Fund to change from new and replacement to existing vehicles and equipment. Staff will consider the development of a new policy in 2026 or supplementing the existing Asset Management Plan to enhance processes for asset replacement and rehabilitation, ensuring that the funding strategy aligns with improvements to current assets.

Administrative Updates

Staff are recommending some administration clean up items to the policy including:

- Operating Project Carry Forward Reserve – additional comments for purpose to include the municipal accounting software upgrade. The intention of this reserve will be to fund the cost of the accounting software upgrade and then be closed when complete in 2027.
- Working Fund – added user fees as part of the reserve balance target.
- Development Charges (DC) Reserve Fund – update the title of the reserve fund to reflect the new names of the different funds as outlined in the 2024 DC Study and By-law.
- Administrative Support Reserve Fund – under purpose, staff updated that funds can be used to upgrade and replace the municipal administration building, rather than are to be used for, slight wording change.
- Build Middlesex Centre Reserve Fund – added purchase of land for economic development to purpose.
- Buildings and Facilities Reserve Fund – added parks to the purpose of the fund.

- Election Reserve Fund – annual target increases from \$15,000 to \$20,000 to begin in 2027 after the 2026 election to better reflect the cost of the municipal election every four years.
- Water Capital Reserve Fund – updated purpose from non-growth to non-DC funded growth.
- Wastewater Capital Reserve Fund – updated purpose from non-growth to non-DC funded growth.
- Alignment of this policy with the Capital Financing and Debt Management Policy.

Closing Funds

Staff are recommending closing the following funds:

- Ilderton Lions Park Reserve Fund – This fund has been depleted in 2025 with the completion of the park and is no longer required. There are no funds remaining to be disbursed.
- Municipal Office Build Reserve Fund – This fund has been depleted in 2025 with the completion of the municipal office renovation and is no longer required. There are no funds remaining to be disbursed.
- Computer Replacement Reserve Fund – This fund was originally established to help manage fluctuations in annual computer replacements prior to the implementation of a formal schedule. As it is no longer required, staff propose transferring the remaining balance to the modernization reserve fund to support future technological advancements or modernization initiatives.

Establishing Targets

Staff have updated annual targets and target balances based on 2025 values (account balances as well as updated replacement values) from the Municipality's asset management plan and the approved long-range financial plans. Refer to Appendix 2 for details on target balance calculations and Appendix 3 for details on current Reserve Fund balances.

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

A2 Reserve and Reserve Fund Policy – Target Balances

A3 Reserve and Reserve Fund Policy – Reserve and Reserve Fund Balances