



# Committee Report

<b>To:</b>	Warden Hicks and Members of Grey County Council
<b>Committee Date:</b>	April 22, 2021
<b>Subject / Report No:</b>	FR-CW-02-21
<b>Title:</b>	Reserves & Reserve Fund Policy
<b>Prepared by:</b>	Joanna Alpajaro, Deputy Treasurer
<b>Reviewed by:</b>	Mary Lou Spicer, Deputy Treasurer Kevin Weppler, Director of Corporate Services
<b>Lower Tier(s) Affected:</b>	Not applicable
<b>Status:</b>	Adopted as presented by Committee of the Whole through Resolution CW79-21; Endorsed by County Council CC40-21

## Recommendation

1. **That Report FR-CW-02-21 regarding a Reserves & Reserve Fund Policy be received;**
2. **That the transfers, closures, and naming modifications to the Reserves and Reserve Funds as detailed in this report be approved; and**
3. **That Council adopt the attached Reserves and Reserve Fund policy, and**
4. **That the Treasurer and any staff member they designate shall be authorized to carry out all delegated functions described in the Policy.**

## Executive Summary

Reserves and Reserve Funds are used by municipal governments as an essential part of long-term financial planning, a tool in debt management, and are established for any purpose deemed necessary by Council, or in accordance with provincial statute.

The objective of the Reserves & Reserve Fund Policy is to ensure adequate working capital is available for cash flow and contingency purposes, and as a source of funding for the County's long-term capital plan, while maintaining reasonable tax rates and user fees.

The policy establishes the principles regarding the creation, funding, use and closing of reserves and reserve funds. As well, it sets out target balances for reserves (such as minimum amounts to be designated for each reserve) which helps guide optimal decision-making.

## Background and Discussion

The Municipal Act, 2001, Section 289 provides that in preparing the budget, an upper-tier municipality may provide for such reserves as the upper-tier municipality considers necessary.

Reserves and reserve funds shall be established for the following purposes:

- To facilitate long-term financial planning
- To plan for asset management and the impact and financing of major capital projects
- To provide for the cost of equipment or facility renewals and replacements
- To smooth tax rate impacts and revenue fluctuations
- To smooth expenditures which would otherwise cause fluctuations in the operating budget
- To absorb the cost of one-time expenses not included in the annual budget
- To fund future obligations

### Reserves and Reserve Fund Policy

The Reserves and Reserve Fund Policy applies to all Reserves and Reserve Funds established by the County of Grey.

Reserves and reserve funds may be established for any purpose deemed necessary by resolution of County Council, or if required in accordance with a provincial statute. Typical uses of reserves and reserve funds are for equipment replacement, contingencies and stabilization purposes, insurance, and capital financing.

Reserves and reserve funds can be established through inclusion in the County budget, through resolution of Council, or through statutory legislation or by-law that establishes a funding requirement.

Reserves are defined as monies that can be set aside by approval of Council and not restricted by legislation.

Reserve funds are monies set aside for a specific purpose as required by provincial legislation, municipal by-law, or agreement. A reserve fund differs from a reserve in that the reserve fund assets are segregated and restricted to meet the purpose of the reserve fund. There are two types of reserve funds; discretionary reserve funds, where monies are set aside for a specific purpose by Council and legislated municipal by-law, and obligatory reserve funds, where monies are set aside and legally restricted by provincial legislation, a municipal by-law or agreement.

The policy is recommending a financial plan be included that identifies the purpose of the reserve, provides target funding levels (where applicable), contribution sources, and projected disbursements to meet the planned future obligations. This reserve financial plan will be reviewed annually to ensure the purpose and the need of the reserve is still unchanged from its original intent.

Under the policy, Reserve funds can be invested for a term that will not exceed the expected date of need of the funds. Investments will be further governed by the County of Grey's Cash and Investment Policy.

Contributions to and draws from reserves and reserve funds can be made in accordance with applicable resolution, by-law, or as approved by Council as part of the annual budget process. Some exceptions to this are outlined in the policy.

The policy provides guidance on lending/temporary borrowing to cover a reserve short-term deficit, interim servicing requirements, or for internal financing. To allow lending/borrowing from reserves, the following conditions must be met:

- All lending/temporary borrowing shall be provided from reserve and reserve fund balances. The loaning of obligatory reserve funds is prohibited.
- 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 County's interest on reserve fund bank accounts or equivalent Infrastructure Ontario lending rates, shall be applied to the outstanding amount borrowed.

Reserves and reserve funds can be wound down and closed when the program or project it supports meets any one of the following criteria:

- Program commitments have been completed and no future commitments are expected
- No longer in the scope of the County's strategic plans
- The Treasurer or his/her designate is confident that balances in other areas can mitigate the need to hold any remaining reserve or reserve fund balance

Reserves or reserve funds identified for closure shall be reported to Council for review and approval. Reports to Council shall include recommendations regarding the timing of wind down, closure and the allocation of any remaining fund balances.

The Reserve & Reserve Fund Policy provides guidelines and conditions for the Treasurer, Directors, Senior Management, the CAO, and Council in the administration of the County's reserves and reserve funds. The policy also provides reporting requirements for reserves and reserve funds.

External loans may be made at the discretion of Council under Section 107 of the Municipal Act to any person, group or body for any purpose considered to be in the best interests of the municipality, provided they are not made contrary to Section 106. Considerations to be made by County staff prior to recommending a loan to Council include purpose of the loan, benefit to be derived, term of loan, interest rate, security, and if adequate reserves are available for the term of the loan.

The Reserve & Reserve Fund Policy also includes a delegation of authority, giving the Treasurer authority for the reserves and reserve funds managed by the County. This management authority over the reserves and reserve funds can be delegated to a designate.

### Transfers, Closing and Naming Modifications

The County's current Reserve schedule contains approximately 140 lines of reserve and reserve funds. Staff are recommending that these be consolidated into the following categories:

- Corporate Stabilization Reserves
- Government Funded Reserves
- Health Care Reserves
- Departmental Specific Reserves

- Capital Reserves
- Development Charge Reserve Fund
- Federal Gas Tax Reserve Fund

This revised reserve schedule recommends consolidating a number of reserves for presentation and to assist with managing these reserves. This consolidation does not restrict staff from maintaining additional breakdowns of these reserves for tracking and accounting purposes, but for presentation these reserves will be consolidated. An example of this is that there are currently eight (8) Housing government funded reserves on the current reserve schedule that will now be consolidated and presented as one reserve named Housing – Government Funded Reserves.

There are number of reserves that have been established over the years that are similar in nature and are therefore these are being recommended to be consolidated. For example, currently there are twelve reserves that have been established for various departments to provide funding stabilization, and these would be used to offset any one-time, unbudgeted, or funding shortfalls. Staff is recommending these be consolidated and presented as a Corporate One-Time Stabilization Reserve.

As well, there are a number of reserves that have been created where the purpose for which the reserve was created has now been accomplished and the reserve is deemed by staff to no longer be necessary. Staff is recommending that these reserves be closed and any remaining funds be allocated to the Corporate One-Time Stabilization Reserve and/or to an applicable departmental capital renewal and replacement reserve.

## Legal and Legislated Requirements

All Reserve and Reserve funds will be managed in accordance with the Municipal Act.

- Section 289 (4) (f): In preparing the budget, an upper-tier municipality may provide for such reserve funds as the municipality considers necessary.
- Section 293: provides that the Minister may make regulations requiring a municipality to establish a reserve fund designated for prescribed liabilities, defining such “liabilities”, requiring a municipality to make certain specified payments into the reserve fund, prohibiting the municipality from changing the purpose for which the reserve fund is designated; and prescribing the conditions under which the municipality may change the designation of all or part of the reserve fund, and under which it may borrow from the reserve fund, as a well as the purposes for which it may do so.
- Section 418 authorizes a municipality to invest its reserves and reserve funds, on their own or together with other specified funds, in certain securities prescribed by the Minister

## Financial and Resource Implications

Reserves and Reserve Funds are important long-term financial planning tools for municipalities and are used to set aside funds for a future purpose. Many of the reserves and reserve funds are included in the annual budget as a source of funding and for use in the future.

## Relevant Consultation

- Internal - Finance staff, Senior Management and CAO
- External (none)

## Appendices and Attachments

[Reserve and Reserve Fund Policy](#)

[Reserve and Reserve Fund Policy Schedule](#)

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## Policy Name

**Approved by:**

**Policy:** X-XXX-XXX

**By-law:**

**Date Approved:**

**Replaces:**

**Last Revision Date:**

**Section:**

**Scheduled for Review by:**

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## Policy Statement

This policy governs the management and administration of reserves and reserve funds for the Corporation of the County of Grey. The objective of the reserve policy is to ensure adequate working capital is available for cash flow and contingency purposes, and as a source of funding the County's long-term capital plan, while maintaining reasonable tax rates and user fees. This policy also establishes the principles regarding the creation, funding, use and closing of reserves and reserve funds.

The Municipal Act, 2001, Section 289 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 it has authority spend money." Council approval is normally required for any transactions into or out of a Reserve or Reserve Fund that is outside the approved budget.

## Purpose

Reserves and reserve funds shall be established for the following purposes:

- To facilitate long-term financial planning
- To plan for asset management and the impact and financing of major capital projects
- To provide for the cost of equipment or facility replacements
- To smooth tax rate impacts and revenue fluctuations
- To smooth expenditures which would otherwise cause fluctuations in the operating budget
- To absorb the cost of one-time expenses not included in the operating budget
- To fund future obligations

The Reserves and Reserve Fund Policy applies to all Reserves and Reserve Funds established by the County of Grey.

### 1.0 Definitions

- 1.1 Reserves – Monies set aside by approval of Council (either by Council resolution or budget adoption) 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.

- 1.2 Reserve Funds – Monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or agreement. There are two types of reserve funds, discretionary reserve funds and obligatory reserve funds. Reserve funds receive an annual interest allocation based on the average annual balance.
- a) Obligatory Reserve Fund – Monies set aside and legally restricted by provincial legislation, corporate agreement, or municipal by-law establishing a specific restricted fund. The funds are raised for a specific purpose and cannot be used for any other purpose. The main Obligatory Reserve Funds are the Development charges Reserve Funds that are regulated by the Development Charges Act. Another example is Federal Gas Tax Reserve Funds which is restricted by Agreement with the Federal and Provincial governments through AMO.
  - b) Discretionary Reserve Fund – 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.

## 2.0 Legislated Requirements

### 2.1 All Reserve and Reserve funds will be managed in accordance with the Municipal Act.

- Section 289 (4) (f): In preparing the budget, an upper-tier municipality may provide for such reserves as the upper-tier municipality considers necessary.
- Section 293: specifies that the Minister may make regulations requiring a municipality to establish a reserve fund designated for prescribed liabilities, defining “liabilities”, requiring a municipality to make payments into the reserve fund, prohibiting the municipality from changing the purpose for which the reserve fund is designated; and prescribing the conditions under which the municipality may change the designation of all or any part of the reserve fund, and borrow from the reserve fund.
- Section 417: allows a municipality to provide in its budget for the establishment or maintenance of a reserve fund for any purpose for which it has authority to spend money and that a municipality may by by-law provide that the money raised for a reserve may be spent or applied to a purpose other than for which the fund was established.

## 3.0 Establishment and Modification

### 3.1 A Reserve or Reserve fund can be established through the following processes, as appropriate to their type:

- a) Inclusion in the annual operating and capital budget, which is approved by Council, or
- b) Through resolution of Council, or
- c) Statutory legislation or by-law that established a funding requirement.

### 3.2 A financial plan shall be prepared for reserves and reserve funds which identifies:

- a) Purpose of the reserve

- b) Target funding levels
- c) Contribution sources
- d) Projected disbursements to meet planned future obligations

The Treasurer shall review this financial plan annually to ensure the purpose and the need for the reserve is still unchanged from its original intent. If the financial plan review determines the purpose or need of the reserve has changed, reserve funds can be reallocated for another purpose in accordance with the Management – Contributions to/draws from Policy Section.

#### 4.0 Investment

4.1 Reserves and reserve funds may be invested for a term that will not exceed the expected date of need. Investments shall be further governed by the County's Cash and Investment Policy.

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

#### 5.0 Management – Contributions To/Draws From

5.1 Contributions to/draws from reserves and reserve funds shall be made in accordance with applicable resolution, by-law, and this Policy.

5.2 Contributions to/draws from reserves and reserve funds shall be approved by Council as part of the annual budget process, or specifically by resolution with the following exceptions:

- a) Direct contributions to reserves and reserve funds such as development charges and Federal Gas Tax revenue.
- b) Transfers that are a direct result of Council approved by-laws or resolutions.
- c) Transfer of funds between reserves and reserve funds for reserve restructuring, which in the opinion of the Treasurer has not changed the purpose for which the funds were intended.
- d) Transfer of funds between asset replacement reserves based on upon reserve adequacy analyses or other related information, at the discretion of the Treasurer.
- e) Use of "revolving" reserves and reserve funds for the purpose approved by Council, such as the Workplace Safety Insurance Board Reserve for claim costs, Weekly Indemnity Reserve for claim costs, and the Insurance Reserve for deductibles and under-deductibles.



## 6.0 Management – Lending/Temporary Borrowing

- 6.1 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 to allow borrowing from reserves:

- a) All lending/temporary borrowing shall be provided from discretionary reserve and reserve fund balances. The loaning of obligatory reserve funds is prohibited.
- b) Borrowing must not adversely affect the intended purpose of the reserve.
- c) A plan to repay the reserve within a reasonable timeframe is required and must be documented.
- d) Interest, equivalent to the County's interest on fund bank accounts, shall be applied to outstanding amount borrowed.

Where applicable, legislative requirements may apply. For example, the Development Charges Act, 1997, permits inter-fund borrowing only between development charge reserve funds. In addition, debt may be included as a capital cost to leverage development charge (DC) revenue while waiting for development charges collections to catch up to growth-related spending. In both cases, amounts borrowed must be repaid at the County's internal rate of return and principal and interest are credited to the appropriate reserve or reserve fund source.

## 7.0 Management – Termination/Closure

- 7.1 A reserve or reserve fund shall be terminated (wound down and closed) when the program or project it supports meets any one of the following criteria:

- a) Program commitments have been completed and no future commitments are expected.
- b) No longer in the scope of the County's strategic plans.
- c) The Treasurer or his/her designate is confident that balances in other areas can mitigate the need to hold any remaining reserve or reserve fund balance.

Reserves or reserve funds identified for termination shall be reported to Council for review and approval. Reports to Council shall include recommendations regarding the timing of winding down, closure and the allocation of any fund balances.

## 8.0 Management –Responsibilities

- 8.1 The Treasurer, or his/her designate, shall:

- a) Determine need for reserves and reserve funds for operating and capital budgets.
- b) Set targets for reserves and reserve funds in line with directives contained in this Policy and other pertinent policies.

- c) Prepare the County's long-term strategic financial plan with consideration of appropriate reserves and reserve funds to effectively meet the County's operating and capital budget financing needs.
- d) Ensure that the principles and requirements contained in this policy are applied consistently across all departments.
- e) Perform the transfer to and from reserves and reserve funds as authorized by Council.
- f) Review and report on the adequacy and continued need for reserves and reserve funds in line with legislative requirements, the County's Cash and Investment Policy, and other pertinent policies; and
- g) Develop and update this policy as necessary and present changes to Council.

8.2 Departmental Directors, or his/her designates, shall:

- a) Provide the Treasurer, or his/her designate, with the most current capital asset and operating information to be used in the assessment of the adequacy of the capital and operating lifecycle reserves.
- b) Inform the Treasurer, or his/her designate, in ensuring the principles and mandatory requirements contained in the policy are applied consistently across all the County departments.

8.3 County Council shall:

- a) In accordance with the Municipal Act, 2001, Section 224, ensure that administrative polices, practices and procedures and controllership policies, practices, and procedures, are in place and maintain the financial integrity of the municipality.

9.0 Management – Reporting

9.1 The Treasurer, or his/her designate, shall:

- a) Oversee the preparation of the annual financial statements (which are audited by an external audit firm). The annual audited financial statements shall include a statement of financial position, financial activities, and changes in fund balances for all reserves and reserve funds.
- b) Prepare, in conjunction with Departmental Directors, an annual operating and capital budget. Contributions to and draws from reserves and reserve funds are part of the annual Budget.
- c) Prepare a Development Charges Reserve Funds report, an annual report detailing pertinent information regarding Development Charges reserve funds. This report shall be presented to Council as required by the Development Charges Act, 1997, as amended.
- d) Prepare annually a Reserves and Reserve Fund Report that provides a review to determine whether modifications are appropriate for the policy. The report will include a current year reserve continuity schedule reflecting the reserve provisions

contained in the approved budget, and projected contributions and planned draws for a ten-year period. This report may also include new, modification of existing, and termination of existing reserves and reserve funds.

## 10.0 Management – External Loans

10.1 No loans shall be made from Reserve Funds, but external loans may be made from Reserves at the discretion of Council under Section 107 of the Municipal Act to any person, group or body for any purpose considered to be in the best interests of the municipality, provided they are not made contrary to Section 106 of the Act.

10.2 Prior to recommending such a loan to Council, County staff will consider the following:

- a) The nature of the persons, organizations, and/or groups deriving benefit from the loan; loans that benefit those acting in the public interest will be preferable to loans that do not.
- b) The intended term of a loan; the term of a loan should not normally exceed five years.
- c) The rate of return on the loan; an interest rate of return equivalent with municipal rate offered by Infrastructure Ontario shall normally be preferred.
- d) The security to be provided to protect the interests of the County; adequate security should be provided for each loan.
- e) That adequate reserves remain available over the term of the loan.

Council shall retain discretion over whether a loan shall be granted and the terms of any such loan.

Any loans made to a public agency or group will be provided from non-restricted reserves, such as Corporate Stabilization Reserves, or Capital Renewal and Replacement Reserves, as direct loan investment of reserve funds is prohibited under provincial legislation.

## 11.0 Delegation of Authority

11.1 Once Council approves reserves by resolution and reserve funds by-laws, the Treasurer shall have overall responsibility for this policy, and the authority to implement procedures consistent with the content of this policy.

The Treasurer, or his/her designate, has the responsibility for setting reserve and reserve fund targets. Targets will be periodically reported to Council through Reserve and Reserve Fund Reports (as discussed in Reporting section).

## 12.0 Review of Policy

12.1 This policy shall be presented to Council for review at least once in the term of each elected Council, or earlier as deemed necessary by Council, or the Treasurer or his/her designate.

## 13.0 Specific Reserves and Reserve Funds

The following individual Reserves and Reserve Funds have been established with Council's approval:

## **Corporate Stabilization Reserves**

**Policy:** Stabilization Reserves are used to offset extraordinary and unforeseen expense requirements, one-time expenses, revenue shortfalls, and to avoid significant fluctuations on the general tax levy and to manage cash flows.

**Included:** Corporate Stabilization Reserve (One-Time Funding Reserve)  
Insurance  
WSIB  
Weekly Indemnity  
Working Capital Reserve

**Sources of Funding or Revenues:** Annual operating budget transfers, portion of net revenue budgeted from cash and investments that are greater than 1% of own purpose levy, any surplus funds realized from the annual budget. Other stabilization reserves will be based on historical costs and/or actuarial evaluations.

**Expenditures or Uses:** Used to mitigate one-time operating or capital costs for all County departments, used to manage cash flows or mitigate significant increases in tax rates as determined by Council.

**Target Balance or Levels:** Minimum balance for the Stabilization Reserve of 1% of net tax levy, minimum target balance is 3% of net tax levy, target balance of 7%, and a maximum balance is 15% of net tax levy. If funding levels reach maximum, funds to be redirected to Working Capital Reserve or other reserves.

Other stabilization reserves will be based historical costs and/or actuarial evaluations. The Working Capital Reserve will have a minimum target balance of 2% of net levy, with a maximum of 10%.

## **Government Funded Reserves**

**Policy:** Government Funded Reserves are used to segregate, and track grant revenues received from Federal and Provincial governments that are to be used for specific purposes as per the guidelines and requirements of each program:

**Included:** Modernization Reserve  
Childcare Mitigation Reserve  
Social Services – EarlyON Literacy Program Funding  
Social Services Best Start Funding  
Housing – Canada-Ontario Housing Benefit  
Housing – Canada-Ontario Community Housing Initiative (COCHI)  
Housing – Delivering Opportunities to Ontario Renters (DOOR)  
Housing – Revolving Fund Home Ownership  
Housing – Revolving Fund Ontario Renovates  
Housing – Affordable Housing Administration  
Housing – Ontario Priorities Housing Initiative (OPHI)  
Housing – Community Homelessness Prevention Initiative (OPHI)  
Housing – Community Homelessness Prevention Initiative (CHPI) Relief Fund

Sources of Funding or Revenues: Allocations of grant funding from the Federal or Provincial government.

Expenditures or Uses: Used to provide services in accordance with the Ministry guidelines and requirements for each program.

Target Balance or Levels: The balance of each reserve should not drop below \$0 and should remain until the program requirements have been met.

### **Health Care Reserves**

Policy: Health Care Reserves are established to fund health care initiatives as endorsed by Council.

Included: Health Care – Centre Grey Health Services (Markdale Hospital)  
Health Care – Health Care Initiatives  
Health Care – Public Health Care Reserve

Sources of Funding or Revenues: Allocations as per annual budget. Centre Grey Health Services Reserve to receive a capital grant of land and money in the total amount of \$1,000,000. Health Care Initiatives Reserve funding is to be ½ of 1% of own purpose levy maximum per year for the contribution to capital construction projects of hospitals. The Public Health Unit Reserve has been funded from Health Unit prior year surpluses.

Expenditures or Uses: Centre Grey Health Services Reserve is to provide a capital grant of land and money in the total amount of \$1,000,000. The Health Care Initiatives Reserve is for the contribution to capital construction projects of hospitals. The Public Health Care Reserve to be utilized for any one-time and/or unbudgeted expenditures, or any budgetary shortfalls.

Target Balance or Levels: The Centre Grey Health Services Reserve's target was based on a contribution of \$1,000,000 less the value of the lands to be donated. The Health Care Initiatives Reserve has an annual level of funding to be ½ of 1% of own purpose levy maximum per year. The Public Health Care Reserve should have a minimum balance of \$50,000 and a maximum of \$200,000.

### **Departmental Specific Reserves**

Policy: Departmental General Reserves are established to fund departmental projects.

Included: Administration – Pay Equity  
Clerk – Document Management Software Upgrades or Replacement  
Connected County – Connected Communities  
Communications – Communications Plan and Communications Initiatives  
Council/Departmental – Strategic Plan Reviews and Other Initiatives  
Economic Development – Departmental Reserves  
Forestry – Departmental Reserve  
Grey Roots – Departmental Reserves  
Human Resources – Departmental Reserves  
Information Technology – Departmental Reserves

Planning – Legal  
Planning – ArcGIS  
Planning – Departmental Studies Reserves  
Planning – Waste Management  
Long-Term Care – Departmental Donations Reserves  
Tourism – Departmental Reserves  
Transportation Services – Winter Control  
Transportation Services – Quarry Rehabilitation  
Paramedic Services – Uniform Replacement

Sources of Funding or Revenues: Transfers from budget, donations and fundraising.

Expenditures or Uses: Reserves to fund departmental specific projects such as software replacements, studies, strategic plans, etc.

Target Balance or Levels: The balances of these reserves should be sufficient to fund the identified projects, upgrades or replacements, based on an annual funding requirement and costing information.

### **Capital Reserves**

Policy: The capital reserves are established to fund specific replacement, renewal, or acquisition of capital assets.

Included:

- Administration Building
- Council Communications
- Economic Development
- Grey Roots
- Housing
- Housing – Affordable Housing Fund
- Housing – Golden Town
- Information Technology
- Long-Term Care
- Planning
- POA Building
- Grey Roots
- Property – Administration Building Properties
- Paramedic Services
- Paramedic Services – New Durham Base
- Social Services & Child Care
- Tourism
- Trails
- Town of The Blue Mountains – Attainable Housing
- Transportation Services

Sources of Funding or Revenues: Many of these reserves receive annual allocations of operating and/or capital budget transfers based on annual lifecycle costing.

Expenditures or Uses: Used to fund replacement, renewal or acquisitions of capital assets.

Target Balance or Levels: The balance of each reserve should be sufficient to fund average annual replacement requirements for capital purchases relating to the respective department based on the ten year capital forecast, lifecycle replacements schedules, building condition assessments, and the asset management plan.

## **RESERVE FUNDS**

### **Consolidated Development Charges Reserve Fund**

Policy: The Development Charges (DC) reserve funds provide financing for growth related projects undertaken by the County as detailed in the Development Charges Background Study and By-Law.

Included:

- Development Charges – Land Ambulance
- Development Charges – Social Housing
- Development Charges – Children’s Services
- Development Charges – Public Works Buildings
- Development Charges – Provincial Offences
- Development Charges – Employment Resources
- Development Charges – General Government
- Development Charges – Trails
- Development Charges – Roads and Related Works
- Development Charges – Health Unit

Sources of Funding or Revenues: Development Charges collected in accordance with the County’s Development Charges by-law.

Expenditures or Uses: Projects being funded from Development Charges are restricted to those growth-related capital projects in accordance with the County’s Development Charges Background Study and the Development Charges Act. Projects that arise during the term of the approved Development Charges Background Study, that were not originally included, may still be eligible for Development Charges funding. Such projects must be growth-related and a Management Review is required. Council must then approve that the projects are for growth and direct that any recoveries be incorporated into the next Development Charges Background Study and By-law.

Target Balance or Levels: The balance of the Development Charges reserve funds should be sufficient to cover projected expenditures and debt charges in the current approved Development Charges Background Study and By-law.

### **Federal Gas Tax Reserve Fund**

Policy: The Federal Gas Tax reserve fund provides funding for investments in Environmentally Sustainable Municipal Infrastructure projects and Capacity Building projects as per the Agreement for the Transfer of Federal Gasoline Tax Revenues.

Included: Federal Gas Tax Reserve Fund

Sources of Funding or Revenues: The County of Grey receives a semi-annual allocation of funds from the Association of Municipalities of Ontario (AMO) on behalf of the Federal Government per the Agreement for the Transfer of Federal Gasoline Tax Revenues.

Expenditures or Uses: Expenditures from the Gas Tax Reserve Fund are to be used for the construction, renewal or enhancement of capital assets with 17 categories established by the Government of Canada. Eligible project categories include local roads, bridges, community energy systems, capacity building, and disaster mitigation infrastructure. Unused gas tax funds from one year can be returned to the Federal Gas Tax reserve fund and redistributed to future projects as needed.

Target Balance or Levels: The balance of the Federal Gas Tax reserve fund should be monitored regularly to ensure all planned construction projects can be sufficiently funded. Reserve balance must be positive.

[Appendix A: Reserve and Reserve Fund Policy Schedule](#)



**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
<b>Corporate Stabilization Reserves</b>					
Corporate One-Time Stabilization Reserve	\$4,981,946.95	Minimum Balance of 3% of Corporate levy, target balance of 7%, maximum 15%	Budget and/or year end transfers	Mitigate significant increases in tax rates, one-time emergency and/or unbudgeted expenditures, and tax stabilization due to significant assessment appeals beyond operating budget provisions	Current Purposes
Insurance	\$199,005.11	Minimum Balance \$150,000 with maximum \$300,000	Budget and/or year end transfers	Unbudgeted insurance deductibles and under-deductibles	Current Purposes
WSIB	\$3,129,098.56	Based on WSIB actuarial evaluation	Budget and/or year end transfers	WSIB claims and related costs exceeding annual budget	Current Purposes
Weekly Indemnity - Short-Term Disability	\$50,579.09	Minimum balance \$50,000 with maximum of \$150,000	Budget and/or year end transfers	LTC weekly indemnity claims and related costs exceeding annual budget	Current Purposes
Working Capital	\$1,930,799.28	Minimum Balance of 2% of Corporate Levy with a maximum 5%	Budget and/or year end transfers	Support ongoing financial operations and cash flows	Working Funds
	<b>\$10,291,428.99</b>				
<b>Government Funded Reserves</b>					
Corporate - Modernization Fund	\$650,240.17	N/A	Provincial funding	Enhanced Fire Radio Communications Project	Current Purposes
Child Care and Social Services - Government Funded Reserves	\$1,372,971.43	N/A	Provincial funding	Support various Child Care development and early learning; transition to new Child Care funding formula	Current Purposes

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Housing - Government Funded Reserves	\$387,649.85	N/A	Provincial funding	Various programs to support, protect, provide and sustain affordable housing initiatives and reduce homelessness.	Current Purposes
	<b>\$2,410,861.45</b>				
<b>Health Care Reserves</b>					
Health Care - Centre Grey Health Services (Markdale Hospital)	\$772,697.50	Council approved capital grant of land and money in the total amount of \$1M	Budget transfers	Capital grant of land and money to support the construction of a new Centre Grey Hospital in Markdale	Current Purposes
Health Care - Health Care Initiatives	\$791,444.00	1/2 of 1% of County levy maximum per year transferred to reserve	Budget transfers	Contribution for the capital construction of projects of hospitals	Current Purposes
Health Care - Public Health Unit Reserve	\$181,644.81	Minimum balance of \$50,000 with a maximum balance of \$200,000	Budget and/or year end transfers	One-time emergency and/or unbudgeted expenditures, or any budgetary shortfalls	Current Purposes
	<b>\$1,745,786.31</b>				
<b>Departmental Specific Reserves</b>					
Administration - Pay Equity	\$954,493.78	Based on Pay Equity Settlements. Once outstanding items have been settled, reserve to be closed out	Budget and/or year end transfers	Pay Equity Settlements - Once finalized - Any remaining funds to be directed to LTC Capital Reserves.	Current Purposes
Clerk - Document Management Software Upgrades or Replacement	\$64,636.18	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Replace/Upgrade Electronic Management System	Current Purposes
Connected County - Connected Communities	\$949,373.70	Based on Enhanced Fire Radio Communications Project costing	Budget transfers	Enhanced Fire Radio Communications Project	Current Purposes

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Communications - Communications Plan and Communication Initiatives	\$50,900.00	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Update Corporate Communications Strategy and future Audio-Visual Upgrades to Council Chambers	Current Purposes
Council/Departmental - Strategic Plan Reviews and Other Initiatives	\$312,433.93	Minimum \$75,000 with a maximum of \$500,000	Budget transfers	Update of Corporate Strategic Plan or Other Strategic Initiatives	Current Purposes
Economic - Development - Departmental Reserves	\$95,947.72	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Economic Development, Tourism and Culture Strategic Master Plan	Current Purposes
Forestry - Departmental Reserve	\$127,637.83	Minimum \$50,000 with a maximum balance of \$200,000	Budget transfers	Funding for sustainable forest management practices, funding for spraying, property acquisitions and/or budget revenue shortfalls	Current Purposes
Grey Roots - Departmental Reserves	\$228,983.02	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Acquiring artifacts, archives expenditures, website development, and items one-time expenditures	Current Purposes
Human Resources - Departmental Reserve	\$233,631.77	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Market Salary Review (Non-Union), Job Hazard and Demands Analysis, Human Resources Software Replacement, and Corporate Scheduling Software Replacement	Current Purposes
Information Technology - Departmental Reserves	\$93,298.05	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Corporate Website, Ortho Photography, and IT Security Updates	Current Purposes
Planning - ArcGIS	\$26,827.45	Funds no longer required and being used to assist Growth Management Study update as per PDR-CW-28-20.	Budget transfers	Funds no longer required and being used to assist Growth Management Study update as per PDR-CW-28-20. Any remaining funds to be allocated to One-Time Stabilization Reserve	Current Purposes

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Planning - Departmental Studies Reserves	\$197,768.38	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Development Charge Background Study, and other Planning studies as identified	Current Purposes
Planning - Waste Management	\$86,076.22	N/A	Budget transfers	Waste Management Studies or related costs	Current Purposes
LTC - Department Donations Reserves	\$305,867.82	N/A	General donations from individuals and organizations	Expenditures for the Betterment of the LTC Home Residents	Current Purposes
Tourism - Departmental Reserves	\$185,727.41	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Destination Action Plan, Strategic Master Plans, Signage, and refresh of Tourism website	Current Purposes
Transportation Services - Winter Control	\$505,074.76	Minimum \$250,000 with a maximum of \$750,000	Budget transfers	Winter Maintenance expenditures on County Roads in the event of deficiency in the budget	Current Purposes
Paramedic Services - Uniform Replacement	\$29,705.28	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Replacement of Paramedic Jackets that are purchased every five years	Current Purposes
	<b>\$4,448,383.30</b>				
<b>Capital Reserves</b>					
Council Communications - Technology Renewal and Replacements	\$22,925.11	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Replace Council technology (laptops and cellular) equipment once every four years (Council term)	Capital Purposes
Economic Development - Regional Skills Training, Trades & Innovation Centre - Capital Renewal and Replacements	\$86,556.03	Average Annual Replacement Requirements based on lifecycle costing information			

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Grey Roots - Capital Renewal and Replacements Reserves	\$2,000,590.19	Average Annual Replacement Requirements based on lifecycle costing information; estimated building construction/acquisition costs	Budget transfers, donations, and fundraising	Grey Roots facilities and equipment capital replacements, renewals, and acquisitions	Capital Purposes
Housing - Capital Renewal and Replacements Reserves	\$4,451,497.03	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Housing facilities capital renewal and replacements; Computer replacements	Capital Purposes
Housing - Affordable Housing Fund	\$0.00	1% of County levy for Affordable Housing Builds	Budget transfers	New affordable housing builds, buy surplus lands or properties, and provide rent supplements.	Capital Purposes
Housing - Golden Town Capital Renewal and Replacements	\$2,031,240.97	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Golden Town Housing facilities capital replacements and renewals.	Capital Purposes
Information Technology - Capital Renewal and Replacements Reserves	\$887,390.05	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Information Technology infrastructure capital replacements and renewals, copier replacements, telephone system upgrades and replacements, and communication tower upgrades and replacements	Capital Purposes
LTC - Capital Renewal and Replacements Reserves	\$3,522,290.88	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Long-Term Care capital renewal and replacements	Capital Purposes
LTC - Capital Redevelopment of LTC Homes	\$7,219,639.28	Future Redevelopment of Long-Term Care Homes - Application of Debenture Payments once Debt has Matured	Budget transfers	Long-Term Care redevelopment builds	Capital Purposes

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Planning - Plotter	\$6,200.00	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Plotter equipment replacement	Capital Purposes
Property - Administration Properties - Capital Renewal and Replacements	\$676,900.43	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers		Capital Purposes
Paramedic Services - Capital Renewal and Replacements Reserves	\$2,057,256.88	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Paramedic Services fleet and equipment replacements (ambulances, stretchers, defibrillators, etc.).	Capital Purposes
Paramedic Services - New Durham Base	\$0.00	Funding to meet debenture cost for new base build	Budget transfers	New Durham Station construction	Capital Purposes
Social Services and Child Care - Capital Renewal and Replacements Reserves	\$895,408.90	Average Annual Replacement Requirements based on lifecycle costing information; estimated building construction/renovation costs	Budget transfers	Social Services computer and equipment replacements, EarlyON building capital renewal and replacements, and accessibility requirements.	Capital Purposes
Tourism - Tourism Vehicle Replacement Reserve	\$21,999.59	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Tourism vehicle replacement	Capital Purposes
Trails - CP Rail Trail Capital	\$474,112.98	Average Annual Replacement Requirements based on lifecycle costing information	Budget transfers	Trails capital renewal and replacements (bridges, culverts, etc.)	Capital Purposes
Town of Blue Mountains - Attainable Housing Reserve	\$1,139,845.61	As per Council Motion to assist TBM Attainable Housing Build	One-time transfer	Town of The Blue Mountains Attainable Housing Build funding support	Capital Purposes

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Transportation Services - Capital Renewal and Replacements Reserves	\$16,084,545.80	Average Annual Replacement Requirements based on lifecycle costing information, historical expenditure levels, and estimated acquisition and construction costs	Budget transfers	Transportation Services equipment, facilities and construction renewals and replacements.	Capital Purposes
	<b>\$41,578,399.73</b>				
	<b>\$60,474,859.78</b>				
<b>Development Charges Reserve Fund</b>					
Development Charges - Land Ambulance	\$117,113.42				
Development Charges - Social Housing	\$13,643.56				
Development Charges - Children's Services	\$11,218.01				
Development Charges - Public Works Buildings & Fleet	\$457,678.86				
Development Charges - Provincial Offences	(\$37,812.35)				
Development Charges - Employment Resources	\$92,642.90				
Development Charges - General Government	\$436,075.45				
Development Charges - Trails	\$13,302.65				

**RESERVE AND RESERVE FUND POLICY SCHEDULE**

<b>Reserve Name</b>	<b>2020 Actual Year End Balance</b>	<b>Target Balance</b>	<b>Sources of Funding</b>	<b>Uses of Funding</b>	<b>Reserve &amp; Reserve Fund Purposes</b>
Development Charges - Roads and Related Works	\$14,981,618.99				
Development Charges - Health Unit	(\$11,036.42)				
	<b>\$16,074,445.07</b>	As per Development Charges Background Study	Development Charges Revenue	As per Development Charges Background Study	Obligatory
<b>Federal Gas Tax Reserve Fund</b>					
Federal Gas Tax - Eligible Projects as per Gas Tax Agreement	\$4,544,437.91				Obligatory
	<b>\$4,544,437.91</b>	As per Federal Gas Tax Agreement	Grant funding		
	<b>\$20,618,882.98</b>				