



Reserve and Reserve Funds Policy Review DRAFT

Township of The Archipelago

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Chapter 1

Introduction and Background



1. Introduction and Background

1.1 Introduction

The Township of The Archipelago retained Watson & Associates Economists Ltd. (Watson) to undertake a Reserve and Reserve Funds Policy Review process starting in January 2025. Through this study, Watson worked with Township staff to:

- Review the Township's existing Reserve and Reserve Funds (R.R.F.s);
- Develop a R.R.F. policy framework, including policy statements, definitions, management practices, reporting mechanisms, etc.; 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 sound policies for each of the Township's R.R.F. accounts, as well as to make recommendations to the Township regarding the creation, modification, or closure of 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 the establish reserves and reserve funds for services under the municipality's jurisdiction (e.g. local boards). Other statutes, as will be discussed later, also can 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 Township of The Archipelago has a long history of establishing and utilizing R.R.F.s for various purposes. The Township has a policy framework document titled “Reserves, Reserve Funds, Allowances, Trust Funds and Other Special Funds.” 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 Township’s existing R.R.F.s, as well as to update the framework that is used to develop new R.R.F.s. and to maintain existing R.R.F.s in a consistent and sustainable manner.



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 a 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 to 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		135,636,440	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	19,397,031,215	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 The Archipelago's Current Reserves and Reserve Funds

The Township of The Archipelago currently has 89 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. The following provides an overview of the Township's R.R.F.s, as depicted in the 2023 F.I.R.:



Figure 2
Township of The Archipelago's Reserves and Reserve Funds – 2023

FIR2023: The Archipelago Tp		Schedule 60		
Asmt Code: 4905		CONTINUITY OF RESERVES AND RESERVE FUNDS		
MAH Code: 86621		for the year ended December 31, 2023		
		Obligatory Reserve Funds, Deferred Revenue	Discretionary Reserve Funds	Reserves
		1	2	3
		\$	\$	\$
Totals in Line 2099 are Analysed as Follows:				
5010	Working Funds			22,995,201
5020	Contingencies			
Asset Replacement Funds For: Sewer & Water				
5030	Sewer			
5040	Water			
5050	Replacement of Equipment			
5060	Sick Leave			
5070	Insurance			
5080	Workplace Safety and Insurance Board (WSIB)			
5090	Post-Employment Benefits			
5091	Tax Rate Stabilization			
5630	Lot Leves			
5660	Parking Revenues			
5670	Debenture Repayment			
5680	Exchange Rate Stabilization			
Per Service Purpose:				
5205	General Government			
5210	Protection Services			
Transportation Services:				
5215	Roadways			
5216	Winter Control			
5220	Transit			
5221	Parking			
5222	Street Lighting			
5223	Air Transportation			
Environmental Services:				
5225	Wastewater System			
5230	Storm Water System			
5235	Waterworks System			
5240	Solid Waste Collection			
5245	Solid Waste Disposal			
5246	Waste Diversion			
5250	Health Services			
5255	Social and Family Services			
5260	Social Housing			
Recreation and Cultural Services:				
5265	Parks			
5266	Recreation Programs			
5271	Recreation Facilities - Golf Course, Marina, Ski Hill			
5274	Recreation Facilities - All Other			
5275	Libraries			
5276	Museums			
5277	Cultural Services			
5280	Planning and Development			
5290	Other			
Obligatory Deferred Revenue:				
5635	Development Charges Cash Collected (SLC 61B 0299 28)	0		
5636	Development Charges Installments Receivable (Uncollected) (SLC 61A 0299 25)	0		
5640	Subdivider Contributions			
5650	Recreational Land (The Planning Act)	115,882		
5655	Community Benefits Charges			
5661	Building Code Act, 1992			
5690	Gasoline Tax - Province			
5691	Canada Community-Building Fund (Federal Gas Tax)	258,275		
5693	Building Canada Fund (BCF)			
5695	Other			
5696	Other			
5697	Other			
5698	Other			
5699	Other			
9930				
TOTAL		374,157	0	22,995,201



As of December 31, 2023, the combined balance of the Township's obligatory reserve funds, discretionary reserve funds, and discretionary reserves is \$23.4 million. As depicted on Figure 2, the Township's discretionary funds are noted as Reserves, with no allocations provided in the Reserve Fund column. The discretionary R.R.F.s have been examined and categorized appropriately through this policy review process.

Based on the information provided above and by the Township, the Township's R.R.F.s have been categorized into the four primary types: operating, capital, working funds, and statutory. Additionally, these funds are distinguished based on their allocation to the area rated North and South. This separation reflects a requirement set out by the Province at the time of the Township's establishment, mandating that certain reserves be maintained independently for North and South. Figure 3 provides a summary of the Township's current R.R.F.s, allocated by category and type.

Figure 3
Summary of the Township's Reserves and Reserve Funds – by Category

Type	Category of Reserves/Reserve Funds					Statutory - General
	Operating - General	Capital - General	Capital - North	Capital - South	Working Funds - General	
Obligatory						Cash-in-lieu of Parkland AMO Federal Gas Tax Funds Election - Councillors Cemetery
Discretionary with By-law		Henvey Inlet Wind Project				
Discretionary through Allocation	Covid Funds	Massassauga Park	Community Centre	Holiday Cove	Working Funds	
	OPP	Sturgeon Park	PauBCC rink	Roads South - Current Lump Sum (includes S/W loans)		
	Management Discr.	Township Office	PauBCC Park	[Unnamed Reserve]		
	Election	Public Works Garage	Landfill Site North	Aga Ming Rd - Gravel		
	Pay Equity	Public Works Shed	Site 9 Garage	Blackstone Lake Rd - Gravel		
	Restructuring	Public Works Shed roof	Chamber of Commerce	Crane-Walker Rd - Gravel		
	Assess. Appeals	Public Works Office	PAB Washroom Bldg.	North Fork Rd - Gravel		
	WSIB Reserve	Nursing Station	PAB Housing	South Fork Rd - Gravel		
	OMPF	Nursing Station Debenture payments	[Unnamed Reserve]	Ramsey-Johnston Rd - Gravel		
	Zoning Review	PauB Nursing/Ambulance	Current Lump Sum	Tolpt's Rd - Gravel		
	O.P. Review	Cemetery	Docks Pte-au-Baril	Armstrong-Jacklin Rd - Gravel		
	Actual Current Reserve	Belvedere	Wharf/Wall Pte-au-Baril	Earls Rd - Gravel		
	Equipment -GIS (Server, plotter, etc)	Ontario Main Streets Revitalization	Roads North - Current Lump Sum	Fox Back Rd - Gravel		
	Aerial Photography - GIS	Modernization Funds	Skerryvore Community Rd (1st Sect)- LCB	Healey Lake Lodge Rd - Gravel		
	Intigration of Data - GIS	Accessibility funding	Skerryvore Community Rd (2nd Sect)- LCB	Kapikog South Rd - Gravel		
	Website	Belvedere Debenture	Skerryvore Community - LCB	Kapikog North Rd - Gravel		
		Planning Board	Skerryvore Road Debenture payments	Joyce Lane - Gravel		
			Site 9 Rd	Munro Dr - Gravel		
			South Shore Rd - HCB	Joe Koran Rd - LCB		
			South Shore Rd - LCB	Kapikog Rd - LCB		
			Payne's Rd	Blackstone- Crane - HCB		
			North Shore Rd - HCB	Healey Lake Rd - HCB		
			North Shore Rd - LCB	Woods Bay Lane - HCB		
			Hwy 529A (Twp portion) - LCB	Kapikog Road Culvert		
			Skerryvore Road Culvert	Blackstone Lake Road Bridge		



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 following sections will address the development of these broader policies, while specific policies are detailed in Chapter 4.

3.2 Structure of Broader Policy Development

Prior to establishing specific policies for individual R.R.F.s, a broader policy framework needs to be established to create a foundation for which all R.R.F. policies will be based on. These following components are addressed in this framework:

- Policy Statement
- Purpose & Objective
- Definitions
- Reserve and Reserve Fund Management
 - Establishment and Modification
 - Investment
 - Contributions to / withdrawals from
 - Lending / Temporary Borrowing
 - Termination / Closure
- Standard of Care / Responsibilities
- Reporting
- Other Considerations

In developing the broader policy framework for the Township, each of the components listed above were examined through detailed meetings with The Archipelago staff. Also, as part of this study process, a benchmarking exercise was undertaken to examine how The Archipelago's neighbouring municipalities handle their respective R.R.F. policies and framework development. These samples were reviewed with



Township staff and assisted in providing insight into developing the Township's R.R.F. policies. The findings of the benchmarking exercise are presented in Appendix A.

The following sections detail the development of the broader policy, including examples for each component. These concepts were discussed with staff and the resultant framework is presented in Section 3.3.

3.2.1 Policy Statement

The policy statement should identify a goal which defines the overall need for the R.R.F. policies. Policy statements can be brief or expanded, as presented in the following examples:

- “A Policy governing the management and administration of reserves and reserve funds.”
- “The *Municipal Act, 2001*, Section 290 provides a municipality’s budget shall set out amounts to be paid into and out of reserves. A municipality may establish reserve funds for any purpose for which is has authority to spend money.”

3.2.2 Purpose & Objective

This portion of the framework should include a statement that defines the overall purpose and objective of the R.R.F. policies, identifying the reasons for establishing R.R.F.s.

Examples of the purpose of R.R.F.s include:

- Adherence to statutory requirements;
- Promotion of financial stability and flexibility;
- Provision of major capital expenditures;
- Smooth expenditures which would otherwise cause fluctuation in the operating budget; and
- To take advantage of financial opportunities that may arise.

3.2.3 Definitions

To ensure clarity for all readers, including Council, staff from various departments, and the public, it is important to define more technical terms. Examples of terms to be defined may include the following:



- Reserve: Monies set aside by approval of Council and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and managed by approval of Council.
- Reserve Fund: Monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or an agreement.

3.2.4 Reserve and Reserve Fund Management – Establishment and Modification

This section of the policy framework should outline the process for establishing the R.R.F., as well as any required steps that need to be undertaken prior to its creation.

The first step is to define the process for creating an R.R.F., as shown in the following sample wording:

- Reserve funds can be established through the following processes:
 - Inclusion in the annual operating or capital budget which is approved by Council; or
 - Through resolution of Council.

In addition to creating a process statement, the requirement of supporting documents may be included to further justify the need for the creation of a reserve or reserve fund. An example of this may include the following wording:

- In order to establish a new reserve fund, a financial plan will be prepared which outlines the following where applicable and practicable:
 - Need or justification;
 - Target funding level (if applicable);
 - Contribution sources; and
 - Projected disbursements for planned future obligations.

3.2.5 Reserve and Reserve Fund Management – Investment

As R.R.F.s are typically held in accounts for a period of time before they are utilized, an investment policy should be developed in order to generate a rate of return to hedge against inflation costs of expenditures. Prior to investing the funds, the Township must consider any legislative requirements for specific reserve funds.



When developing an investment policy, consideration of the investment term and application of interest should be identified. Where possible, the R.R.F. framework should refer to existing investment policies a municipality has developed. An example of an investment statement may include:

- Reserves and reserve funds shall be invested for a term that will not exceed its expected date of need;
- Reserves and reserve funds shall be invested in accordance with the Council approved Investment Policy;
- Interest earned on reserves shall be recognized as revenue in the operating budget; and
- Interest earned on reserve funds shall be recognized as revenue in each specific reserve fund.

3.2.6 *Reserve and Reserve Fund Management – Contributions to / Withdrawals from*

This section of the policy identifies how the transactions for the R.R.F.s will be performed. The policy should describe the process of how the funds will be accessed by the Township, as well as identifying the sources of funding that will contribute to the R.R.F. accounts. Sample wording for this section may include:

- 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 contribution to reserve and reserve fund such as development charge contributions or settlement in account of prior year events;
 - Transfers of funds between reserve cost centres for reserve restructure which in the opinion of the Treasurer have not changed the purpose for which the funds were intended; and
 - Transfer of funds between asset replacement reserves based upon reserve adequacy analyses or other related information, at the discretion of the Treasurer.



3.2.7 Reserve and Reserve Fund Management – Lending / Temporary Borrowing

To help reduce the need for external debenture financing, municipalities may have the ability to internally borrow against existing reserves or reserve funds. Typically, when this action is initiated, the funds that are borrowed from one R.R.F. should be paid back within a defined timeframe and with interest, to maintain the integrity and intended purpose of the source reserve. However, there may be legislative restrictions for certain reserve funds that limit these actions. For example, the legislation dictates that a municipality may borrow money from a development charges reserve fund, but it can only be used for other development charge eligible services, and it is to be paid back with interest.

A sample policy that could be considered may include the following:

- Temporary borrowing to cover a reserve short-term deficit, interim servicing requirements or internal financing is permitted, when justified, adequately supported and authorized by Council.
- However, the following conditions must be met in order to allow borrowing from reserve funds:
 - Borrowing must not adversely affect the intended purpose of the reserve.
 - A plan to repay the reserve within a reasonable timeframe is required and must be documented.
 - Interest, equivalent to the Township's interest on reserve fund bank accounts, will be applied to outstanding amount borrowed.
 - Where applicable, legislative requirements may apply. For example, the *Development Charges Act* permits inter-fund borrowing only between development charge reserve funds and prescribes a minimum interest rate (ie. Bank of Canada prime rate as of the document approval date, updated on the first business day of every January, April, July and October).

3.2.8 Reserve and Reserve Fund Management – Termination / Closure

The R.R.F. policy framework should include a process on how R.R.F. accounts are to be terminated or closed. Prior to closing an R.R.F., the Township should assess the reason for closing the account, ensuring that the purpose has been met and all legislative requirements are satisfied prior to closure.



The following provides a sample write-up to the R.R.F. closure process:

- If the purpose or purposes for which the reserve or reserve fund was created have been accomplished and the reserve or reserve fund is determined to be no longer necessary, the Treasurer, in consultation with the Department Director, shall report to Council with the recommendation on:
 - The closure of the reserve or reserve fund;
 - The disposition of any remaining funds; and
 - The necessary amendment to the Reserve by-law.
- A resolution of Council will be required to close a reserve.
- The By-law establishing the Reserve Fund will be required to be repealed in order to close a Reserve Fund.

3.2.9 Standard of Care / Responsibilities

After establishing the rules and processes for reserves and reserve funds, the next step is to determine how those accounts will be monitored and maintained. The roles and responsibilities of staff and Council should be defined in order to ensure the proper management of each account.

Sample wording surrounding the roles of staff and Council may include:

- The Treasurer shall:
 - Develop and update this policy as necessary and present changes to Council;
 - Ensure that the principles and requirements contained in this policy are applied consistently across all departments;
 - Perform the transfers to and from reserves and reserve funds as authorized by Council;
 - Recommend strategies for the adequacy of reserve levels; and
 - Report to Council the reserve balances and forecast as part of the annual budget approval process.
- Municipal Council shall:
 - In accordance with the *Municipal Act 2001*, Section 224 develop and evaluate policies, ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place and maintain the financial integrity of the municipality.



- Approve transactions to and from reserves and reserve funds through the budget process or by specific resolution (for reserves) and by-laws (for reserve funds).
- The Chief Administrative Officer shall:
 - Support the Treasurer in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all Township departments.
- Department Directors shall:
 - Provide the Treasurer with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves;
 - Inform the Treasurer when reserve or reserve fund transfers are required; and
 - Consult with the Treasurer when reserve funds are required for unbudgeted transactions.

3.2.10 Reporting

The final component of an R.R.F. policy framework is to establish how the funds will be reported to Council, Township departments, and to the public. The R.R.F. reporting may be contained within various reports to Council, such as Annual Audited Financial Statements, Budget Reports, D.C. Reserve Funds Reports, etc.

The following is a sample reporting statement that may be considered as part of the policy framework:

- The Treasurer, or designate shall prepare the following reports regarding reserves and reserve funds managed by the Township:
 - Annual Audited Financial Statements - the annual audited financial statements shall include a statement of financial position, financial activities, and changes in fund balances for reserves and reserve funds.
 - Reserve and Reserve Fund Report - a financial plan forecasting reserve and reserve fund balances and a comparison to target objectives shall be prepared periodically based on the most current information available; this report may include the establishment of new, modification of existing and termination of existing reserves and reserve funds.
 - Budget Reports - reserve and reserve fund balances, projected contributions and planned drawdowns shall be presented as a part of the



budget process. Annual changes to reserve and reserve fund balances shall be presented with each annual budget update, or specifically by resolution if required.

- Other reports in line with this Policy shall be brought forward to Council as needed.

3.2.11 Other Considerations

In addition to the main policy matters presented above, a R.R.F. policy framework may also include other miscellaneous items that were not addressed under the preceding headings. These items may include the treatment of external loans, the delegation of authority to oversee the reserves and reserve funds, and the establishment of a formal process to periodically review and update the aforementioned policies.

3.3 Recommended R.R.F. Framework Policies

Based on the broader policy framework outlined in the prior section, detailed discussions with Township staff were undertaken to review the current R.R.F. practices, as well as proposing new policy considerations using the criteria presented herein.

The following provides the proposed Policy Framework for the Township of The Archipelago's Reserves and Reserve Funds for the Council's consideration.

Policy Statement

The *Municipal Act, 2001*, Section 290 provides that a municipality's budget shall set out amounts to be paid into and out of reserves. A municipality may establish reserve funds for any purpose for which it has authority to spend money.

Additionally, reserve funds will be established based on any applicable legislation.

Reserves and Reserve Funds (R.R.F.) are generally part of long-term financial management and they are set out for various reasons, such as:

- Stabilization of taxation and rates;
- Address future planned expenditures; and
- Set aside contingency towards future unforeseen expenditures.

Purpose



The purpose of this policy is to establish consistent principles, standards and guidelines for the maintenance, management and accounting of reserves and reserve funds.

The primary purpose for reserves and reserve funds are:

- Adherence to statutory requirements;
- Absorb the cost of one-time expenses not included in the operating budget;
- Promotion of financial stability and flexibility;
- Provision of major capital expenditures;
- Provide for asset renewal and lifecycle expenditures for municipal infrastructure;
- Smooth cyclical and non-annual expenditures which would otherwise cause fluctuations in the operating budget; and
- Take advantage of financial opportunities that may arise.

Definition

“Allowance” is deducted values to account for an expected loss or reduction in the value of an asset, ensuring the reported value reflects its estimated realizable value.

- Example: include allowance for uncollectible taxes (Only Municipal Share). Amount does not include those properties under Tax Registration.

“Discretionary Reserve Fund” is monies set aside for a specific purpose by Council and legislated by municipal by-law. If Council should decide to spend the money for purposes other than what it was originally intended for, then a new by-law must be passed under Section 417(4) of the *Municipal Act*.

“Obligatory Reserve Fund” is monies set aside and legally restricted by provincial legislation, or a funding agreement. The funds are raised for a specific purpose and cannot be used for any other purpose.

- Example: Canada Community-Building Fund (CCBF) Reserve Fund regulated by the Municipal Funding Agreement with The Association of Municipalities Ontario (AMO).

“Reserve” is monies set aside by approval of Council and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and managed by approval of Council.



“Reserve Fund” is monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or an agreement.

“Special Fund” is monies set aside that commonly involve the future payment of a liability.

- Examples: Sinking Funds, Debt Retirement Funds.

“Trust Fund” is monies, properties, or other values held by the Township for the benefit of another party. It is used to segregate and administer assets under the specific terms of a statute or trust indenture. Restrictions might be placed on the use of capital in a trust fund but interest earned maybe accessible for use.

- Examples: Cemetery Care & Maintenance Funds, Endowment Funds.

Reserve and Reserve Fund Management

Establishment of Reserves and Reserve Funds

Reserves

- Set out in the current estimates the amount to be designated as reserves during the fiscal year. Know as “Provision for Reserves” or “Provision for a Reserve for Working Funds”.
- Another source can be the designation of unexpended funds during a year.

Reserve Fund

- Obligatory reserve funds must be created when a statute requires revenue received for special purposes be segregated from general revenues.
- Discretionary reserve funds are established when a council decides to earmark revenues to finance a future expenditure for which it has the authority to spend money on. Council should define the purpose for which the reserve fund is being created.

Reserve funds can be established through the following processes:

- Inclusion in the annual operating or capital budget which is approved by Council;
or
- Through resolution of Council.



In order to establish a new reserve fund, a financial plan will be prepared which outlines the following where applicable and practicable:

- Need or justification;
- Target funding level (if applicable);
- Contribution sources; and
- Projected disbursements for planned future obligations.

The Treasurer will have the authority to establish discretionary reserve funds for specific types of work, within a budget of \$150,000, in alignment with their mandates and directives for those items.

Reserves may be established where a situation arises that requires funds be set aside on an interim basis to address a future need. The funds can be segregated in a Reserve until such time that the eligible expenditures are approved and included in the municipal budget.

Investment

- Reserves and reserve funds may be invested for a term not exceeding its expected date of need. Investments shall be governed by the Township's Cash and Investment Management Policy.
- Investment income will be calculated and distributed to the specific reserve or reserve fund based on the average balance during the term the interest was earned.
- Interest earned shall be recognized as revenue in each specific reserve and reserve fund with the exception of the following:
 - Interest earned on operating reserves and reserve funds may be recognized as general revenue in the operating budget.
- If the balances of the reserve and reserve funds are at the maximum target, the interest may be allocated as per the recommendations of the Treasurer.

Contributions to / Withdrawals from

All contributions to and withdrawals from reserves and reserve funds shall be established as part of the annual budget or specifically by resolution with the following exceptions:



- For statutory reserve funds, contributions to and withdrawals from the reserve fund as dictated by the Act.
- A contribution to the reserves and reserve funds may include leftover surplus amounts in reserves and reserve funds with a similar purpose that are no longer required.
- Direct contributions of anticipated revenues and the settlement in account of prior year events. For example: Cash-in-Lieu of Parkland, Canada Community-Building Fund, etc.
- Transfers of funds between reserves and reserve funds which, in the opinion of the Treasurer, have not changed the purpose for which the funds were intended.
- Transfer of funds between asset replacement reserves based upon reserve adequacy analyses or other related information, at the discretion of the Treasurer.

All contributions to and withdrawals from reserves and reserve funds need to be documented with purpose, amount, and date of transaction.

In emergency situations, funds may be used which, in the opinion of the Treasurer and Chief Administrative Officer, are required to be accessed. A description of the emergency and the use of the funds shall be reported by the Treasurer at the next Council meeting.

Lending / Temporary Borrowing

Temporary borrowing to cover a short-term deficit, interim servicing requirements, or internal financing is permitted under the following conditions:

- Use must be justified, adequately supported, and authorized by Council.
- Lending must not adversely affect the intended purpose of the R.R.F.
- Lending at a specified interest rate, below standard bank rates, over the lifecycle of the asset.

A documented plan to repay the R.R.F. within a reasonable timeframe is required, with reference to standard operating internal borrowing procedures based on asset class.

Interest will be applied quarterly to outstanding balances. The interest rate will be equivalent to the Township's earned interest on reserve fund investments.



For any legislated Reserves and Reserve Funds, lending, borrowing, and repayment are permitted only in accordance with the stipulations outlined in the applicable Act.

Termination

If the purpose for which the reserve or reserve fund was created has been accomplished and is determined to be no longer necessary, the Treasurer, in consultation with the Department Director, shall report to Council with the recommendation on:

- The closure of the reserve or reserve fund;
- The disposition of any remaining funds;
- The necessary amendment to the Reserve or Reserve Fund by-law; and
- A resolution of Council will be required to close a reserve or reserve fund.

Responsibilities

Treasurer or designate shall:

- Have overall responsibility for this Policy, and the authority to implement a program for reserves and reserve funds and establish procedures consistent with the content of this Policy.
- Determine the need for reserves and reserve funds for operating and capital budgets.
- Set targets for R.R.F. in line with directives contained in this and other pertinent policies.
- Review and report to Council on the adequacy and continuing need for reserves and reserve funds managed by the Township.
- Prepare and present reports and/or by-laws associated with the establishment, monitoring, or termination of reserves and reserve funds.
- Develop appropriate practices, procedures and processes for the investment of R.R.F. in line with legislative requirements and the Township's Cash and Investment Management Policy.
- Prepare the Township's financial planning documents, with consideration of appropriate R.R.F. to effectively meet the Township's financing needs.
- Ensure R.R.F. managed by the Township are in line with senior government statutes and agreements and other pertinent policies.



- In the absence of the Treasurer, the Treasurer has the authority to appoint an interim designate, or the CAO may appoint an interim designate on the Treasurer's behalf.

Municipal Council shall:

- Develop and evaluate policies in accordance with the *Municipal Act 2001*, Section 224; ensuring that administrative and controllership policies, practices and procedures are in place to maintain the financial integrity of the municipality.
- Approve transactions to and from R.R.F. through the budget process or by specific resolution and by-laws.

Chief Administrative Officer shall:

- Support the Treasurer in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all Township departments.

Department Directors shall:

- Undertake asset management principles to ensure the most current capital asset information is being used to forecast renewal and lifecycle costs.
- Collaborate with the Treasurer to assess the adequacy of reserves.
- Inform the Treasurer when R.R.F. transfers are required.
- Consult with the Treasurer when R.R.F. are required for unbudgeted transactions.

Reporting

The Treasurer will prepare the following reports:

Annual Audited Financial Statements

- Shall be prepared in accordance with Public Sector Accounting Standards (PSAS) which includes changes in fund balances for all reserves and reserve funds.

Long-Term Forecast Report



- A report will be prepared annually identifying a reserve forecast of all reserves and reserve funds based on the Long-Term Project Plan approved by Council and any other relevant information.

Periodic Review of R.R.F. Policy

- A review of this reserve and reserve fund policy will be undertaken every four years or less including whether balances are adequate and the need still exists, or if new R.R.F. is required.

Annual Budget and Business Plan

- Contributions to and budget appropriations from R.R.F. will normally be approved by Council as part of the annual budget or by Council resolution; except in the above noted instances.

Additional Information

Legislative Authority

Municipal Act, 2001, S.O. 2001, c. 25

Policy Scope and Exemptions

This policy applies to the financial management and planning for the Township of The Archipelago.

Policy Communication

This policy will be communicated to the Executive Leadership Team and stored with other Corporate Policies.

Related Procedures and Documents

- By-law No. [INPUT BY-LAW NUMBER] shall implement the Reserves and Reserve Funds and shall supersede all prior policies and by-laws established by Council.
- Cash and Investment Management Policy FN-10-22.
- The Township's annual operating and capital budgets.
- The Township's Asset Management Plan.



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 Township 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
 - Revenues 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.

As mentioned in the previous chapter, a benchmarking exercise was undertaken to examine how The Archipelago's neighbouring municipalities handle their respective R.R.F. policies. These samples were reviewed with Township staff and assisted in providing insight as to how to develop the Township'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 Township of The Archipelago currently has four obligatory reserve funds, each governed by specific legislative requirements. The Township's obligatory reserve funds are as follows:

- Cash-in-Lieu of Parkland Reserve Fund
- AMO Federal Gas Tax Reserve Fund
- Election – Councillors Trust
- Cemetery Trust

As a part of this evaluation, it was noted that the Election – Councillors Trust is no longer required. The reserve fund has held a zero balance since December 31, 2014, and no future obligations have been identified. As such, it is recommended that this reserve fund be closed.

In developing appropriate policies for the remaining obligatory reserve funds, a comparative review was conducted using reserve fund policies from neighbouring municipalities. The following figure provides an overview of policies related to selected obligatory reserve funds.

Figure 4
Survey of Select Obligatory Reserve Fund Policies

Cash-in-lieu of Parkland				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Town of Parry Sound	Parkland Reserve Fund	To provide funding for park space development.	Contributions under the Planning Act.	N/A
Township of Georgian Bay	Cash in Lieu of Parkland	Fund capital investment in parklands and public recreational purposes (per Planning Act).	Contributions collected from developers.	N/A
Township of Seguin	Park Fund	Limited to funding parks and recreational expenditures, as per the Planning Act. Ensures that funds received instead of actual parkland are used to benefit citizens' and ratepayers' recreational needs.	Cash in lieu of parkland dedication on consents Investment income.	N/A
Town of Bracebridge	Payment In Lieu of Parkland	To fund the acquisition of land to be used for park or other public recreational purposes, including erection, improvement or repair of buildings and the acquisition of machinery for park or other public recreational purposes.	Payments made upon creation of lots or intensification of properties in accordance with the Planning Act, 1990 and the Parkland Dedication By-law.	Balance based on volume of applicable development activity and timing of eligible capital projects.
Town of Gravenhurst	Parkland Reserve Fund	Fund capital repairs, betterment and development of municipal parks and parkland	Contribution in lieu of parkland (Municipal Act) and 25% of the net revenue from the sale of shore road allowances.	N/A

Canada Community Building Fund (CCBF)				
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
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 Township's obligatory reserve funds that are consistent with their respective legislative requirements. 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.

The following information provides the full obligatory reserve funds policies:



Figure 5
Township of The Archipelago's Obligatory Reserve Funds Policies

Suggested Name	Cash-in-Lieu of Parkland	Canada Community-Building Fund (CCBF)	Cemetery Trust
Legislation	Planning Act	N/A	Municipal Act
Purpose	The Cash-in-Lieu of Parkland Reserve Fund provides for the purchase and development of parkland in developing/redeveloping areas and/or supports the upgrading of existing parks/facilities (neighbourhood, community or Township-wide), provided the need to upgrade is due to intensification of the surrounding neighbourhood. This Reserve Fund is a legislative requirement of the Planning Act and is established by By-Law No. 12-05.	The Canada Community-Building 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.	The Cemetery Trust Fund's purpose is to ensure there is money available to maintain the cemetery for future generations, including after a cemetery no longer has new burials nor the revenue that comes with them from the sale of interment rights.
Source of Funding	<ul style="list-style-type: none"> 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. Additionally, the municipality may also collect cash-in-lieu based on the alternative rate as specified by the Act with the establishment of a Parkland Dedication Bylaw. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> A percentage of the price paid by consumers for interment or scattering rights is put into the Cemetery Trust for the upkeep of a cemetery in perpetuity.
Suggested Practice: Target Balance (Min)	The reserve fund balance should not fall below \$0.	The reserve fund balance should not drop below \$0 and should be monitored regularly to make best use of the opportunity available to the Township.	The reserve balance should not fall below \$0.
Suggested Practice: 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 Township's Asset Management Plan, Official Plan, and any other relevant planning documents.	Per the Municipal Funding Agreement, funds must be expended within five (5) years after the end of the year in which funds were received. Therefore, the maximum balance shall be equal to the total contributions over a five (5) year period.	No target maximum balance.
Permitted Borrowing	Not Permitted.	Not Permitted.	Not Permitted; prescribed use only.

4.3 Discretionary Reserves and Reserve Funds

With respect to discretionary R.R.F.s, the Township currently has 85 reserves and reserve funds that are related to operating, capital, or working funds. To reflect the Township's legislated structure, these funds are further categorized based on their applicability to the general, area rated North, or area rated South. A breakdown of these funds is presented below:

General Operating:

- Covid Reserve Fund
- OPP Reserve
- Management Discretion Reserve
- Election Reserve
- Pay Equity Reserve
- Restructuring Reserve
- Assessment Appeals Reserve



- WSIB Reserve
- OMPF Reserve
- Zoning Review Reserve
- O.P. Review Reserve
- Actual Current Reserve
- Equipment – GIS Reserve
- Aerial Photography – GIS Reserve
- Integration of Data – GIS Reserve
- Website Reserve

General Capital:

- Massassauga Park Reserve Fund
- Sturgeon Park Reserve Fund
- Township Office Reserve Fund
- Public Works Garage Reserve Fund
- Public Works Shed Reserve Fund
- Public Works Shed Roof Reserve Fund
- Public Works Office Reserve Fund
- Nursing Station Reserve Fund
- Nursing Station Debenture Payments Reserve Fund
- PauB Nursing / Ambulance Reserve Fund
- Cemetery Reserve Fund
- Belvedere Reserve Fund
- Ontario Main Streets Revitalization Reserve Fund
- Modernization Funds Reserve Fund
- Accessibility Funding Reserve Fund
- Belvedere Debenture Reserve Fund
- Henvey Inlet Wind Project Reserve
- Planning Board.

General Working Fund:

- Working Funds

North Capital:



- Community Centre Reserve Fund
- PauBCC Rink Reserve Fund
- PauBCC Park Reserve Fund
- Landfill Site North Reserve Fund
- Site 9 Garage Reserve Fund
- Chamber of Commerce Reserve Fund
- PAB Washroom Building Reserve Fund
- PAB Housing Reserve Fund
- Federal Dock - Current Lump Sum Reserve
- Docks Pte-au-Baril Reserve
- Wharf / Wall Pte-au-Baril Reserve
- Roads North - Current Lump Sum Reserve
- Skerryvore Community Rd (1st Sect) – LCB Reserve
- Skerryvore Community Rd (2nd Sect) – LCB Reserve
- Skerryvore Community – LCB Reserve
- Skerryvore Road Debenture Payments Reserve
- Site 9 Rd Reserve
- South Shore Rd – HCB Reserve
- South Shore Rd – LCB Reserve
- Payne's Rd Reserve
- North Shore Rd – HCB Reserve
- North Shore Rd – LCB Reserve
- Hwy 529A (Twp portion) – LCB Reserve
- Skerryvore Road Culvert Reserve

Note: North Capital also includes one unnamed reserve related to federal dock with a nonzero balance.

South Capital:

- Holiday Cove Reserve Fund
- Roads South - Current Lump Sum (includes S/W loans) Reserve
- Aga Ming Rd – Gravel Reserve
- Blackstone Lake Rd – Gravel Reserve
- Crane-Walker Rd – Gravel Reserve
- North Fork Rd – Gravel Reserve



- South Fork Rd – Gravel Reserve
- Ramsey-Johnston Rd – Gravel Reserve
- Tolpt's Rd – Gravel Reserve
- Armstrong-Jacklin Rd – Gravel Reserve
- Earls Rd – Gravel Reserve
- Fox Back Rd – Gravel Reserve
- Healey Lake Lodge Rd – Gravel Reserve
- Kapikog South Rd – Gravel Reserve
- Kapikog North Rd – Gravel Reserve
- Joyce Lane – Gravel Reserve
- Munro Dr – Gravel Reserve
- Joe Koran Rd – LCB Reserve
- Kapikog Rd – LCB Reserve
- Blackstone- Crane – HCB Reserve
- Healey Lake Rd – HCB Reserve
- Woods Bay Lane – HCB Reserve
- Kapikog Road Culvert Reserve
- Blackstone Lake Road Bridge Reserve

Note: South Capital also includes one unnamed reserve related to public works with a nonzero balance.

Similar to the approach taken for obligatory reserve funds, a survey of neighbouring municipalities was conducted to inform the development of policies for the Township'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 Township's own discretionary R.R.F. policies. A summary of discretionary R.R.F. policies from municipalities with available data is presented below:



Figure 6
Survey of Select Discretionary Reserves and Reserve Fund Policies

Election Reserve				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
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
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)
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,
Township of Seguin	Election	Fund the municipal election (held every four years)	Tax revenue	N/A

Working Funds				
Municipality	Naming	Objective of Fund / Rules of Usage	Source of Funding	Funding Targets
Town of Parry Sound	General Working Capital Reserve	To provide working capital for the Town	General surplus	15% to 25% of prior year tax levy
Town of Gravenhurst	Working Fund	Cash flow for capital projects and day-to-day operations	Town operating budget contributions approved annually	One times Tax Arrears at Year End as prescribed by provincial
Township of Georgian Bay	Working Capital	Cash flow for capital or operating expenses that are unexpected, unbudgeted or of an emergency nature, that cannot be covered within current year budget	Periodic approved budget contributions, or 50% year end operating surplus	25% of annual tax revenue. (Estimate: \$1,500,000)
Town of Lincoln	Operating Rate Stabilization Reserve	The Operating Rate Stabilization Reserve provides a contingency for unforeseen events that might put pressure on the operating budget.	Sources of funding from the Town's annual surplus	Min: Minimum balance equal to 5% of the Property Taxes. Max: The Target balance should
Township of Seguin	Working Capital	Funds township receivables and cash flow for day to day operations; eliminates need for cash flow Line of Credit and interest payments	Historical tax revenue	N/A

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. were achieving its intended purpose or if some changes are required for the funds to meet the Township'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 Township's discretionary R.R.F.s that are proposed to continue, with updates to the naming of the R.R.F.s if required:

- Planning and Building Legal Reserve Fund (previously Massassauga Park)
- Cemetery Reserve Fund
- Ontario Municipal Partnership Fund Reserve
- Henvey Inlet Wind Project Reserve



- Workplace Safety and Insurance Board Reserve
- Election Reserve
- Working Funds Reserve
- Planning Board

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 Township's current and future practices. The following summarizes the policies related to the R.R.F.s that are to be continued:



Figure 7
Township of The Archipelago's Discretionary R.R.F.s Proposed to be Continued

Suggested Name	Legislation	Purpose	Source of Funding	Suggested Practice: Target Balance (Min)	Suggested Practice: Target Balance (Max)	Permitted Borrowing
Planning and Building Legal	N/A	The Planning and Building Legal Reserve Fund provides funding related to Ontario Land Tribunal legal matters, building legal, and other associated costs.	<ul style="list-style-type: none"> • Transfers from operating funds when required, • Annual budget surpluses. 	The reserve fund balance should not fall below \$0.	Maximum of 130,000 based on historical balances within this reserve fund.	Permitted.
Cemetery	N/A	The Cemetery Reserve Fund finances the installation of cemetery-related facilities and amenities, which is separated from the Cemetery Trust.	<ul style="list-style-type: none"> • Allocation from the operating budget annually in the amount of \$7,500. 	The reserve fund balance should not fall below \$0.	The funding level should be sufficient to purchase and develop cemetery-related new facilities and amenities.	Not Permitted.
Ontario Municipal Partnership Fund	N/A	The Ontario Municipal Partnership Fund (OMPF) Reserve is established as a financial safeguard to mitigate the impact of potential reductions or elimination of OMPF funding. Given the Township's reliance on this annual provincial transfer to offset costs associated with provincial downloading, this reserve is designed to provide temporary financial stability and allow for a phased response in the event of funding loss.	<ul style="list-style-type: none"> • The Province's Ontario Municipal Partnership Fund (OMPF) program. 	The reserve balance should not fall below \$0.	The maximum target balance should be equivalent to two years of the OMPF funding, or \$3 million. This target is based on the principle of gradually phasing in the full replacement of OMPF funding over a three-year period.	Not Permitted; prescribed use only.
Henvey Inlet Wind Project	N/A	The Henvey Inlet Wind Project Reserve is intended to be used for the funding of Municipal Projects, or investments with reputable financial institutions for the purpose of accumulating interest income.	<ul style="list-style-type: none"> • Annual financial contributions of \$50,000 in lump-sum payments to the Township from the Henvey Inlet Wind LP, and needs adjustment to account for inflation. Further details are outlined in the Community Benefit Agreement. 	The reserve balance should not fall below \$0.	No target maximum balance.	Not permitted.
Workplace Safety and Insurance Board	Workplace Safety and Insurance Act	The Workplace Safety and Insurance Board (WSIB) Reserve is established to provide funding for the Township's obligations under the Workplace Safety and Insurance Act as a Schedule 2 (self-insured) employer. The reserve is self-funded and intended to cover claim-related expenses as they are approved, including excess costs covered by stop loss insurance. If there is accidental loss of life or permanent disability, the Township may be obligated to pay up to \$500k as per WSIB schedule. This reserve ensures the Township can meet its responsibilities for workplace injury claims and related costs in a timely and fiscally responsible manner.	<ul style="list-style-type: none"> • Allocated through the annual budget. 	The reserve should have a constant balance of \$500,000.	The reserve should have a constant balance of \$500,000.	Not permitted.
Election	N/A	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.	<ul style="list-style-type: none"> • Allocation from the operating budget annually. 	The reserve balance should not fall below \$0.	The required amount to undertake an election in the Clerk and Treasurer's opinion.	Not Permitted, prescribed use only.
Working Funds	N/A	The Working Funds Reserve provides a contingency for unforeseen events that might put pressure on the operating budget and to provide cash flow for operations to eliminate the requirement for short-term borrowing to meet immediate obligations.	<ul style="list-style-type: none"> • Transfers from operating funds when required, • Annual budget surpluses. 	The minimum balance should equal 5% of the Township's property tax revenue.	The maximum balance should equal 6 months worth of operating expenditures of the Township.	Permitted.
Planning Board	N/A	The Planning Board Reserve is a distinct fund established to support the operations and initiatives of the Planning Board. This reserve is managed by the Township but operates independently from the Township's general fund and is not governed by the Township's internal financial policies.	<ul style="list-style-type: none"> • Transfer from planning board operating budget to handle annual fluctuations. 	The reserve balance should not fall below \$0.	No target maximum balance.	Permitted.

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

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



Figure 8
Township of The Archipelago's Discretionary R.R.F.s Proposed to be Combined

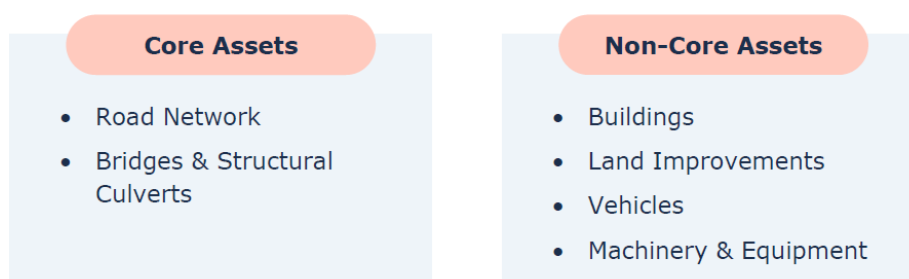
Proposed to be Combined	Combined R.R.F. Title
Modernization Funds	Provincial Grants
Accessibility Funding	
Township Office	AMP/Lifecycle - Buildings
Public Works Garage	
Public Works Shed	
Public Works Shed Roof	
Public Works Office	
PauB Nursing/Ambulance	
Nursing Station	
Nursing Station Debenture Payments	
Working Funds	Working Funds
Belvedere	
OPP	
Belvedere Debenture	AMP/Lifecycle - Machinery & Equipment
Equipment - GIS	
Aerial Photography - GIS	
Intigration of Data - GIS	
Actual Current Reserve	Contingency
Management Discretion	
Pay Equity	
Restructuring	
Assessment Appeals	
Website	Planning
Zoning Review	
Official Plan (O.P.) Review	AMP/Lifecycle - Buildings - North
Community Centre	
Landfill Site North	
Site 9 Garage	
Chamber of Commerce	
PAB Washroom Bldg.	
PAB Housing	
PauBCC rink	
PauBCC Playground	Asset Fund - North
[Unnamed Reserve]	
Current Lump Sum	
Roads North - Current Lump Sum	AMP/Lifecycle - Bridges & Culverts - North
Skerryvore Road Culvert	
Docks Pte-au-Baril	AMP/Lifecycle - Land Improvements - North
Wharf/Wall Pte-au-Baril	
Skerryvore Community Rd (1st Sect) - LCB	AMP/Lifecycle - Road Network - North
Skerryvore Community Rd (2nd Sect) - LCB	
Skerryvore Community - LCB	
Skerryvore Road Debenture Payments	
South Shore Rd - HCB	
South Shore Rd - LCB	
Payne's Rd	
North Shore Rd - HCB	
North Shore Rd - LCB	
Hwy 529A (Twp portion) - LCB	
Holiday Cove	AMP/Lifecycle - Buildings - South
Roads South - Current Lump Sum (includes S/W loans)	Asset Fund - South
[Unnamed Reserve]	
Aga Ming Rd - Gravel	AMP/Lifecycle - Road Network - South
Blackstone Lake Rd - Gravel	
Crane-Walker Rd - Gravel	
North Fork Rd - Gravel	
South Fork Rd - Gravel	
Ramsey-Johnston Rd - Gravel	
Tolpt's Rd - Gravel	
Armstrong-Jacklin Rd - Gravel	
Earls Rd - Gravel	
Fox Back Rd - Gravel	
Healey Lake Lodge Rd - Gravel	
Kapikog South Rd - Gravel	
Kapikog North Rd - Gravel	
Joyce Lane - Gravel	
Munro Dr - Gravel	
Joe Koran Rd - LCB	
Kapikog Rd - LCB	
Blackstone - Crane - HCB	
Healey Lake Rd - HCB	
Woods Bay Lane - HCB	
Kapikog Road Culvert	AMP/Lifecycle - Bridges & Culverts - South
Blackstone Lake Road Bridge	



As seen in Figure 8, the R.R.F.s related to asset management have been consolidated into new groupings based on asset categories defined within the 2025 Asset Management Plan (A.M.P.).

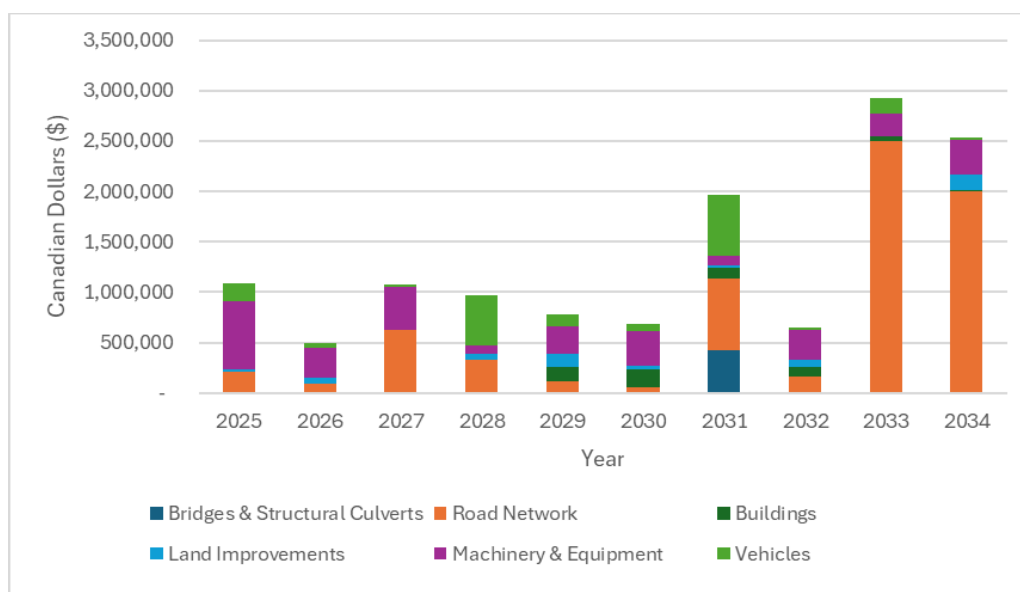
Asset categories from the 2025 A.M.P. are identified below:

Figure 9
Township of The Archipelago 2025 A.M.P. Asset Categories



The target balances for these A.M.P. / Lifecycle R.R.F.s are proposed to be tied with requirements outlined in the A.M.P. and to be assessed annually. The 10-year capital requirements identified from the 2025 A.M.P. are outlined below:

Figure 10
Township of The Archipelago 2025 A.M.P. 10-Year Capital Requirements by Asset Category





The following policies for A.M.P. / Lifecycle R.R.F.s have been drafted for Council's consideration:

Figure 11
Township of The Archipelago A.M.P. / Lifecycle R.R.F.s Policy

Suggested Name	Purpose	Source of Funding	Suggested Practice: Target Balance (Min)	Suggested Practice: Target Balance (Max)	Permitted Borrowing
AMP/Lifecycle - Buildings	The AMP/Lifecycle - Buildings Reserve Fund provides a source of funding for the maintenance, rehabilitation, and replacement of buildings and recreation centres. The capital projects are related to the Buildings category of the Township's Asset Management Plan.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Machinery & Equipment	The AMP/Lifecycle - Machinery & Equipment Reserve provides a source of funding for the maintenance, replacement, and acquisition of landscaping equipment for public parks, as well as miscellaneous equipment used to support Public Works operations. The capital projects are related to the Machinery & Equipment category of the Township's Asset Management Plan.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Buildings - North	The AMP/Lifecycle - Buildings North Reserve Fund provides a source of funding for the maintenance, rehabilitation, and replacement of buildings and recreation centres. The capital projects are related to the Buildings category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated North of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Bridges & Culverts - North	The AMP/Lifecycle - Bridges & Culverts - North Reserve provides a source of funding for the maintenance, rehabilitation, and replacement of major bridges and structural culvert assets. The capital projects are related to the Bridges & Culverts category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated North of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Land Improvements - North	The AMP/Lifecycle - Land Improvements - North Reserve provides a source of funding for the maintenance, rehabilitation, and replacement of land improvement assets. The capital projects are related to the Land Improvements category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated North of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Road Network - North	The AMP/Lifecycle - Road Network - North Reserve provides a source of funding for the maintenance, rehabilitation, and replacement of municipally owned and maintained roadways as managed by the Public Works Department. The capital projects are related to the Land Improvements category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated North of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Buildings - South	The AMP/Lifecycle - Buildings South Reserve Fund provides a source of funding for the maintenance, rehabilitation, and replacement of buildings and recreation centres. The capital projects are related to the Buildings category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated South of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Road Network - South	The AMP/Lifecycle - Road Network - South Reserve provides a source of funding for the maintenance, rehabilitation, and replacement of municipally owned and maintained roadways as managed by the Public Works Department. The capital projects are related to the Land Improvements category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated South of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.
AMP/Lifecycle - Bridges & Culverts - South	The AMP/Lifecycle - Bridges & Culverts - South Reserve provides a source of funding for the maintenance, rehabilitation, and replacement of major bridges and structural culvert assets. The capital projects are related to the Bridges & Culverts category of the Township's Asset Management Plan. This reserve is designated exclusively for projects located within the area rated South of the Township.	<ul style="list-style-type: none"> Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.). Annual budget surpluses. 	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually.	Permitted.



In addition to the A.M.P. / Lifecycle reserves, finance staff have suggested that the current lump sum capital reserves and unnamed capital reserves could be combined and structured to serve a similar purpose, while maintaining the required distinction between area rated North and South. It is therefore being recommended that these five reserves be combined into two newly designated reserves: the Asset Fund – North Reserve and the Asset Fund – South Reserve. The policies surrounding these reserves are summarized as follows:

Figure 12
Township of The Archipelago Asset Fund Reserves Policy

Suggested Name	Purpose	Source of Funding	Suggested Practice: Target Balance (Min)	Suggested Practice: Target Balance (Max)	Permitted Borrowing
Asset Fund - North	The Asset Fund - North is established to hold AMP/Lifecycle funds that have not yet been allocated to the AMP/Lifecycle Reserves and Reserve Funds within the area rated North of the Township.	<ul style="list-style-type: none"> Transfers from operating funds when required Annual Budget surpluses 	The reserve balance should not fall below \$0.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually. This will supplement shortfalls in the specific AMP areas and cover mid-year unbudgeted operating budget increases or overages.	Permitted.
Asset Fund - South	The Asset Fund - South is established to hold AMP/Lifecycle funds that have not yet been allocated to the AMP/Lifecycle Reserves and Reserve Funds within the area rated South of the Township.	<ul style="list-style-type: none"> Transfers from operating funds when required Annual Budget surpluses 	The reserve balance should not fall below \$0.	The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's Asset Management Plan (e.g. CCBF, OCIF, etc.). To be assessed annually. This will supplement shortfalls in the specific AMP areas and cover mid-year unbudgeted operating budget increases or overages.	Permitted.

It is also proposed that the Modernization Reserve Fund and the Accessibility Reserve Fund 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 reserve fund balance should not fall below \$0.
- Suggested Target Balance (Max.)
 - No target maximum balance.
- Permitted Borrowing
 - Not permitted, prescribed use only.

Based on recommendations from the finance staff, it is proposed that the Management Discretion Reserve, Pay Equity Reserve, Restructuring Reserve, Assessment Appeals Reserve, and Website Reserve be consolidated into a single general reserve titled the Contingency Reserve. The 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 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 Township can manage unexpected financial pressures without significant disruption to services or unplanned tax increases.
- Source of Funding
 - Annual operating budget allocations (subject to Council approval),
 - Year-end operating surpluses,
 - Transfers from other reserves or reserve funds, where appropriate and approved by Council.
- Suggested Target Balance (Min.)
 - The minimum balance should equal 5% of the Township's property tax revenue.
- Suggested Target Balance (Max.)
 - The target balance should be no greater than an amount to equal to 0% tax increases for the year.
- Permitted Borrowing



- Permitted.

Furthermore, it is recommended that the Zoning Review Reserve and the Official Plan (O.P.) Reserve be consolidated into a single reserve titled the Planning Reserve. This consolidation is intended to simplify the reserve structure, reduce administrative complexity, and enhance the flexibility of funding allocation for planning-related initiatives. The following policy has been drafted for Council's consideration:

- Purpose
 - The Planning Reserve is established to support the Township's long-term land use planning responsibilities, including the periodic review and update of the Official Plan, Zoning By-law, and related planning initiatives. The reserve provides a stable and dedicated source of funding for these cyclical and resource-intensive activities, ensuring that planning policies remain current and compliant with legislation.
- Source of Funding
 - Annual contributions from the Township's operating budget, as approved by Council,
 - Surplus funds from planning-related operations, where appropriate,
 - Transfers from other reserves as directed by Council,
 - Project-specific grants or recoveries, if applicable.
- Suggested Target Balance (Min.)
 - The target balance of the Planning Reserve should reflect the estimated cost of a full Official Plan and Zoning By-law review cycle, subject to periodic review based on actual project costs and legislative requirements.
- Suggested Target Balance (Max.)
 - No target maximum balance.
- Permitted Borrowing
 - Permitted.

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 Township's evolving needs. These proposed reserves include

- A.M.P. / Lifecycle – Vehicles Reserve Fund
- Federal Grants Reserve Fund



- Working Funds – North Reserve
- Working Funds – South Reserve

The proposed A.M.P. / Lifecycle – Vehicles Reserve Fund is aligned with the Township's Asset Management Plan (A.M.P.) and is specifically designated for the Vehicles asset category. Similar to the other A.M.P. / Lifecycle Reserve Funds outlined in the previous section, the target balance for this reserve will be directly linked to the funding requirements identified in the A.M.P. and reviewed on an annual basis to ensure alignment with updated asset data and lifecycle forecasts. The following policy has been drafted for Council's consideration:

- Purpose
 - The A.M.P. / Lifecycle - Vehicles Reserve Fund provides a source of funding for the maintenance, replacement, and acquisition of vehicles and associated accessories used to support the transportation network and service requests for Public Works. The capital projects are related to the Vehicles category of the Township's Asset Management Plan.
- Source of Funding
 - Levy from the capital budget (to be assessed annually based on the suggested targets from the A.M.P.)
 - Annual budget surpluses.
- Suggested Target Balances
 - The Reserve balance should be adequate to replace annual existing assets needs (as per the Capital budget) while recognizing other potential sources of funding as described in the Township's A.M.P. (e.g. CCBF, OCIF, etc.). To be assessed annually.
- Permitted Borrowing
 - Permitted.

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 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 federal operating or capital grants,
 - Surplus allocations designated for future federal grant match requirements, as approved by Council.
- Suggested Target Balance (Min.)
 - The reserve fund balance should not fall below \$0.
- Suggested Target Balance (Max.)
 - No target maximum balance.
- Permitted Borrowing
 - Not permitted, prescribed use only.

In addition to the general Working Funds Reserve, which supports Township-wide financial needs, it is proposed that two geographically designated reserves be established: the Working Funds – North Reserve and the Working Funds – South Reserve. These reserves are intended to provide dedicated financial flexibility for the area rated North and South, respectively. The policies surrounding the two proposed reserves are as follows:

Figure 13
Township of The Archipelago Working Funds Reserves (North and South) Policy

Suggested Name	Purpose	Source of Funding	Suggested Practice: Target Balance (Min)	Suggested Practice: Target Balance (Max)	Permitted Borrowing
Working Funds - North	The Working Funds - North Reserve provides a contingency for unforeseen events that might put pressure on the operating budget and to provide cash flow for operations to eliminate the requirement for short-term borrowing to meet immediate obligations. This reserve is only applicable to the area rated North of the Township.	<ul style="list-style-type: none"> • Transfers from operating funds when required • Annual Budget surpluses 	The minimum balance should equal 5% of the Township's property tax revenue related to the area rated North.	The maximum balance should equal 6 months worth of operating expenditures of the Township related to the area rated North.	Permitted.
Working Funds - South	The Working Funds - South Reserve provides a contingency for unforeseen events that might put pressure on the operating budget and to provide cash flow for operations to eliminate the requirement for short-term borrowing to meet immediate obligations. This reserve is only applicable to the area rated South of the Township.	<ul style="list-style-type: none"> • Transfers from operating funds when required • Annual Budget surpluses 	The minimum balance should equal 5% of the Township's property tax revenue related to the area rated South.	The maximum balance should equal 6 months worth of operating expenditures of the Township related to the area rated South.	Permitted.



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 Township currently maintains have either fulfilled their intended purpose or are no longer required. Therefore, it is being recommended that the following R.R.F.s be Closed:

- Sturgeon Park Reserve Fund: The balance of the reserve fund has been zero since December 31, 2019, and its related projects have been completed.
- Covid Funds Reserve Fund: The funds have been used towards Covid-19 relief efforts. The purpose of the reserve fund has been achieved, and its balance has been zero since December 31, 2019.
- Ontario Main Streets Revitalization Reserve Fund: This fund was established using funding from the Ministry of Agriculture, Food and Rural Affairs under the Main Street Revitalization Initiative. The associated project is now complete, and the fund balance has been zero since December 31, 2019.
- Site 9 Rd Reserve: The balance of the reserve fund has been zero as of December 31, 2014, and is no longer required as the related projects have been completed.
- Belvedere Reserve Fund: Through discussions with staff, this reserve fund is to be closed, with the remaining balance transferred to the Working Funds Reserve.
- Belvedere Debenture Reserve: This reserve fund is also recommended for closure, with the remaining balance transferred to the Working Funds Reserve.
- OPP Reserve: It is recommended that this reserve be closed, and the remaining balance be transferred to the Working Funds Reserve.
- Actual Current Reserve: Following staff consultation, this reserve is to be closed and its remaining balance transferred to the A.M.P. / Lifecycle – Machinery & Equipment Reserve.



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 Township's R.R.F.s along with specific policies for each account. To ensure transparency and accountability, it is recommended that the Township undertake annual reporting to stakeholders, including Council, Township 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 Township. 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 Township of The Archipelago 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 B.



Chapter 6

Conclusion and Recommendations

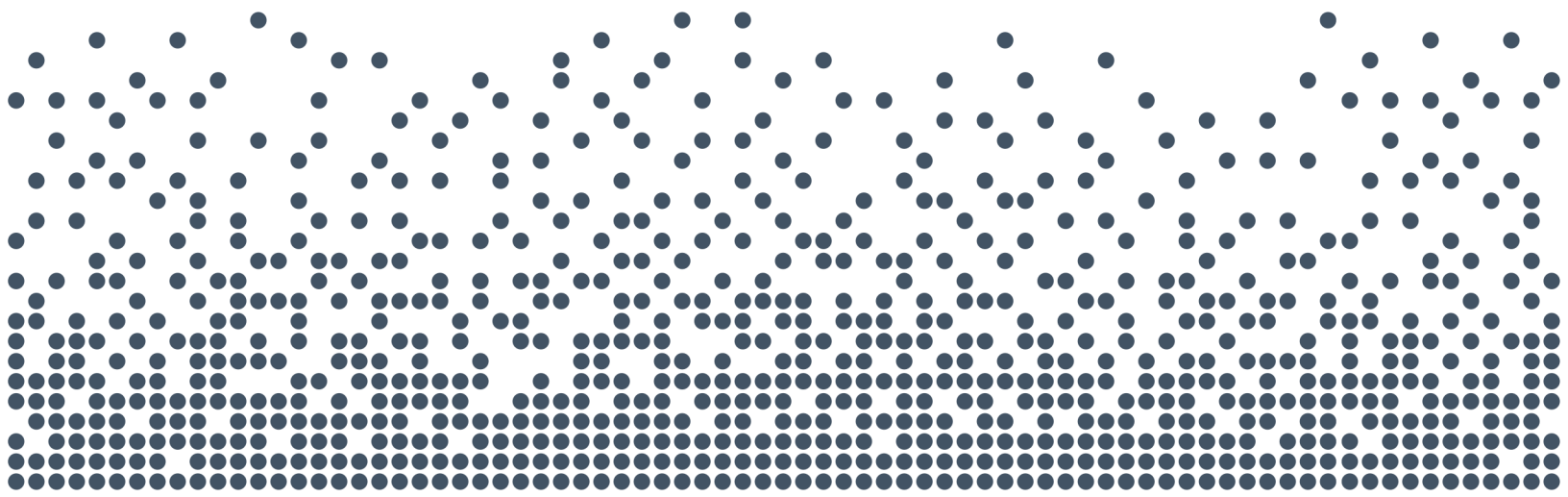


6. Conclusion and Recommendations

In summary, this study has reviewed the Township's existing reserves and reserve funds, provided a historical background, developed a draft 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 draft Reserve and Reserve Fund Policy Framework as set out in Section 3.3;
- Approve the specific reserve and reserve fund policies as outlined in Chapter 4;
- Draft a reserve fund by-law that incorporates the Reserve and Reserve Fund Policy Framework, as well as the specific reserve and reserve fund policies in an attached schedule; and
- Repeal all existing non-obligatory reserve and reserve fund by-laws.



Appendices



Appendix A

Survey of The Archipelago's Neighbouring Municipalities' Policy Framework



Municipality	Town of Parry Sound
Policy Statement	Policy Statement The Municipal Act, 2001, section 290 provides that a municipality's budget shall set out amounts to be paid into and out of reserves. A municipality may establish reserve funds for any purpose for which it has authority to spend money.
Definition	In this policy the following definitions are used: - "Deferred Revenue" means revenue that is considered a liability on the Town's financial statements until it becomes relevant to current operations, such as prepayment received for goods or services that have not yet been provided. Some Deferred Revenue is set aside in obligatory reserve funds for a specific purpose as required by legislation, regulation, or agreement such as development charges, cash-in-lieu of parkland, and federal and provincial gas tax. - "Discretionary Reserve Fund" means Reserve funds created at the discretion of Council whenever revenues are earmarked to finance future expenditures of a purpose designated by Council. - "Obligatory Reserve Fund" means Reserve funds that are required by legislation or agreement to be segregated from the Town's general revenues for a special purpose or for works to be undertaken on behalf of the contributor. These funds are classified in the financial statements as Deferred Revenue. - "Reserve" means an allocation of accumulated net revenue that makes no reference to any specific asset and does not require the physical segregation of money. Established primarily for the purpose of providing working funds. A reserve cannot have a revenue or expense of itself, like a reserve fund. - "Reserve Fund" means a fund that is segregated and restricted to meet a specified purpose and includes both an obligatory reserve fund and a discretionary reserve fund.
Purpose	The purpose of this policy is to establish consistent principles, standards and guidelines for the maintenance, management and accounting of reserves and reserve funds. The primary purpose for reserves and reserve funds is: <ul style="list-style-type: none">• Adherence to statutory requirements;• Promotion of financial stability and flexibility;• Provision for major capital expenditures;• Smooth expenditures which would otherwise cause fluctuation in the operating budget; and• To take advantage of financial opportunities that may arise.



<p>Establishment of Reserve/Reserve Fund (R/RF)</p>	<p>Reserves will be maintained to meet one of the following purposes of the Municipality:</p> <ul style="list-style-type: none"> - Asset Replacement - established to smooth the spikes in capital budgets and smooth out property tax changes; - Project Reserves - established to provide cost effective self borrowing mechanisms to reduce risks associated with interest rate fluctuations; - Economic Stability Reserves - established to buffer against significant fluctuations in the economy; - Contingency Reserves - established to accommodate contingent, unfunded or known liabilities (where the amount is unknown) for current and/or future years; - Working Fund Reserves - established to provide cash flow for operations to eliminate the requirement to borrow funds to meet immediate obligations; and - Self Insurance Reserves - established to provide self insurance provisions. <p>Reserves can be established through the following processes:</p> <ul style="list-style-type: none"> - Inclusion in the annual operating or capital budget which is approved by Council; or - Through resolution of Council. <p>The budget document or resolution will clearly identify the name of the reserve being created and the purpose for the reserve. A reserve may be amended through resolution.</p> <p>Reserve Funds will be maintained in the following categories:</p> <ul style="list-style-type: none"> - Discretionary - subdivided into: Operating, Capital, Specific Use - Obligatory - subdivided into: Operating, Capital <p>Council, on the recommendation of the Director of Finance may establish a discretionary reserve fund and shall establish an obligatory reserve fund.</p> <p>A reserve fund can be recommended only if at least one of the following applies:</p> <ul style="list-style-type: none"> - A mandatory obligation exists, either pursuant to legislation or contract - The funds are intended for purchasing or maintaining capital assets - The funds are donated for a specific purpose - The funds are intended to fund a future liability <p>A report which recommends the establishment of a reserve must include the following:</p> <ul style="list-style-type: none"> - Statement of purpose - Rationale for the appropriate level to be maintained or targeted in the reserve - Initial contribution - Contribution policy <p>A Discretionary Reserve Fund will be established through by-law. The by-law will clearly identify the name of the reserve fund, the funding method and the purpose for the reserve fund. A reserve fund can only be used for the identified purpose, unless Council amends or repeals the establishing by-law.</p> <p>An Obligatory Reserve Fund is established through either terms of an agreement which is entered into by the Town or through legislation from a higher level of government. Obligatory Reserve Funds will be added to the summary of Reserve Funds.</p> <p>In order to achieve maximum flexibility, when establishing a reserve or reserve fund, the intended use should be defined in more general terms such as "facilities" rather than "hockey arena". The Finance Department will establish tracking procedures to ensure that funds in the reserve or reserve fund that are earmarked for a specific project are easily identifiable to management and Council.</p>
<p>Investment</p>	<ul style="list-style-type: none"> - Reserve funds will be invested in accordance with the Town's approved investment policy. Earnings shall be credited to each separate reserve bank account that invested the funds. - 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. - Reserves shall not be invested and are not allocated interest.



<p>Contributions to/from R/RFs</p>	<p>Approval of funding allocations to and from Reserves and Reserve Funds Approval of funding to and from the Reserves and Reserve funds will be in accordance with the Town's established Budget Policy and reports to Council as referred to above.</p> <p>Allocation of Operating Surplus / Deficit <ul style="list-style-type: none"> - Year-end General Levy budget surplus will be allocated in accordance with the Operating Surplus /Deficit Policy. - Year-end General Levy budget deficits will be funded in accordance with the Operating Surplus /Deficit Policy. - Year-end Water and Wastewater budget surplus will be allocated to appropriate Water or Wastewater Reserve. Deficits will be funded from the Water and Wastewater Reserve, if insufficient any shortfall will be funded from the appropriate reserve fund. </p>
<p>Lending/Temporary Borrowing</p>	<p>Temporary borrowing to cover a reserve short-term deficit, interim servicing requirements or internal financing is permitted, when justified, adequately supported and authorized by Council.</p> <p>However the following conditions must be met in order to allow borrowing from reserve funds:</p> <ul style="list-style-type: none"> - Borrowing must not adversely affect the intended purpose of the reserve. - A plan to repay the reserve within a reasonable timeframe is required and must be documented. - Interest, equivalent to the Town's interest on reserve fund bank accounts, will be applied to outstanding amount borrowed. - Where applicable, legislative requirements may apply. For example, the Development Charges Act permits inter-fund borrowing only between development charge reserve funds and prescribes a minimum interest rate (ie. Bank of Canada prime rate as of the document approval date, updated on the first business day of every January, April, July and October)
<p>Closing R/RFs</p>	<p>If the purpose or purposes for which the Reserve or Reserve Fund was created have been accomplished and the Reserve or Reserve Fund is determined to be no longer necessary, the Director of Finance, in consultation with the Department Director, shall report to Council with the recommendation on:</p> <ul style="list-style-type: none"> - The closure of the Reserve or Reserve Fund - The disposition of any remaining Funds - The necessary amendment to the Reserve by-law <p>A resolution of Council will be required to close a reserve.</p> <p>The By-law establishing the Reserve Fund will be required to be repealed in order to close a Reserve Fund.</p>



Responsibilities	<p>Municipal Council shall:</p> <ul style="list-style-type: none"> - In accordance with the Municipal Act 2001, Section 224 develop and evaluate policies, ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place and maintain the financial integrity of the municipality. - Approve transactions to and from reserves and reserve funds through the budget process or by specific resolution (for reserves) and by-laws (for reserve funds). <p>The Chief Administrative Officer shall:</p> <ul style="list-style-type: none"> - Support the Director of Finance in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all Town departments. <p>The Director of Finance shall:</p> <ul style="list-style-type: none"> - Develop and update this policy as necessary and present changes to Council; - Ensure that the principles and requirements contained in this policy are applied consistently across all departments; - Perform the transfers to and from reserves and reserve funds as authorized by Council; - Recommend strategies for the adequacy of reserve levels; and - Report to Council the reserve balances and forecast as part of the annual budget approval process. <p>Department Directors shall:</p> <ul style="list-style-type: none"> - Provide the Director of Finance with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves; - Inform the Director of Finance when reserve or reserve fund transfers are required; and - Consult with the Director of Finance when reserve funds are required for unbudgeted transactions.
Reporting	<p>Reporting of Reserves and Reserve Funds will occur through the following processes:</p> <ul style="list-style-type: none"> - A year to date continuity schedule will be included in quarterly variance reports to Council. - As required under development charge legislation, if and when a Development Charges By-law is enacted by Council, the Director of Finance will provide Council with a financial statement related to the Development Charge By-law and include information regarding development charge reserve funds. This statement will then be forwarded to the Minister of Municipal Affairs and Housing within 60 days after Council receipt. - Year-end audit and financial statements - balances of reserves, both obligatory and discretionary reserves and reserve funds will be presented with note disclosure and comparative figures as required to meet PSAB reporting standards. - Where required, reporting to Council or other agencies may exist for reserved residual balances related to grants or other contributed funds (eg. Federal and Provincial Grants)
Additional	<p>Total Reserve Target</p> <ul style="list-style-type: none"> - The target for each reserve and reserve fund is identified in Schedule 1 to this policy - The Director of Finance will review the targets annually and propose changes to the target levels as required.

Municipality	Town of Gravenhurst
Policy Statement	<p>Policy Statement</p> <p>It is the policy of the Town of Gravenhurst:</p> <ul style="list-style-type: none"> - to establish reserves and reserve funds for: <ul style="list-style-type: none"> - planned future capital expenditures, - unexpected or unpredicted events, or, - extraordinary expenditures which would otherwise cause fluctuations in the operating or capital budgets - to manage and utilize reserves/reserve funds in a responsible manner



Definition	<p>Reserve Fund: Funds set aside for a specific purpose as required by provincial legislation, a municipal by-law, or agreement. Reserve Funds receive an annual interest allocation based on the average annual balance. The Town of Gravenhurst has both Obligatory and Discretionary Reserve Funds</p> <p>Obligatory Reserve Fund: Funds set aside and legally restricted by Provincial Legislation, a municipal by-law, or agreement. The funds are raised for a specific purpose and cannot be used for any other purpose.</p> <p>Discretionary Reserve Fund: Funds set aside for a specific purpose by Council and legislated by municipal by-law. If Council should decide to spend the money for purposes other than what it was originally intended for, then a new by-law must be passed under section 417(4) of the Municipal Act.</p> <p>Reserve: Funds set aside by approval of Council and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and managed by approval of Council. Reserves do not receive an annual interest allocation.</p>
Purpose	<ul style="list-style-type: none"> - Planned future capital expenditures, - Unexpected or unpredicted events, or, - Extraordinary expenditures which would otherwise cause fluctuations in the operating or capital budgets.
Establishment of Reserve/Reserve Fund (R/RF)	<p>Creation</p> <ul style="list-style-type: none"> - Reserves and reserve funds are created by specific by-laws or as part of other by-laws, e.g. Development Charges or the Operating Budget. - Council shall establish obligatory reserve fund as prescribed by any provincial statute e.g. Development Charges or an agreement e.g. Federal Gas Tax. It may establish a discretionary reserve fund to be used for any other authorized exclusive purpose e.g. Facilities replacement and repair. - The use of reserves is one way of maintaining a sound financial position, but cash flow improvements, risk management, tax stabilization or other considerations may affect reserve requirements. <p>Intended Use</p> <ul style="list-style-type: none"> - Any change to the purpose for which the reserve or reserve fund is designated must be permitted by provincial statute and approved by by-law of Council.
Investment	<p>Interest Allocation</p> <ul style="list-style-type: none"> - Earnings from combined investments shall be credited to each separate reserve fund in proportion to the amount invested from it.
Contributions to/from R/RFs	<p>Limitations</p> <ul style="list-style-type: none"> - Transfers shall be made into or from reserves or reserve funds as prescribed by provincial statute or approved by by-law, including but not limited to the Development Charges By-law and the annual budget. - The annual budget shall set out the recommended portion of revenues to be paid into Town reserves and reserve funds. - From time to time, or as part of the year-end accounting process, the Treasurer may recommend for Council approval transfers to and from reserves or reserve funds in a manner consistent with provincial statute, existing legislation and Councils' strategic direction. - Money in a reserve or reserve fund shall be spent only for the predetermined purpose(s) of the reserve or reserve fund. <p>Transfer timing</p> <ul style="list-style-type: none"> - Contributions from operating budgets to reserves shall be transferred upon the approval of the Town's budget. - Contributions from reserves and reserve funds to operating or capital accounts up to amounts approved by Council shall be transferred at year-end or upon completion of a capital/multi-year project as determined by the Treasurer. <p>Authorization</p> <ul style="list-style-type: none"> - The Treasurer shall monitor the status of reserves and reserve funds and recommend to Council the appropriate source of financing for the Town's programs and capital projects. - Utilization of funds from a reserve or reserve fund must be identified in an approved annual budget or a separate report submitted to Council for approval if outside the normal annual budget process. - Council approval of the Capital and Operating Budgets or recommendations in a report will provide the authorization for utilization of/contributions to reserves and reserve funds.



Lending/Temporary Borrowing	Inter-Reserve Fund Borrowing - Temporary inter-fund borrowing to cover a reserve fund shortfall is permitted and allowable under the Municipal Act. However, borrowing from a reserve or reserve fund shall occur only when an analysis of the reserve has determined that excess funds are available, that the use of these funds will not adversely affect the intended purpose of the reserve, and in the assessment of the Treasurer there is an ability to repay the inter-fund borrowing. - In all cases, an appropriate market rate, e.g. Infrastructure Ontario rate, will be used.
Closing R/RFs	N/A
Responsibilities	N/A
Reporting	- Reserve and reserve fund balances, projected contributions, and planned expenditure withdrawals shall be presented with the annual budget. - Where the annual budget is presented before the fiscal year-end, the Treasurer shall report to Council year end reserve and reserve fund balances providing their opening balances, contributions and withdrawals during the fiscal year. In addition to this report, separate reports will include the financial details related to development charge reserve funds and to building permit reserve funds prescribed by provincial statute. - Balances of reserves, discretionary reserve funds, and deferred revenue (obligatory reserve funds) with comparative figures shall be disclosed by way of a note to the financial statements, with specific reference made on the financial statements to the note, in conformity with the requirements of Public Sector Accounting Standards.
Additional	Scope The Reserve and Reserve Fund Policy applies to all departments and local boards of the Town of Gravenhurst. Adequacy - 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 incurred and a projection of expected contributions and interest earned. - Target reserve balances and estimated timelines to achieve these targets are included in Appendix 1 and may be updated by the Treasurer periodically as deemed appropriate. Policy Review - This policy shall be reviewed within two years of adoption. Reference • 2017 - 106 Establishment and Maintenance of Reserves and Reserve Funds By-law • 2019 - 52 Development Charges By-law • 2009 - 140 Gravenhurst Public Library Endowment Reserve Fund By-law • 2007 - 149 Community Re-investment Reserve Fund By-law • 2005 - 209 Federal Gas Tax Reserve Fund By-law • Building Code Act • Municipal Act

Municipality	Township of Muskoka Lakes
Policy Statement	N/A



Definition	<p>Definitions and Examples</p> <ul style="list-style-type: none"> - Discretionary means a reserve that is created through Council By-law for purposes as designated by Council and funded from Township revenues. - Obligatory means a statutory reserve that is created with funds collected for a specific purpose which may only be expended in accordance with the legislation. - Restricted means a reserve that is created through Council resolution for purposes which are defined by the contributors to the reserve for specific purposes, and would require the funds to be returned to the contributor if not used for that purpose.
Purpose	<p>The purpose of this policy is to establish specific reserves to provide for emergent financial needs, stabilize tax rates, to set aside funds for the replacement of aging infrastructure, and to fund future plans and reports.</p> <p>This policy supports long-term financial sustainability. To this end, it is incumbent on the Township to ensure that financial resources are set aside to maintain existing service levels and to stabilize tax rates.</p>
Establishment of Reserve/Reserve Fund (R/RF)	N/A
Investment	<p>Investment earnings on cash holdings related to reserves shall be applied the reserve fund balances on a pro rated basis of the average reserve balance (opening balance + closing balance divided by 2).</p>
Contributions to/from R/RFs	<ul style="list-style-type: none"> - Transfers to reserves will be restricted to the following sources: <ul style="list-style-type: none"> - Appropriations from operating or surplus accounts as approved by Township Council. - Direct cash receipts such as grants, sale of fixed assets and land, or any other cash receipts as authorized by Township Council. Investment income earned on reserve funds will be added to reserves annually. - Transfers from reserves shall be as authorized in the annual budget or by resolution of Township Council. - Reserve funds shall be held in a separate bank account from Township operating funds.
Lending/Temporary Borrowing	<p>Where the Township chooses to borrow internally to reduce the overall impact of borrowing, the rate used shall be the determined based on the current bank prime rate at the time the funds are drawn. This rate will be variable in nature and adjusted based on the rate published by the Township's bank.</p>
Closing R/RFs	N/A
Responsibilities	<ul style="list-style-type: none"> - The Director of Financial Services or designate will carry out administration of all reserves. - Township Council shall approve the establishment of Operating and/or Capital Reserves in accordance with the <i>Municipal Act, 2001</i>, as well as contributions to and withdrawals from reserves through approval of the annual Operating Budget, and or by way of resolution. This may be either as part of the overall budget review and approval process or on an as-needed basis. - Staff shall include in the annual budget document approved by Township Council a separate statement for reserves and provide estimated additions and uses for the year.
Reporting	<ul style="list-style-type: none"> - Where appropriate, the balance of each capital reserve in support of a 10-year forecast will be monitored and maintained through an analysis of expected receipts and disbursement activity. This analysis will inform reserve account projections updated as part of the annual budget process. - Staff shall present a proposed reserve contribution target level for each operating and capital reserve for Council's consideration and approval as part of the annual budget process. - Reserve reporting will form a part of the quarterly and annual financial statements and significant transactions affecting these will be highlighted in the comments.



Additional	Scope This policy shall apply to all discretionary reserve funds as defined in By-law 2021-123.
	Records Management and Privacy All records relating to any issue pursuant to this policy shall be maintained in accordance with the Municipality's record retention schedule. Throughout all processes outlined in this policy, all Members of Township Council and municipal employees shall adhere to all applicable legislation regarding privacy in accordance with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA). Individuals should be aware that certain circumstances may identify them during an investigation.
	Change History

Municipality	Town of Huntsville
Policy Statement	N/A
Definition	<ul style="list-style-type: none"> - "BIA Reserve(s)" means reserves funds set aside for the purpose of the Huntsville Business Improvement Area - "Capital Asset Replacement Reserve" refers to a type of reserve established for the purpose of smoothing out the potentially uneven nature of non-routine asset replacement from year to year and to plan for sustainable funding for the Town's Asset Management Plan. - "Centre Street Environmental Reserve" refers to a reserve established for the sole purpose of potential remediation and/or redevelopment costs for the property located at 37 Centre Street North and 25 North Dufferin Street. - "Human Capital Reserve" refers to a reserve used to provide funding for organizational human resources management. - "Insurance Reserve" refers to a reserve used to provide funding for areas where the municipality has elected to self-insure, unbudgeted deductibles, or significant changes in insurance premiums from year to year. - "Local Share Hospital Dedication Reserve" refers to a reserve established for the sole purpose of saving for the local share hospital dedication. - "Obligatory Reserve Funds" refers to a reserve fund created by legislation which stipulates those revenues received for special purposes be segregated from the general revenues of the municipality. All earnings derived from such investments form part of the obligatory reserve funds. - "Project Reserve" refers to a type of reserve that tracks financial performance of specific functional areas (i.e., Library, BIA, etc.) or funding set aside for a specific figure expenditure or set of expenditures. - "Reserves" are established at the discretion of Council and are funded from general revenues, either proactively as part of the budget process, or as distinct in-year events at the discretion of Council. Reserves may be held as cash and/or investments together with all other Reserves in the municipality's general bank account. Reserves do not generate or expend funds directly but are limited to transfers to and from itself (in-year activities related to a Reserve are recorded within the Current Fund's activities). - "Stabilization Reserve" refers to a type of reserve established for the purpose of smoothing out cyclical variances, due to the nature of certain Town run programs (i.e., Building Department, Affordable Housing, Election, etc.). - "Trust Funds" refers to funds generally established by a third party and bequeathed to the municipality, typically with restrictions in place regarding the receipt and expenditure of funds (i.e., Cemetery Maintenance Fund). - "Working Funds Reserve" refers to a reserve established to provide sufficient cash flow for annual operations to eliminate the requirement to enter into temporary in-year borrowings.
Purpose	<ul style="list-style-type: none"> - This policy governs the establishment and maintenance of municipal Reserve as a financial tool for the municipality. - This policy establishes guidance to maintain adequate levels of reserve balances to mitigate current and future risks.
Establishment of Reserve/Reserve Fund (R/RF)	N/A
Investment	N/A



Contributions to/from R/RFs	N/A
Lending/Temporary Borrowing	N/A
Closing R/RFs	N/A
Responsibilities	<p>Council</p> <ul style="list-style-type: none"> - Approve, via Council resolution, the creation or establishment of any new reserves, whether capital or operating. Where possible, any new reserves shall be contained in the annual budget for approval. - Approve, via Council resolution, proposed funding for unbudgeted capital or operating expenditures as outlined in the Budget & Financial Controls policy. <p>Chief Administrative Officer</p> <ul style="list-style-type: none"> - Approve funding for unbudgeted capital or operating expenditures from reserve or obligatory reserve funds up to the limits outlined in the Budget & Financial Controls policy - Utilize the Human capital reserve funds up to a maximum amount of \$25,000 annually to address matters relates to Human Capital, as set by the delegation of authority by-law (2024-15) <p>Staff</p> <ul style="list-style-type: none"> - Consult with the Treasurer on all reports containing proposals to fund unbudgeted capital or operating expenditures from reserve or obligatory reserve funds. <p>Treasurer</p> <ul style="list-style-type: none"> - Transfer any budget surplus to the Working Funds Reserve at the end of the year based on audited financial results. - Transfer any budget deficit from the Working Funds Reserve at the end of the year based on audited financial results. - Transfer funds from insurance reserve to fund unbudgeted deductibles throughout the year as outlined in the delegation of authority by-law. - Advise Council of any short falls or deficits arising at the end of each year and the amount to be transferred to or from the Working Funds Reserve as a result.
Reporting	<ul style="list-style-type: none"> - The Schedule of Reserve and Obligatory Reserve Funds for the Town will be provided to Council on an annual basis. Details of funding for unbudgeted capital or operating expenditures will be provided to Council on a quarterly basis in accordance with the Budget & Financial Controls policy. - For each of the Town's Reserve or Obligatory Reserve funds the following details be recorded and reported, at a minimum, on an annual basis: <ul style="list-style-type: none"> - Name, type of reserve, reserve category - Date of establishment - Description of Purpose - Reserve: Fund Transfers to and from the Reserve - Targeted fund balance (if any) - Special Conditions at establishment or elimination of the Reserve (if any)



Additional	<p>Scope</p> <ul style="list-style-type: none"> - This policy applies to the establishment and maintenance of Town of Huntsville reserves. - Obligatory reserve funds are reserves required because of provincial statute or agreements with other entities such as the Federal or Provincial governments. These obligatory reserves are subject to the provisions outlined in their respective legislation or agreements. - This policy does not apply to Trust Funds. <p>Adequacy and Targets (Refer to Survey-Specific Policies tab)</p> <p>Policy Review</p> <ul style="list-style-type: none"> - The Finance Department may automatically update this policy for minor and administrative amendments, should they be required.
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Municipality	Township of Georgian Bay
Policy Statement	<p>Policy Statement</p> <p>This policy will be an important financial planning tool that will be utilized in coordination with the annual budget and business plan preparation, the 10 year long term capital plan and the Asset Management Plan. It also supports other plans such as the Strategic Plan, Fire Master and Roads Needs Study.</p>
Definition	<p>Reserve: Funds set aside by approval of Council and not restricted by legislation. These funds can be related to a future liability or expenditure and does not have to be related to a specific asset. Reserves do not receive annual interest</p> <p>Reserve Fund: Reserve Funds receive annual interest. There are two types of Reserve Funds:</p> <ul style="list-style-type: none"> - Obligatory Reserve Fund: Funds set aside for a specific purpose as required by Federal, Provincial or other statute/agreement. The funds are raised for a specific purpose and cannot be used for any other purpose. - Discretionary Reserve Fund: Funds set aside for a specific purpose by Council and legislated by municipal by-law. If Council should decide to spend the money for other purposes, then a new by-law must be passed. <p>Operating Surplus/Deficit: Operating surplus refers to funds remaining when annual revenues exceed expenditures. Operating deficit refers to unfunded portion when annual revenues are less than expenditures.</p>
Purpose	<p>Reserve and Reserve funds are an integral component of the Township's finances and provide a strong indicator of the Township's overall financial health. For this reason, the primary purpose of this policy is to establish consistent principles and guidelines for the management and accounting of reserves and reserve funds.</p> <p>Reserves and reserve funds are intended for the following purposes:</p> <ul style="list-style-type: none"> • Future operating and capital requirements • Contingencies or unexpected events • Significant expenses requiring smoothing over time • Legislated liabilities • Reduce need for tax-levy funded debentures • Specific Purpose
Establishment of Reserve/Reserve Fund (R/RF)	Any establishment of a new reserve or reserve fund will be authorized through the budget process or Council Resolution.



Investment	N/A
Contributions to/from R/RFs	<p>Funding Reserves and Reserve Funds</p> <ul style="list-style-type: none"> - Reserves and discretionary reserve funds are funded annually as part of the budget process. Once budget is approved, contributions will be allocated on a quarterly basis and reflected in the quarterly financial statements. - Obligatory reserve funds will be funded as prescribed by Federal, Provincial or other statute/agreement. - Interest payable to reserve funds will be allocated on a monthly basis as part of the monthly bank reconciliations carried out by staff. <p>Operating Surplus/Deficit</p> <p>Should the Township be in an overall surplus position at year-end, the funds will be allocated as follows:</p> <ul style="list-style-type: none"> • 50% to the Reserve – Working Capital • 45% to the Reserve - Assets: Operations • 5% to the Reserve – Assets: Fire/Emergency Services <p>Should the Township be in an overall deficit position at year-end, the funds will be allocated from Reserve – Working Capital.</p> <p>Withdrawal/Transfers</p> <p>All withdrawals/transfers will be authorized through the budget process or Council resolution. Transfers will occur on a quarterly basis and be reflected in the quarterly financial statements. Under no circumstances should a withdrawal place a reserve or reserve fund in a negative position.</p>
Lending/Temporary Borrowing	N/A
Closing R/RFs	<p>If the purpose for which the funds raised are accomplished, and the reserve or reserve fund is deemed no longer necessary, the Director of Financial Services/Treasurer, in consultation with the relevant department Director, shall report to Council with the recommendation on:</p> <ul style="list-style-type: none"> • The closing of the reserve or reserve fund • The disposition of any remaining funds <p>A resolution of Council will be required to close a reserve or reserve fund.</p>
Responsibilities	<p>Council will approve:</p> <ul style="list-style-type: none"> • Any revisions to the Reserve and Reserve Fund policy • The establishment of new reserves or reserve funds • Transfers to and from reserves and reserve funds through the budget process or specific resolution <p>Director of Financial Services/Treasurer will:</p> <ul style="list-style-type: none"> • Ensure the principles and guidelines contained in this policy are applied consistently • Provide recommendations to Council for any revisions to a reserve, reserve fund or between funds • Provide recommendations to Council for the establishment or closing of a reserve or reserve fund
Reporting	<p>The Director of Financial Services/Treasurer will provide the following reports to Council:</p> <ul style="list-style-type: none"> • Summary of projected contributions and withdrawals/transfers as part of the annual budgeting process • Reserve and Reserve Fund Summary providing the continuity schedule as at December 31 of each year (unaudited) • Development Charges Reserve Fund statement



Additional	<p>Scope The scope of this policy will apply to all departments of the municipality and all reserves and reserve funds held by the municipality.</p> <p>Reserve and Discretionary Reserve Fund Levels and Targets</p> <ul style="list-style-type: none"> - Targeted levels, where applicable, are detailed in Appendix 1 to the policy. - Levels will vary dependent on what the reserve or discretionary reserve fund is intended for. The following principles should apply: <ul style="list-style-type: none"> - Overall Consolidated Target Balance: <ul style="list-style-type: none"> - The target balance of consolidated reserves and discretionary reserve funds should be maintained at a level not less than 50% of municipal expenses. This would ensure that the Township would be financially well positioned to sustain periods of economic uncertainty. - At a minimum, the overall total for reserves and discretionary reserve funds as a % of municipal expenses should never fall below 20%. This will ensure that the level of risk indicator remains low. This is one of the measures calculated by the Ministry of Municipal Affairs and Housing in the municipal Financial Indicator Review. - Reserve Balances Exceeding Target: <ul style="list-style-type: none"> - Any balance exceeding target will be recommended to be allocated at the discretion of the Director of Financial Services/Treasurer. The specifics of the allocation will be brought forth for Council approval.
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Municipality	Town of Bracebridge
Policy Statement	<p>Policy Statement:</p> <ul style="list-style-type: none"> - The Corporation of the Town of Bracebridge manages Reserves and Reserve Funds in a responsible manner to achieve corporate objectives while ensuring sufficient capacity exists to meet financial obligations. - The Town recognizes that maintaining Reserves and Reserve Funds for unavoidable events (e.g., floods), growth-related capital requirements, or capital lifecycle obligations reduces the need for long-term borrowing or imposing sudden tax increases on current or future taxpayers. - The Town utilizes Reserves and Reserve Funds solely for their intended purpose and abides by any statutory or contractual requirements to establish or report on activity within Reserve Funds.
Definition	<p>Deferred Revenue: Revenue that is considered a liability on the Town's financial statements until such time as it becomes relevant to current operations.</p> <p>Reserve: An allocation of accumulated net revenue. A Reserve has no reference to any specific asset nor does it require the physical segregation of money or assets as in the case of a Reserve Fund. Reserves are part of a revenue fund and therefore do not receive allocations of interest.</p> <p>Reserve Fund: A fund that is segregated and restricted to meet a specific purpose. It is usually prescriptive as to the basis for collection and use of monies in the fund. All earnings derived from such assets must form part of the Reserve Fund. There are two types of Reserve Funds: Discretionary Reserve Funds and Obligatory Reserve Funds, defined below.</p> <ul style="list-style-type: none"> - Discretionary Reserve Fund: A fund established for a specific purpose by Council through a by-law. Council may establish a Discretionary Reserve Fund for any purpose for which it has authority to spend money. While Council has discretion in the establishment of this type of Reserve Fund, it can only use the fund to meet the purpose established in the by-law. - Obligatory Reserve Fund: A fund that is legislated by senior levels of government, or agreement under external stipulations, giving rise to a potential liability. An Obligatory Reserve Fund is legally restricted for a specific purpose. Obligatory Reserve Funds are classified as Deferred Revenue on the financial statements.
Purpose	This Policy aims to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for the Town's Reserves and Reserve Funds.



Establishment of Reserve/Reserve Fund (R/RF)	<ul style="list-style-type: none"> - The Director of Finance/Treasurer or designate is permitted to establish a new Reserve when the Reserve meets all of the following criteria: <ul style="list-style-type: none"> - It will serve a unique purpose compared to other Reserves and Reserve Funds; - It will have an ongoing multi-year use; and - It will fund costs that would not ordinarily be funded by another source. - Prior to establishing a new Reserve Fund, the Director of Finance/Treasurer or designate will bring forward a staff report to Council for approval, identifying the name of the Reserve Fund, its purpose, planned funding sources, and any appropriate target balance.
Investment	Monies underlying Reserves and Reserve Funds shall be invested in accordance with the Town's Investment Policy Statement. At least annually, interest and realized investment income will be credited to each Reserve Fund based on the average Reserve Fund balances during the period in proportion to the total interest and realized investment income earned by the Town.
Contributions to/from R/RFs	<ul style="list-style-type: none"> - Transfers to/from Reserves and Reserve Funds shall be approved by Council, normally as part of the Municipal Budget and Business Plan or by specific resolution, with the following exceptions: <ul style="list-style-type: none"> - Direct contributions to Reserve and Reserve Funds from third parties, such as Development Charges, where funds have not been fully utilized; or - Transfers of funds between Reserves following the establishment, closure or consolidation of Reserves; - Budgeted transfers to/from Reserves and Reserve Funds will typically occur on a quarterly basis in conjunction with the Town's Quarterly Municipal Budget and Business Plan reporting schedule. - Final Reserve and Reserve Fund transfers will be based on actual expenditures rather than budgeted amounts, as recommended in the annual Reserve and Reserve Funds Staff Report to General Committee.
Lending/Temporary Borrowing	<p>Internal borrowing from Reserves and Reserve Funds is permitted to finance capital or operating expenditures to avoid external borrowing costs, provided that the following conditions are met:</p> <ul style="list-style-type: none"> - Council approves the internal borrowing; - There is a plan to repay the Reserve or Reserve Fund over a reasonable timeframe, not to exceed the life of the asset requiring the funds; and - All legislative requirements are satisfied. For example, the Development Charges Act, 1997 currently permits borrowing from the Development Charges Reserve Fund, but only to fund capital undertakings for which the development charges may be spent, and subject to interest.
Closing R/RFs	<ul style="list-style-type: none"> - The Director of Finance/Treasurer or designate is permitted to close or consolidate a Reserve when: <ul style="list-style-type: none"> - The purpose of the Reserve has been fulfilled; - The Reserve is no longer being used for its intended purpose; - No future commitments are expected within the foreseeable future; - Strategic re-positioning of the Reserve would generate benefits; or - Any other reason at the discretion of the Director of Finance/Treasurer. - Following the closure or consolidation of a Reserve, the Director of Finance/Treasurer or designate will provide details about the Reserve, identifying its name, purpose, rationale for closure/consolidation, as well as the transfer of any residual fund balances within the next annual Reserve and Reserve Funds Staff Report. - Prior to the closure or consolidation of a Reserve Fund, the Director of Finance/Treasurer or designate will bring forward a staff report to Council for approval, identifying the name of the Reserve Fund, its purpose, rationale for closure/consolidation, as well as the transfer of any residual fund balances within the next Reserve and Reserve Funds Staff Report to General Committee.



Responsibilities	<p>Council:</p> <ul style="list-style-type: none"> - In accordance with Section 224 of the Municipal Act, 2001, it is the role of Council to develop and evaluate policies of the municipality; ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place; and maintain the financial integrity of the municipality. - Council also approves a number of administrative actions, such as the establishment, closure or consolidation of Reserve Funds as stated in this Policy. <p>Chief Administrative Officer:</p> <ul style="list-style-type: none"> - The Chief Administrative Officer (CAO) supports the Director of Finance/Treasurer in ensuring the principles and mandatory requirements contained in this Policy are applied consistently across all departments. <p>Director of Finance/Treasurer:</p> <ul style="list-style-type: none"> - The Director of Finance/Treasurer or designate is responsible for managing and administering Reserves and Reserve Funds in accordance with this Policy, including the following tasks: <ul style="list-style-type: none"> - Facilitating transfers to and from Reserves and Reserve Funds in accordance with this Policy; - Establishing, closing or consolidating Reserves; - Recommending to Council the establishment, closure or consolidation of Reserve Funds; - Reporting all Reserve and Reserve Funds, transactions, targets, and balances for the current year through a Reserve and Reserve Funds Staff Report that is presented to General Committee in the following year; - Developing a preliminary strategy to utilize Reserves and Reserve Funds to help fund the Town's anticipated multi-year capital requirements within the annual Long Term Capital Plan; - Facilitating the investment of monies underlying Reserves and Reserve Funds in accordance with the Town's Investment Policy Statement; - Monitoring and reconciling all receipts to and disbursements from Reserve and Reserve Fund accounts to ensure compliance with legislation, Public Sector Account Board (PSAB) standards, and this Policy; - Periodically reviewing the continuing suitability of the Town's overall Reserve and Reserve Fund framework; and - Approving amendments to this Policy for administrative and clerical reasons.
Reporting	<p>The Director of Finance/Treasurer, or designate, shall prepare the following reports regarding Reserves and Reserve Funds:</p> <ul style="list-style-type: none"> - Audited Financial Statements: The annual audited financial statements shall include balances of Reserves and Reserve Funds with relevant note disclosures and comparative figures as required to meet PSAB reporting standards; - Municipal Budget and Business Plan: The annual municipal budget and business plan package shall include projected Reserve and Reserve Fund balances associated with the budget estimates; - Long Term Capital Plan: The annual report regarding the Long Term Capital Plan shall contain a minimum ten-year projection of Reserve and Reserve Fund balances associated with the long-term capital financing plan; - Reserves and Reserve Funds Staff Report: The annual report shall contain recommended Reserve and Reserve Fund transactions for the prior fiscal year ended. This report may also include information about the establishment, closure or consolidation Reserves in accordance with this Policy; - Development Charges Reserve Fund Statement: The annual report shall contain a financial statement of activity within the Development Charges Reserve Fund for the prior fiscal year ended, prepared in accordance with the Development Charges Act, 1997; and - Payment in lieu of Parkland Reserve Fund Statement: The annual report shall contain a financial statement of activity within the Payment in lieu of Parkland Reserve Fund for the prior fiscal year ended, prepared in accordance with the Planning Act, 1990.



Additional	<p>Scope: This Policy aims to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for the Town's Reserves and Reserve Funds.</p> <p>Balances:</p> <ul style="list-style-type: none"> - The Town shall strive to maintain total Reserves and Discretionary Reserve Funds greater than 10% or more of municipal expenses, or such other liquidity thresholds established as high risk by the Province of Ontario. - Methodologies for calculating individual targets are specific to each Reserve or Reserve Fund where applicable, with consideration given to the following: <ul style="list-style-type: none"> - Purpose of fund (e.g., operations or capital); - Certainty of end needs (e.g., for contingent liability or long-term asset replacement); - Economic factors; - Industry target levels for similar funds; and - Multi-year forecast of contribution and projected usage. - The targets for the Reserves and Reserve Funds where applicable are identified in Table 1 of this policy. - The Director of Finance/Treasurer or designate shall review the targets periodically and enact changes to the target levels when, in their opinion, deemed appropriate. <p>Legislative Authority:</p> <ul style="list-style-type: none"> - <i>Municipal Act, 2001.</i> - <i>Development Charges Act, 1997.</i> - <i>Planning Act, 1990.</i> <p>Policy Maintenance:</p> <ul style="list-style-type: none"> - This Policy shall be presented to Council for review and updated as deemed necessary by Council or the Director of Finance/Treasurer or designate. <p>Implementation:</p> <ul style="list-style-type: none"> - This policy shall become effective on the date that it is approved by Council.
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Municipality	Township of Lake of Bays
Policy Statement	<p>Policy Statement:</p> <ul style="list-style-type: none"> - The Municipal Act, 2001, Section 290 provides that a municipality's budget shall set out amounts to be paid into and out of reserves. A municipality may establish reserve funds for any purpose for which it has authority to spend money.
Definition	<p>In this policy the following definitions are used:</p> <ul style="list-style-type: none"> - "Deferred Revenue" means revenue that is considered a liability on the Municipality's financial statements until it becomes relevant to current operations, such as prepayment received for goods or services that have not yet been provided. Some Deferred Revenue is set aside in obligatory reserve funds for a specific purpose as required by legislation, regulation, or agreement such as development charges, cash-in-lieu of parkland, and federal and provincial gas tax. - "Discretionary Reserve Fund" means Reserve funds created at the discretion of Council whenever revenues are earmarked to finance future expenditures of a purpose designated by Council. - "Obligatory Reserve Fund" means Reserve funds that are required by legislation or agreement to be segregated from the Municipality's general revenues for a special purpose or for works to be undertaken on behalf of the contributor. These funds are classified in the financial statements as Deferred Revenue. - "Reserve" means an allocation of accumulated net revenue that makes no reference to any specific asset and does not require the physical segregation of money. Established primarily for the purpose of providing working funds. A reserve cannot have a revenue or expense of itself, like a reserve fund. - "Reserve Fund" means a fund that is segregated and restricted to meet a specified purpose and includes both an obligatory reserve fund and a discretionary reserve fund.



Purpose	<p>The purpose of this policy is to establish consistent principles, standards and guidelines for the maintenance, management and accounting of reserves and reserve funds.</p> <p>The primary purpose for reserves and reserve funds is:</p> <ul style="list-style-type: none"> • Adherence to statutory requirements; • Promotion of financial stability and flexibility; • Provision for major capital expenditures; • Smooth expenditures which would otherwise cause fluctuation in the operating budget; and • To take advantage of financial opportunities that may arise.
Establishment of Reserve/Reserve Fund (R/RF)	<p>Reserves will be maintained to meet one of the following purposes of the Municipality:</p> <ul style="list-style-type: none"> - Asset Replacement - established to smooth the spikes in capital budgets and smooth out property tax changes; - Project Reserves - established to provide cost effective self borrowing mechanisms to reduce risks associated with interest rate fluctuations; - Economic Stability Reserves - established to buffer against significant fluctuations in the economy; - Contingency Reserves - established to accommodate contingent, unfunded or known liabilities (where the amount is unknown) for current and/or future years; - Working Fund Reserves - established to provide cash flow for operations to eliminate the requirement to borrow funds to meet immediate obligations; and - Self Insurance Reserves - established to provide self insurance provisions. <p>Reserves can be established through the following processes:</p> <ul style="list-style-type: none"> - In the annual operating or capital budget by resolution or by-law which is approved by Council; or - Through resolution of Council. <p>The budget document or resolution will clearly identify the name of the reserve being created and the purpose for the reserve. A reserve may be amended through resolution.</p> <p>Reserve Funds will be maintained in the following categories:</p> <ul style="list-style-type: none"> - Discretionary - subdivided into: Operating, Capital, Specific Use - Obligatory - subdivided into: Operating, Capital <p>Council, on the recommendation of the Treasurer may establish a discretionary reserve fund and shall establish an obligatory reserve fund.</p> <p>A reserve fund can be recommended only if at least one of the following applies:</p> <ul style="list-style-type: none"> - A mandatory obligation exists, either pursuant to legislation or contract - The funds are intended for purchasing or maintaining capital assets - The funds are donated for a specific purpose - The funds are intended to fund a future liability <p>A report which recommends the establishment of a reserve must include the following:</p> <ul style="list-style-type: none"> - Statement of purpose - Rationale for the appropriate level to be maintained or targeted in the reserve - Initial contribution - Contribution policy <p>A Discretionary Reserve Fund will be established through By-Law. The By-Law will clearly identify the name of the reserve fund, the funding method and the purpose for the reserve fund. A reserve fund can only be used for the identified purpose, unless Council amends or repeals the establishing By-Law.</p> <p>An Obligatory Reserve Fund is established through either terms of an agreement which is entered into by the Municipality or through legislation from a higher level of government. Obligatory Reserve Funds will be added to the summary of Reserve Funds.</p> <p>In order to achieve maximum flexibility, when establishing a reserve or reserve fund, the intended use should be defined in more general terms such as "facilities" rather than "hockey arena". The Finance Department will establish tracking procedures to ensure that funds in the reserve or reserve fund that are earmarked for a specific project are easily identifiable to management and Council.</p>
Investment	N/A



Contributions to/from R/RFs	<p>Approval of funding allocations to and from Reserves and Reserve Funds: Approval of funding to and from the Reserves and Reserve funds will be in accordance with the Township established Budget Policy and reports to Council as referred to above.</p> <p>Allocation of Operating Surplus / Deficit: Year-end General Levy budget surplus/deficit will be allocated, as recommended by the Treasurer and approved by Council, in accordance with the Public Sector Accounting Board (PSAB) Standards.</p>
Lending/Temporary Borrowing	N/A
Closing R/RFs	<p>If the purpose or purposes for which the reserve or reserve fund was created have been accomplished and the reserve or reserve fund is determined to be no longer necessary, the Treasurer shall report to Council with the recommendation on:</p> <ul style="list-style-type: none"> - The closure of the reserve or reserve fund - The disposition of any remaining funds <p>The By-Law establishing the Reserve Fund will be required to be repealed in order to close a Reserve Fund.</p>
Responsibilities	<p>Municipal Council shall:</p> <ul style="list-style-type: none"> - In accordance with the Municipal Act 2001, Section 224 develop and evaluate policies, ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place and maintain the financial integrity of the municipality. - Approve transactions to and from reserves and reserve funds through the budget process or by specific resolution (for reserves) and By-Laws (for reserve funds). <p>The Chief Administrative Officer shall:</p> <ul style="list-style-type: none"> - Support the Treasurer in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all Township departments. <p>The Treasurer shall:</p> <ul style="list-style-type: none"> - Develop and update this policy as necessary and present changes to Council; - Ensure that the principles and requirements contained in this policy are applied consistently across all departments; - Perform the transfers to and from reserves and reserve funds as authorized by Council; - Recommend strategies for the adequacy of reserve levels; and - Report to Council the reserve balances and forecast as part of the annual budget approval process. <p>Department Managers shall:</p> <ul style="list-style-type: none"> - Provide the Treasurer with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves; - Inform the Treasurer when reserve or reserve fund transfers are required; and - Consult with the Treasurer when reserve funds are required for unbudgeted transactions.
Reporting	<p>Reporting of Reserve Funds will occur through the following processes:</p> <ul style="list-style-type: none"> - Year-end audit and financial statements - balances of reserves, both obligatory and discretionary reserves and reserve funds will be presented with note disclosure and comparative figures as required to meet PSAB reporting standards. - Where required, reporting to Council or other agencies may exist for reserved residual balances related to grants or other contributed funds (e.g. Federal and Provincial Grants)
Additional	N/A



Appendix B

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:

- 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.
- 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.

Schedule of Movement - Reserves

[illegible]

Schedule of Movement - Reserve Funds

[illegible]

Reserves and Reserve Funds Forecast

A 10 year reserve and reserve fund forecast has been prepared to illustrate the long-range financial stability of the organization. Many of the balances can be difficult to predict as their use is affected by uncertain future events however, the following tables illustrate projections based on historical usage patterns and the capital budget forecast.

Generally, reserves are forecast to maintain relatively stable balances over the forecast period. However, the capital provision will experience a sharp decline towards the end of the forecast as the funds are used towards the growth infrastructure supporting the Boyne and Sherwood secondary plan areas.

Reserve fund balances are expected to decline in 2028-2029 before progressively increasing in the balance of the forecast. The change is largely driven by fluctuations in the Development Charges reserve fund as funds are expended to deliver growth infrastructure to the community and revenues received from new development.

[illegible]

Reserves and Reserve Funds Forecast

[illegible]