



Township of Georgian Bluffs

POLICY

RESERVE AND RESERVE FUND POLICY

1.0 PURPOSE

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.

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:

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

2.0 DEFINITIONS

Deferred Revenue— revenue that is considered a liability on the Township'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 legislations, regulation or agreement such as cash-in-lieu of parkland and federal and provincial gas tax.

Discretionary Reserve Fund – 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 – Reserve funds that are required by legislation or agreement to be segregated from the Township’s general revenues for a special purpose or for works to be undertaken on behalf of the contributor.

Reserve – 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 – A fund that is segregated and restricted to meet a specific purpose and includes both an obligatory reserve fund and a discretionary reserve fund.

3.0 RESPONSIBILITIES

Municipal Council

- Approve transactions to and from reserves and reserve funds through the budget process or by specific resolution and by-laws.

Chief Administrative Officer

- Support the Director of Finance in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all Township departments

Director of Finance/Treasurer

- 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

Department Directors/Managers

- 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.

4.0 POLICY

4.1 Establishment of Reserves and Reserve Funds

Reserves will be maintained to meet one of the following purposes of the Township:

1. Asset Replacement- established to smooth the spikes in capital budget and smooth out property tax changes;
2. Project Reserves- established to provide cost effective self-borrowing mechanisms to reduce risks associated with interest rate fluctuations;
3. Economic Stability Reserves- established to buffer against significant fluctuations in the economy;
4. Contingency Reserves- established to accommodate contingent, unfunded or known liabilities (where the amount is unknown) for current and/or future years;
5. Working Fund Reserves- established to provide cash flow for operations to eliminate the requirement to borrow funds to meet immediate obligations; and

Reserves can be established through the following processes:

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

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.

Reserve Funds will be maintained in the following categories: Discretionary and Obligatory. Council, on the recommendation of the Director of Finance, may establish a discretionary reserve fund and shall establish an obligatory reserve fund.

A reserve fund can be recommended only if at least one of the following applies:

1. A mandatory obligation exists, either pursuant to legislation or contract
2. The funds are intended for purchasing or maintaining capital assets
3. The funds are donated for a specific purpose
4. The funds are intended to fund a future liability

4.2 Closing Reserves and Reserve Funds

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

1. The closure of the reserve or reserve fund
2. The disposition of any remaining funds
3. The necessary amendment to the Reserve by-law

A resolution of Council will be required to close a reserve and reserve fund.

4.3 Allocation of Operating Surplus/Deficit

1. Year-end General Levy budget surplus/ deficit will be allocated to reserve/reserve funds as recommended by the Director of Finance. Council must approve surplus/deficit allocation by resolution.

2. Year-end Water and Wastewater budget surplus will be allocated to the appropriate Water or Wastewater reserve. Deficits will be funded from the Water and Wastewater reserve.
3. Any capital projects that were budgeted for but not completed in the year will be allocated to the appropriate reserve/reserve fund.

4.4 Interest Allocation

1. Reserve funds will be invested in accordance with the Township's approved investment policy. Earnings shall be credited to each separate reserve bank account that invested the funds.
2. Where multiple reserve funds are included in one bank account, interest shall be allocated to reserve funds annually based on the actual balance of the reserve fund.
3. Reserves shall not be invested and are not allocated interest.

4.5 Annual Reporting

1. A year to date continuity schedule will be included for council's review during the budget process.
2. Year-end audit and financial statement- 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.
3. 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).

Schedule A- Discretionary Reserve Funds			
Reserve Name	Capital or Operating	Purpose	Source of Funding
North Keppel Fire Services	Both	To provide fire services to the North Keppel Area	Sale of GB's ownership of the Wiarnton Fire Department
East Linton Water System	Both	To fund operation and capital expenditures for the East Linton Water System	Surplus water user fees
Oxenden Water System	Both	To fund operation and capital expenditures for the Oxenden Water System	Surplus water user fees
Shallow Lake Water System	Both	To fund operation and capital expenditures for the Shallow Lake Water System	Surplus water user fees
Gateway Water System	Both	To fund operation and capital expenditures for the Gateway Water System	Surplus water user fees
Pottawatommi Water System	Both	To fund operation and capital expenditures for the Pottawatommi Water System	Surplus water user fees
GVI Sewage Treatment Plant	Both	To fund operation and capital expenditures for the Cobble Beach Sewage Treatment Plant	Surplus Sewage fees

Schedule B- Obligatory Reserve Funds			
Reserve Name	Capital or Operating	Purpose	Source of Funding
Parkland Dedication	Capital	To provide funding for park space development	Contributions under the Planning Act
Cash in lieu of parking	Capital	To provide funding for future development	Contributions under the Planning Act
Gas Tax	Capital	For capital projects in accordance with Gas Tax Agreement	Federal Gas Tax Grant
Main Street Revitalization	Both	For projects in accordance with the Main Street Revitalization Grant Agreement	Main Street Revitalization Grant

Schedule C- Reserves			
Reserve Name	Capital or Operating	Purpose	Source of Funding
Working Capital Reserve	Both	To provide working capital for the Township	General Surplus
Municipal Election Reserve	Operating	To fund future municipal election costs	Tax Levy
Administration Capital Reserve	Capital	To fund future capital replacement and service expansion	Tax Levy
Computer Hardware & Software Reserve	Both	To fund future capital replacement and service expansion	Tax Levy
Asset Management Planning Reserve	Both	To fund costs associated with updating and maintaining asset management plan to comply with provincial regulations	Tax Levy
Emergency Planning Reserve	Both	To fund costs associated with updating and maintaining emergency plans and purchase necessary equipment for emergency preparedness	Tax Levy
Building Permit Sustainability Reserve	Operating	To mitigate the impact of fluctuations in building permit activities year over year	Surplus user fees
Winter Control Reserve	Operating	To mitigate the impact of heavy snow falls on winter control expenditures	Tax levy/unspent winter control funds
Roads Equipment Reserve	Capital	To fund future capital replacement and service expansion	Tax Levy
Roads Construction Reserve	Capital	To fund future capital replacement and service expansion	Tax Levy
Roads Bridges Reserve	Capital	To fund future capital replacement and service expansion	Tax Levy
Inglis Falls Road Reserve	Capital	To fund future capital replacement and service expansion	Tax Levy
Storm Water Management Reserve	Both	To fund future capital replacement, maintenance and service expansion	Tax Levy
Airport Reserve	Both	To fund future operational and capital expenditures for the Warton Keppel International Airport	Tax Levy, surplus user fees
Fire Services Reserve	Both	To fund future operational and capital expenditures for Fire Services	Tax Levy
Biodigester Reserve	Both	To fund future operational and capital expenditures for the Biodigester	Tax Levy
Mount Pleasant Cemetery Reserve	Both	To fund operation and capital expenditures for the Mt. Pleasant Cemetery	Tax Levy
Boyd Cemetery Reserve	Both	To fund operation and capital expenditures for the Boyd Cemetery	Surplus user fees
Oxenden/Big Bay Cemetery Reserve	Both	To fund operation and capital expenditures for the Oxenden and Big Bay Cemeteries	Surplus user fees
Balmy Beach Boat Launch Reserve	Both	To fund operation and capital expenditures for the Balmy Beach Boat Launch	Surplus user fees
Balmy Beach Tennis Courts Reserve	Both	To fund operation and capital expenditures for the Balmy Beach Tennis Courts	Surplus user fees
General Recreation Reserve	Capital	To fund future capital replacement and service expansion	Tax Levy