

**THE CORPORATION OF
THE TOWNSHIP OF SOUTH ALGONQUIN
BY-LAW NO. 21-650**

BEING A BY-LAW TO ADOPT A RESERVE AND RESERVE FUND POLICY

WHEREAS the Municipal Act S.O. 2001, c.25 section 417 authorizes reserves and reserve funds

AND WHEREAS the Council of The Corporation of the Township of South Algonquin is authorizing reserves and reserve funds in accordance with the Municipal Act S.O. 2001, c.25

NOW THEREFORE the Council of The Corporation of the Township of South Algonquin hereby enacts the following as a By-Law;

1. **THAT** the Council for the Township of South Algonquin hereby adopts the Reserve and Reserve Fund Policy attached hereto as Schedule “A” and forming part of this By-Law;
2. **THAT** this By-Law shall come into force and take effect on the date of its final passing.
3. **THAT** the CAO / Clerk-Treasurer for the Township of South Algonquin is hereby authorized to make minor modifications or corrections of a grammatical or typographical nature to the By-Law and schedule, after the passage of this By-Law, where such modifications or corrections do not alter the intent of the By-Law.
4. **THAT** any other By-Law inconsistent with or antedating this By-Law is hereby repealed.

COPY

READ A FIRST & SECOND TIME this 7th day of July, 2021.

Jane A.E Dumas, Mayor

Bryan Martin, CAO Clerk-Treasurer

READ A THIRD TIME AND PASSED this 7th day of July, 2021

Jane A.E Dumas, Mayor

Bryan Martin, CAO Clerk-Treasurer

POLICY MANUAL	POLICY NO. FIN-004-01
For Township of South Algonquin	EFFECTIVE DATE: July 7, 2021 Revised:
SUBJECT: Reserve & Reserve Fund Policy	DEPARTMENT: Finance

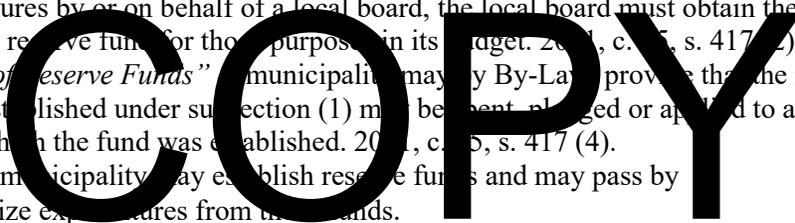
LEGISLATIVE AUTHORITY

Section 417 of the Municipal Act, 2001 (the Act) allows for the establishment of reserve funds and outlines the requirements regarding the procedures in allowing for the use of reserve funds as follows: *"Reserve funds"* Every municipality and local board, as defined in the Municipal Affairs Act, and any other body exercising a power with respect to municipal affairs under any Act in unorganized territory may in each year provide in its budget for the establishment or maintenance of a reserve fund for any purpose for which it has authority to spend money. 2001, c. 25, s. 417 (1).

"Approval" If the approval of a municipality is required by By-Law for a capital expenditure or the issue of debentures by or on behalf of a local board, the local board must obtain the approval before providing for a reserve fund for the purpose in its budget. 2001, c. 25, s. 417 (2).

"Expenditure of Reserve Funds" A municipality may by By-Law provide that the money raised for a reserve fund established under subsection (1) may be spent, pledged or applied to a purpose other than that for which the fund was established. 2001, c. 25, s. 417 (4).

In summary, a municipality may establish reserve funds and may pass by laws to authorize expenditures from the funds.



DEFINITIONS

Reserves are appropriations from net revenue at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. A reserve cannot have a revenue or expense of itself, like a reserve fund.

Reserve Funds are assets that are segregated from the general revenues of the municipality and are restricted to meet the purpose of the reserve fund. Obligatory and discretionary reserve funds may be established. Discretionary Reserve Funds are established in cases where Council wishes to earmark funds to finance a future expenditure for which it has authority to spend money and physically set aside for such purpose. The funds may be used for several different purposes, such as known or unknown contingencies (e.g. building repairs).

Obligatory Reserve Funds are reserve funds that must be created by statute whereby special funds are received or obligated for specific purposes and must be segregated from the general revenues of the municipality (e.g. Gas Tax Rebate). These funds must be used solely for the purpose prescribed for them by statute.

INTRODUCTION

This policy is intended to set out the principles, mandatory requirements and guidelines for establishment, intention, maintenance, management and accounting treatment for Reserves and Reserve Funds, both obligatory and discretionary.

The primary source of revenue for reserves is from current operations, usually surpluses at year-end or as a deliberate segregation during budget deliberations. Reserves are generally referred to as "rainy day funds" to mitigate fluctuations in economic factors, changes in government funding, unanticipated events and contingent liabilities. They are also used to accumulate funds to finance large capital projects to avoiding debt financing

Reserve Funds differ from reserves in that they are segregated and restricted to meet a specific purpose as defined by the Municipal Act. For example, under the Chartered Professional Accountants (CPA) Canada Public Sector Accounting Board (PSAB) guidelines, development charges must be reported as deferred revenue (a liability) or a reserve fund. Capital costs eligible for development charge funding must be growth related capital improvements.

Reserves and Reserve Funds are financial management tools that are an essential part of a sound fiscal policy to address long-term objectives. The goal is to fully fund the annual capital plan through current reserves while delivering efficient, effective programs to the citizens of Township. The key to reserve policies and planning is to balance current and future requirements. Sound program and financial planning would accommodate future growth while maintaining relatively steady tax rates. The maintenance of adequate Reserves and Reserve Funds is critical to the Municipality's long-term viability. The overall reserve amounts established should be between 25% and 50% of annual operating expenditures unless otherwise stated under reserve/reserve fund listing. The amounts are also to be established to fund unknown contingencies or liabilities that the municipality may incur in the future.

REQUIREMENTS

1. Establishment of new reserves and reserve transactions must be supported by a resolution/By-Law of Council.
2. All new reserves and reserve transactions must be authorized by Council through the annual budget process.
3. In-year reserve transactions not contemplated during the budget process shall be authorized through a resolution of Council and will also require a budget amendment to be approved by Council.
4. Following the resolution of Council, the Treasurer has the sole authority to perform transactions to and from reserves for amount budgeted. Transfers to reserves shall be for the actual expenditure/cost up to the approved budgeted amount.

RESPONSIBILITIES

Council

The Role of Council is provided in Section 224 of the Act as follows: "It is the role of council,

- a) to represent the public and to consider the well-being and interests of the municipality;
- b) to develop and evaluate the policies and programs of the municipality;
- c) to determine which services the municipality provides;
- d) to ensure that administrative practices and procedures are in place to implement the decisions of council;
- e) to maintain the financial integrity of the municipality; and,
- f) to carry out the duties of council under this or any other Act. 2001, c. 25, s. 224."

As such, Council has the ultimate authority for policy development and ensuring that administrative practices are in place to implement those policies. As well, policies should be in line with the financial integrity of the municipality. Therefore, the adoption of this policy and any changes to this policy must be approved by Council.

Council has the responsibility to establish reserves and ensure that transactions to and from reserves are authorized, through the budget process or by specific resolutions.

Chief Administrative Officer

The CAO is responsible for supporting the Treasurer and Council in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all departments.

Treasurer

The Treasurer or their designate is responsible for:

- Developing and updating this policy as necessary and present changes to Council,
- Ensuring that the principles and mandatory requirements contained in this policy are applied consistently across all departments,
- Analyzing reserve status on a regular basis and ensuring that accounting principles are followed,
- Performing the transfers to and from reserves as authorized by Council; and,
- Provide an annual report to Council on the status and amounts of each reserve and reserve fund balances to ensure appropriate target levels have been met as outlined in this policy and for other information purposes.

Department Heads

The Department Head or their designate is responsible for informing the Treasurer when reserve transfers are required as per the resolution of Council, providing documentation relating to the reserve transfer; and consulting with the Treasurer for advice regarding the interpretation of this policy.

ESTABLISHMENT OF RESERVES

Types of Reserves

Maintaining adequate reserve balances serves several municipal purposes. These include but are not limited to:

- Asset Replacement: established to smooth the spikes in operating budgets and smooth out property tax changes when new tangible assets;
- Project Reserve: established to provide cost-effective self-borrowing mechanisms to reduce long-term debt and the 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 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.

Purpose of Reserves

For each reserve the establishing resolution/By-Law shall have a description of the purpose and how the reserve may be utilized. Current and future areas of risk and exposure to economic volatility need to be identified for each reserve. The purpose of the reserve may be legislated.

Level of Reserves

Each reserve shall identify the methodology to be utilized to determine the level of the reserve, the target level for the reserve, how the reserve is replenished and/or its date for elimination of the reserve. Service standards and capital planning and the related performance measures should be used to determine the appropriate level for the reserve.

Interest Allocation

- Reserve funds will be invested in accordance with the Municipality's investment policy. Earnings shall be credited to each separate reserve fund bank account that invested the funds.
- Interest shall be allocated to the reserve funds based on the actual balance of the reserve fund.
- Reserves shall not be invested and are not allocated interest.

Temporary Reserve Fund Borrowing

- 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. The following conditions must be met to allow borrowing from reserve funds:
- Borrowing must not adversely affect the intended purpose of the reserve fund.
- A plan to repay the reserve fund within a reasonable timeframe is required and must be documented.
- Interest, equivalent to the Municipality's interest on the reserve fund bank account, will be applied to outstanding amount borrowed.
- Where applicable, legislative requirements may apply.

RESERVES/RESERVE FUND LISTING

General Reserve

13-1000-1000 (Discretionary)

POLICY: To assist in periods throughout the year when cash balances are low and there is a requirement to cover payments and expenses, before taxes, grants and other revenues become available, or any other expense that Council sees fit.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and budget approved contributions from the operating budget.	The use of these funds is general in nature and this balance is intended to act as working capital. Expenditures will include financing operating deficits if they arise and specific operating and capital expenditures as approved by council.	Minimum target level of 20% of operating expenditures.

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Elections Reserve

13-1000-2000 (Discretionary)

POLICY: Established to fund a municipal election over 4 years, rather than funding the entire cost in the year of the election.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	Election related expenses.	\$35,000 at the beginning of an election year.

General Government Facilities/Equipment Reserve

13-1000-3000 (Discretionary)

POLICY: To provide funding for corporate facility upgrades, betterments and replacements to include the Township Office and the Seniors Center. To provide funding to comply with newly developed provincial or federal policies, practices or reporting methods (PSAB/AMP), significant upgrades or replacement of any financial/accounting software and/or computer hardware. To provide funding for Council laptops each new term.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget approved contributions.	To use the funds for facility and equipment maintenance, upgrades, or replacements.	At the discretion of Council.

Accessibility Reserve

13-1000-3100 (Discretionary)

POLICY: To be within compliance of Ontario laws that set standards for accessibility, under the Accessibility for Ontarians with Disabilities Act, 2005. The Municipality is committed to creating an accessible organization by removing barriers for people with disabilities.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To use funds to create an accessible environment within any municipally owned facility or property.	At the discretion of Council.

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Gas Tax Rebate Reserve Fund

13-1000-5000 (Mandatory)

POLICY: To provide funding to investments in Environmentally Sustainable Municipal Infrastructure (ESMI) Projects and Township Building Projects as per the Agreement for the Transfer of Federal Gasoline Tax Revenues.

REVENUES	EXPENDITURES	TARGET LEVEL
The Municipality receives a semi-annual allocation of funds from the AMO on behalf of the Federal Government per the Agreement for the Transfer of Federal Gasoline Tax Revenues.	Expenditures to support environmentally sustainable municipal infrastructure to help ensure cleaner air, cleaner water, and reduced greenhouse gas emissions. Eligible project categories are; public transit, water, wastewater, solid waste, community energy systems, local roads, bridges, tunnels, active transportation infrastructure, and Township building.	The Gas Tax Rebate Reserve Fund amount should represent the revenues allocated to Township only and cannot go below zero at any time.

Insurance Reserve

13-1000-6000 (Discretionary)

POLICY: The Insurance Reserve provides for insurance premiums, claim deductibles, and self-insurance.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget approved contributions.	Expenditures from the Insurance Reserve are made to offset any deficit for insurance expenses in the operating budget.	At the discretion of Council.

Fire Facilities/Equipment Reserve
 13-2000-1000 (Discretionary)

POLICY: To provide financing for operating costs, capital projects, protective services, etc.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget approved contributions.	To use funds for current or future capital expenses to include vehicle and equipment maintenance, betterments, and replacements. Other expenditures include financing an operating deficit. One should occur during the fiscal year.	At the discretion of Council.

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Building Reserve
 13-2000-3100 (Discretionary)

POLICY: The Building Standards division must report their surpluses and deficits to the industry as a separate entity; surpluses cannot be used to fund general Township expenditures, and deficits should be funded from a Reserve and not from the Municipal funds. For this reason, the Building reserve was established to provide for capital expenditures and revenue stabilization, as building permit activity is highly cyclical.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget approved contributions.	To stabilize the building permit revenue line in the operating budget and to fund Building Standards division capital expenditures.	Maintain a minimum equal to 12 months of projected operating expenses to mitigate cyclical drops experienced, or when the economy faces a recessionary period.

Emergency Measures Reserve
 13-2000-4000 (Discretionary)

POLICY: To mitigate the impacts of unforeseen events, natural disasters, extraordinary expenditures or reductions in revenue.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	The use of these funds is general in nature and this balance is intended to act as working capital. Expenditures will include financing operating deficits if they arise, and specific operating and capital expenditures as approved by council.	At the discretion of Council.

Roads Reserve

13-3000-1000 (Discretionary)

POLICY: To assist in smoothing budget to actual fluctuations, finance capital projects, or any other road expenses that Council sees fit.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget surplus and contributions	To fund repair, refurbishment, and replacement of roads associated with Municipal roads and bridges.	At the discretion of Council.

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Transportation Facility Reserve

13-3000-2000 (Discretionary)

POLICY: To provide funding for works department facility upgrades, betterments and replacements to include the works department building and the sand dome.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating/ capital surpluses and any budget approved contributions.	To use funds for current or future capital expenses to include facility upgrades, betterments and replacements.	At the discretion of Council.

Transportation Fleet/Equipment Reserve

13-3000-3000 (Discretionary)

POLICY: To provides a source of funding for the replacement of vehicles and equipment. Each request for expansion funded from the Reserve must be made clear during the capital budget process and in the purchase report to Council.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating/ capital surpluses and any budget approve contributions from the budget.	To use funds for current or future capital expenses to include vehicle and equipment maintenance, betterments, and replacements. Other expenditures include financing an operating deficit if one should occur during the fiscal year.	At the discretion of Council.

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Winter Control Reserve
 13-3000-4000 (Discretionary)

POLICY: To provide funds for winter maintenance in the event of a shortfall in the Winter Control operating budget. The Reserve aids in minimizing the financial implications resulting from extreme winter weather conditions.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations and from annual operating winter control surpluses, if any.	This Reserve provides additional funding for winter maintenance expenditures on Municipal roads in the event of a deficiency in the Operating Budget amount for winter control.	The Winter Control Reserve balance is recommended to be equal to an annual budget amount of winter maintenance costs.

Landfill Closure Reserve

13-4000-1000 (Discretionary)

POLICY: To provide a fund for closure and post closure costs.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget approved contributions.	To be used for direct expenses relating to any Municipal-owned Landfill.	Up to 100% of the estimated future closure and post closure liability costs of both Whitney & Madawaska landfill locations.

Landfill Site Facility/Equipment Reserve

13-4000-2000 (Discretionary)

POLICY: To provide funds for landfill facility upgrades, betterments and replacements and other eligible operating or capital project expenses.

REVENUES	EXPENDITURES	TARGET LEVEL
Year-end operating surplus and any budget approved contributions.	To be used for direct expenses relating to the Whitney & Madawaska landfill locations.	At the discretion of Council.

Health Facility/Equipment Reserve

13-5000-1000 (Discretionary)

POLICY: To provide funds for health facility upgrades, betterments and replacements and other eligible operating or capital project expenses.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To be used for direct expenses relating to any Whitney Medical Center.	At the discretion of Council.

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Helipad Reserve

13-5000-3000 (Discretionary)

POLICY: To provide funds for the paving of the helipad located in Whitney.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To be used for direct expenses relating to paving the Helipad located in Whitney.	\$25,000

Social Facility/Equipment Reserve

13-6000-1000 (Discretionary)

POLICY: To provide funds for Resource Center facility upgrades, betterments and replacements and other eligible operating or capital project expenses.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To be used for direct expenses relating to any Resource Center located in Whitney.	At the discretion of Council.

**Recreation and Culture
 Facility/Equipment/Programming Reserve**
 13-7000-1000 (Discretionary)

POLICY: To provide funds for Recreation facility upgrades, betterments and replacements and other eligible operating or capital project expenses for all municipally owned parks, skating rinks, and docks.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To be used for direct expenses relating to any Recreation programming, facilities, parks, and docks.	At the discretion of Council.

Recreation Committee Reserve
 13-1010 (Discretionary)

POLICY: To provide funds for Recreation programs and the Raise the Roof project.

REVENUES	EXPENDITURES	TARGET LEVEL
Recreation committee donations.	To be used for direct expenses relating to any Recreation programming for the Murchison & Lyer Whitney Recreation groups, and the Whitney Recreation and the Roof project.	At the discretion of Council.

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Recreation Raise the Roof Reserve
 13-7000-1100 (Discretionary)

POLICY: To provide funds for Whitney Recreation Raise the Roof project.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To be used for direct expenses relating to any Recreation Raise the Roof project.	At the discretion of Council.

Library Facility/Equipment/Programming Reserve
 13-7000-4000 (Discretionary)

POLICY: To provide funds for Library facility upgrades, betterments and replacements and other eligible operating or capital project expenses for both Whitney and Madawaska Public Libraries.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	To be used for direct expenses relating to any Library facilities, equipment and programming.	At the discretion of Council.

Planning Reserve

13-7000-8000 (Discretionary)

POLICY: Given the Planning department's sensitivity to volatile and declining economic trends the reserve balance is intended to mitigate any future financial risk or smooth impacts.

REVENUES	EXPENDITURES	TARGET LEVEL
Generated through approved budget allocations.	Used to offset unfavorable revenue variances due to economic conditions.	At the discretion of Council.

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