



Staff Report

Meeting Date: June 7, 2017
Submitted by: Tiffany Farrell
Number: CPS-26-2017
Subject: Reserve and Reserve Fund Policy

Recommendation:

THAT By-law 2017-070 – establishing a Reserve and Reserve Fund Policy be approved.

Purpose:

To formalize a policy for reserves and reserve funds.

Background:

Reserves and reserve funds are an important financial indicator in a Municipality's overall financial health. By maintaining reserves the Municipality has the capability to fund future liabilities; a key link to long-term financial planning practices. They also provide a cushion to absorb unexpected shifts in revenue and expenditures. The availability of reserves also reduces the cost of financing capital as it allows a municipality to avoid debt interest payments.

The effective use and management of reserves and reserve funds is a critical aspect of an organizations strategic financial plan and continued long-term financial sustainability. It is crucial that the municipality have principles, programs and policies formally approved by Council that serve as a framework to make important financial decisions.

Staff have been working to formalize a policy for reserves and reserve funds. The Municipality has not had a reserve and reserve fund policy with the exception of two reserve funds (Delaware Hydro and Build Middlesex Centre) established many years ago.

Analysis:

Attached to this report is a Policy for Reserves and Reserve Funds.

This policy has been drafted to provide guidance with respect to the administration, establishment, targeted levels and uses of the Municipality's reserves and reserve funds. There are guiding principles that provide an overview of the purpose, intended use and classification of the reserves.

There is also a summary of the Administration's roles and responsibilities and various reporting that will be provided to Council.

It is recommended that this policy be formally reviewed every year with a report to Council which will include the following:

1. Adequacy of the targeted levels of reserves
2. Defined uses of reserves and reserve funds
3. Elimination of specific reserves and/or reserve funds
4. Addition of specific reserves and/or reserve funds
5. Category of reserves and/or reserve funds

There has been substantial background work and research that went into the development of this policy which included:

- 1) Reviews of other municipalities reserve policies;
- 2) Attending a session with Watson & Associates which was hosted by Municipal Finance Officers Association (MFOA).
- 3) Review of the municipal development charge study and by-law, long range financial plan, asset management plan, water financial plan and the building department review report;
- 4) Review for compliance with the federal gas tax agreement, Ontario community infrastructure agreement;
- 5) Review history of reserve policies created, staff council reports and bylaws;
- 6) Review completed by Municipal Auditor; and
- 7) Review completed by the CAO and department heads.

This policy has been drafted to best meet the requirements for the Municipality of Middlesex Centre.

The policy identifies five categories for reserves and reserve funds:

- 1) Working fund reserves
- 2) Operating reserves
- 3) Capital reserves
- 4) Obligatory reserve funds
- 5) Discretionary reserve funds

This policy includes 2 new reserves and 5 new or re-established reserve funds. The purpose, funding source and target have all been included in the policy. The new or re-established reserves and reserve funds are listed below:

1. Capital project carryforward reserve
2. Operating project carryforward reserve
3. Cost Stabilization Reserve Fund (Building department surplus)
4. Computer Replacement Reserve Fund (re-established)
5. Administrative support reserve fund (due from building department)
6. Winter Maintenance reserve fund
7. Election reserve fund (re-established)

Analysis on current reserves to target

Refer to chart below. Municipal reserves are presently well funded, no issues noted.

<u>Reserves</u>	<u>Balance December 31, 2016</u>	<u>2017 Contribution</u>	<u>2017 Withdrawals</u>	<u>2017 Projected Balance</u>	<u>Target</u>	<u>Over/(Under)</u>	<u>Explanation</u>
Working Fund	\$ 1,682,123	\$ -	\$ -	\$ 1,682,123	\$ 1,500,000	\$ 182,123	Over target, no additional funding required at this time
Capital Carry forward	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	Based on uncompleted 2016 projects, no target.
Operating Carry forward	\$ 53,200	\$ -	\$ 53,200	\$ -	\$ -	n/a	Based on uncompleted 2016 projects, no target.

Analysis on current reserve funds to target

Refer to chart below. The majority of the Municipal reserve funds are presently under funded based on the target set in the municipal reserves policy. The Municipality of Middlesex Centre's reserve funds are particularly inadequate with respect to provisions for the rehabilitation and replacement of existing capital assets. This is true relative to the current level of the fund, the amount of funding that is occurring annually and the method by which they have been funded in the past. This fact was outlined when both the water financial plan and asset management plan were created. As the Municipality continues to improve and work on the asset management plan over the next few years the targets required will become more accurate and additional funding strategies will be established. It is important to note that Middlesex Centre is not alone when it comes to the funding of future capital rehabilitation and replacement, this is a significant issue faced by the majority of municipalities in Ontario.

Reserve Funds	Balance December 31, 2016				Target	Over/(Under)	Explanation
Cash-in-Lieu Parkland	\$ 188,342	n/a	n/a	n/a	n/a	n/a	Based on Activity
Development Charges	-\$ 857,317	n/a	\$ 6,699,772	n/a	n/a	n/a	Based on Activity
Cash-in-Lieu Parking	\$ 7,402	\$ -	\$ -	\$ 7,402	n/a	n/a	Based on Activity
Delaware Hydro	\$ 863,140	\$ -	\$ 30,000	\$ 833,140	n/a	n/a	pre-amalgamation reserve, no additional funding noted.
Insurance Claims	\$ 153,748		\$ -	\$ 153,748	\$ 250,000	-\$ 96,252	Additional budget allocations required.
Employee Benefits	\$ 183,334	\$ 10,000	\$ -	\$ 193,334	\$ 150,000	\$ 43,334	No additional funding required.
Medical Centre	\$ 29,085	\$ 7,553	\$ -	\$ 36,638	\$ 500,000	-\$ 463,362	Additional budget allocations required, based on rental income.
Waste Management	\$ 169,735		\$ -	\$ 169,735	n/a	n/a	no additional funding identified.
Gravel Pit Rehabilitation	\$ 453,000	\$ 18,500	\$ -	\$ 471,500	\$ 1,000,000	-\$ 528,500	Additional budget allocations required.
Buildings & Facilities	\$ 1,680,550	\$ 398,845	\$ 87,000	\$ 1,992,395	\$ 7,200,000	-\$ 5,207,605	Additional budget allocations required to fund future rehabilitation and replacement of building and facilities.
Fire Vehicles & Equipment	\$ 1,062,462	\$ 255,000	\$ 440,000	\$ 877,462	\$ 1,000,000	-\$ 122,538	Additional budget allocations required to fund future rehabilitation and replacement of fire vehicles and equipment.
Fire public education	\$ 72,132	\$ 25,000		\$ 97,132	\$ 100,000	-\$ 2,868	Additional budget allocations required, based on fire marque revenue.
General Vehicles & Equipment	\$ 596,427	\$ 400,000	\$ 720,500	\$ 275,927	\$ 900,000	-\$ 624,073	Additional budget allocations required to fund future rehabilitation and replacement of municipal vehicles.
Build Middlesex Centre Fund	\$ 676,095		\$ 65,000	\$ 611,095	\$ 1,000,000	-\$ 388,905	Additional budget allocations required or reduce spending of reserve fund until hits target.
Gas Tax Rebate	\$ 679,564	\$ 501,257	\$ 520,000	\$ 660,821	n/a	n/a	Funded under agreement
Ilderton Lions Park	\$ 21,026	\$ 13,154	\$ -	\$ 34,181	n/a	n/a	Funded from community.
Poplar Hill Log Cabin	\$ 6,355			\$ 6,355	n/a	n/a	Funded from community.
OCIF		\$ 442,668	\$ 442,668	\$ -	\$ -	\$ -	Funded under agreement
Tax Rate Stabilization	\$ 1,130,341			\$ 1,130,341	\$ 1,500,000	-\$ 369,659	Additional budget allocations required.
Cost Stabilization	\$ 110,278	\$ 80,000	\$ 80,000	\$ 110,278	\$ 520,000	-\$ 409,722	This reserve fund is new in 2016, will continue to grow over the next few years.
Administrative Support	\$ 40,436	\$ 40,436	\$ -	\$ 80,872	\$ -	\$ 80,872	Funding requirements not determined at this time
Roads Capital	\$ 2,850,359	\$ 700,000	\$ 982,250	\$ 2,568,109	\$ 8,650,000	-\$ 6,081,891	Additional budget allocations required to fund future rehabilitation and replacement of municipal transportation assets (roads, bridges and culverts).
Wastewater Capital	\$ 202,301	\$ 909,099	\$ 404,750	\$ 706,650	\$ 5,800,000	-\$ 5,093,350	This reserve fund is continuing to grow each year, continue to monitor.
Stormwater Capital	\$ 777,070	\$ 726,501	\$ 1,176,920	\$ 326,651	\$ 7,000,000	-\$ 6,673,349	This reserve fund is continuing to grow each year, continue to monitor.
Water Capital	\$ 716,118	\$ 1,214,734	\$ 873,825	\$ 1,057,027	\$ 3,340,000	-\$ 2,282,973	This reserve fund is continuing to grow each year, continue to monitor.
Computer replacement fund	\$ -			\$ -	\$ 50,000	-\$ 50,000	This reserve fund is being re-established in 2017, to determine budget allocation for 2018 budget.
Winter maintenance fund	\$ 109,835			\$ 109,835	\$ 165,000	-\$ 55,165	This reserve fund is new in 2016, will continue to grow over the next few years.
Election fund				\$ -	\$ 45,000	-\$ 45,000	This reserve fund is being re-established in 2017, to determine budget allocation for 2018 budget.

Financial Implications:

A formal policy for reserves and reserve funds is an important component of financial responsibility as well as sustainability. This policy has been drafted to provide a financial plan for unanticipated operating and capital expenditures. The policy also allows for a mechanism for departments to make annual contributions to reserves to set aside funds for a project that will occur in future years. The policy also ensures that annual reporting to Council will occur, providing an update on the balances of the Corporation's reserves and how they compare to the targeted funding levels established in the policy.

Strategic Plans:

Financial: Maintain Financial Integrity
Operational Excellence

Category: Corporate Policy No.: Revisions:		Pages: 30 Effective Date: June 7, 2017 Report No.: CPS-26-2017
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Reserves and Reserve Funds

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.

Scope:

The Reserves and Reserve Funds Policy applies to all reserves and reserve funds established by the Municipality of Middlesex Centre.

Objectives:

The primary objectives for reserves and reserve funds shall be:

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

This policy establishes the objectives for reserves and reserve funds, standard of care, as well as it delineates the responsibilities for their management and administration.

Under section 417(1) of the Municipal Act, municipalities have the authority to provide for reserve funds in annual budgets for any purpose for which it has the authority to spend money.

Definitions:

- a) **“Deferred Revenue”** means revenue that is considered a liability on the Municipality’s financial statements until, over time, it becomes relevant to current operations, such as prepayment received for something that has not yet been provided. Deferred revenue is set aside in an obligatory reserve fund for a specific

purpose by legislation, regulation, or agreement. Development charges and federal gasoline tax are examples of deferred revenue.

- b) **“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. Revenues set aside for acquisition of fixed assets is an example of discretionary reserve funds.
- c) **“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 contributors. These funds are classified in the financial statements as “Deferred Revenue”. Development Charges and Cash-Lieu-of Parkland are examples of obligatory reserve funds.
- d) **“Reserve”** means an allocation from net revenue at the discretion of council, after the provision for all known expenditures, as part of an overall strategy for funding programs and projects that are set out in the annual budgets or budget forecasts, and is authorized under the provisions set out in the Municipal Act. It has no reference to any specific assets and does not require the physical segregation of money or assets. Reserves are part of a revenue fund and therefore, do not earn interest on their own. Any earnings derived from the investment of reserves’ money are reported as revenue in the operating fund. Revenues set aside for working funds is an example of reserves.
- e) **“Reserve Fund”** means a fund with assets which are segregated and restricted to meet the purpose of the reserve fund. It is based on a statutory requirement or defined liability payable in the future and is usually prescriptive as to the basis for collection and used of monies in the fund. **All interest earnings derived from such funds must form part of the reserve fund.** There are two types of reserve funds: obligatory reserve funds and discretionary reserve funds.

Roles & Responsibilities:

a) Municipal Council

- a) 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.

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

b) Chief Administrative Officer

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

c) Treasurer

- a) Develop and update this policy as necessary and present changes to Council;
- b) The Treasurer will retain the overall authority for establishing and managing reserves and reserve funds and may delegate this authority in writing when applicable.
- c) Ensure that the principles and requirements contained in this policy are applied consistently across all departments;
- d) Perform the transfers to and from reserves and reserve funds as authorized by Council;
- e) Recommend strategies for the adequacy of reserve levels;
- f) Report to Council the reserve balances and forecast as part of the annual budget approval process.
- g) Develop long range fiscal planning strategy to effectively meet the Corporation's capital financing and capital asset replacement requirements.
- h) Monitors and reconciles all receipts to and disbursements from reserve and reserve fund accounts to ensure compliance with provincial regulations, PSAB and this Policy;
- i) Determines need for reserves and reserve funds for operating and capital operation;
- j) Ensures a review and report to Council of the adequacy and continuing need for reserves and reserve funds is undertaken when deemed necessary;
- k) Adherence to the Development Charges Act, Federal Gas Tax Agreement and the Ontario Community Infrastructure Fund Agreement;
- l) Arranges for the preparation and presentations of required reports and/or bylaws for the creation or termination of any new or obsolete reserve or reserve funds; and
- m) Develops appropriate strategies, procedures and processes for the investment of reserves and reserve funds;

d) Department Heads

- a) Provide the Treasurer with the most current capital asset information to be used in the assessment of the adequacy of capital lifecycle reserves;
- b) Inform the Treasurer when reserve or reserve funds transfers are required; and
- c) Consult with the Treasurer when reserve funds are required for unbudgeted transactions.

Procedure:**Establishment of Reserves and Reserve Funds**

Reserves will be maintained in the following categories:

1. Working Funds
2. Operating
3. Capital

Reserves can be established through the following processes:

1. Inclusion in the annual 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:

1. Discretionary
 - a) Capital
 - b) Operating
2. Obligatory
 - a) Statutory
 - b) Trusts
 - c) Contractual

Council, on the recommendation of the Treasurer, 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:

- a) A mandatory obligation exists, either pursuant to legislation or contract;
- b) The funds are intended for purchasing or maintaining capital assets;
- c) The funds are donated for a specific purpose; and/or
- d) The funds are intended to fund a future liability.

A report which recommends the establishment of a reserve fund must include the following:

- a) Statement of purpose;
- b) Rationale for the appropriate level to be maintained or targeted in the reserve;
- c) Initial contribution; and
- d) Contribution policy.

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 the Council amends or repeals the establishing by-law.

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.

Approval

Approval of funding to and from the reserves and reserve funds will be in accordance with the Municipality's budgets and reports to Council as referred to above.

Investment of Reserves and Reserve Funds

Reserves and reserve funds may be invested for a term that will not exceed its expected date of need. The related investment income will be credited monthly to the specific reserve or reserve fund according to its proportionate share of the investment portfolio and based on the weighted average return for realized income during the month. Investments shall be further governed by the Corporation's Investment Policy.

Contributions to/withdrawals from Reserves and Reserve Funds

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:

- a) Direct contribution to reserve and reserve fund such as development charge contributions or settlement in account of prior year events;
- b) Transfers that are the direct result of the year end surplus/deficit;

All contributions to and/or withdrawals from reserve and reserve funds will be clearly identified and segregated within the Corporation's accounting system and accounted for by either an entry or to or from an operating cost center or a capital project.

Funding strategies developed for reserves and reserve funds will take into account fairness to current and future tax/rate payers.

Timing of Contributions to and Transfers from Reserve and Reserve Funds

Contributions to reserves and reserve funds as approved in budgets will be transferred to the reserves on an annual basis in September.

Transfers to capital projects as approved in budgets will be done in September, December and during the year end process to ensure actual reserve allocation equals actual expenses incurred. Transfers from a reserve fund will not occur if the transfer will put the reserve in a negative balance. Final reserve and reserve fund transfers will be based on actual expenditure costs rather than budgeted amounts.

Transfers to operating jobs as approved in the budgets will be done during the year end process to ensure actual reserve allocation equals actual expenses incurred.

Closing Reserves and Reserve Funds

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 Head and Chief Administrative Officer, shall report to Council with the recommendation on:

- a) The closure of the reserve or reserve funds
- b) The disposition of any remaining funds
- c) The necessary amendment to the Reserve by-law

A resolution of Council to close a reserve.

The By-law establishing the reserve fund will be required to be repealed in order to close a reserve fund.

Allocation of Operating Surplus/Deficit

1. The Treasurer shall transfer year-end operating surpluses to the working fund reserve, tax rate stabilization reserve fund, capital projects carry forward reserve or operating projects carryforward reserve unless a recommendation is made to Council for an alternative reserve fund.
2. The Treasurer shall recommend to Council an appropriate reserve allocation of any

year-end operating deficit.

3. Year-end water, wastewater, stormwater and building department budget surplus will be allocated to appropriate water, wastewater, stormwater or cost stabilization reserve fund. Deficits will be funded from the water, wastewater, stormwater or cost stabilization reserve fund; if insufficient, any shortfall will be funded from the appropriate reserve.

Interest Allocation

1. Reserve funds will be invested in accordance with the Municipality'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 on a monthly basis based on the actual balance of the reserve fund.
3. Reserves shall not be invested and are not allocated interest.

Target

Methodologies for calculating targets are specific to each reserve or reserve fund, however consideration will be given to the following:

- a) Purpose of fund (i.e. operating or capital)
- b) Certainty of end needs (i.e. for contingent liability or long-term asset replacement)
- c) Economic factors (inflation, interest rates, cyclical pressures)
- d) Industry/Government/Accounting standards
- e) Multi-year forecast of contribution and projected usage

The target for each reserve and reserve fund is identified in Schedule B and C of this policy.

The Treasurer will review the targets annually and propose changes to the target level as required.

Temporary Borrowing

Temporary borrowing from reserves and reserve funds is permitted to cover a reserve short-term deficit, to temporarily finance capital fund expenditures or operating cash flow deficiencies to avoid external temporary borrowing cost provided that the following conditions must be met:

- a) Borrowing must not adversely affect the intended purpose of the reserve;
- b) A plan to repay the reserve within a reasonable timeframe is required;

- c) Interest, equivalent to the Municipality's interest of reserve fund bank accounts, will be applied to outstanding amounts borrowed.
- d) Where applicable, legislative requirement may apply. For example, the Development Charges Act permits inter-fund borrowing only between development charge reserve funds and prescribes a minimum interest rate (i.e. Bank of Canada prime rate).

Annual Reporting

1. An annual continuity schedule will be included in the budget package created and provided to Council each year.
2. As required under Development Charges legislation, the Treasurer 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 the Council receipt.
3. 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.
4. When 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.

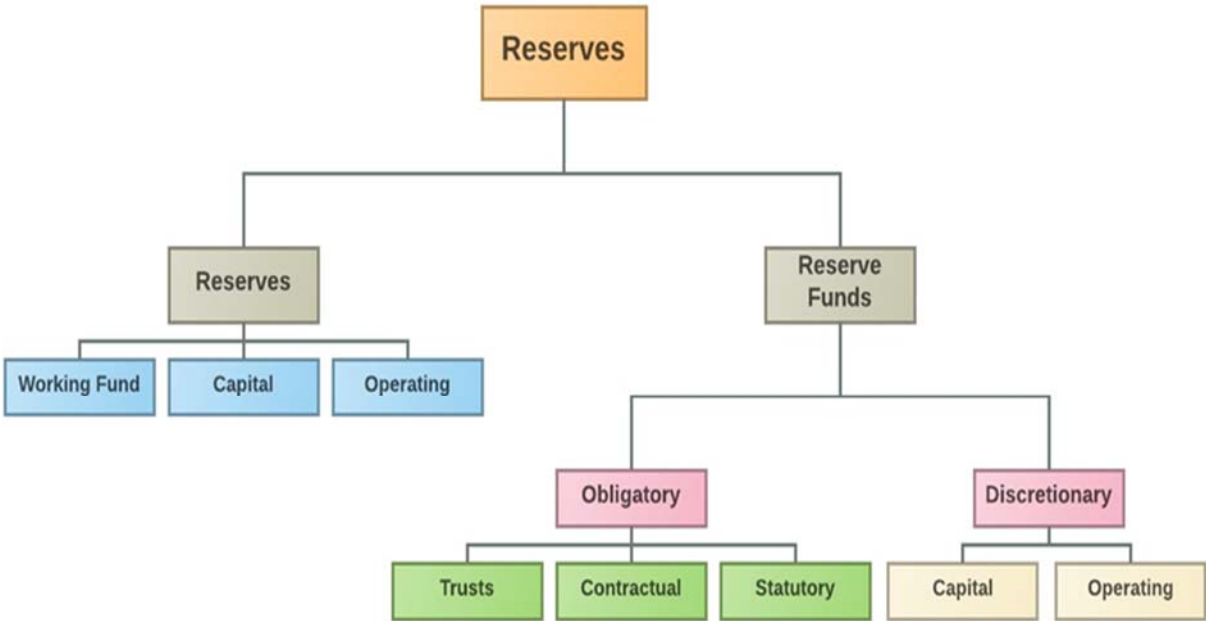
Classification/Categories and list of Reserves and Reserve Funds

Schedule A: Classification and Categories

Schedule B: Listing of the Municipality Reserves

Schedule C: Listing of the Municipality Reserve Funds

Schedule A: Classification and Categories of Reserves



Schedule B: Listing of Reserves

Reserves	Categories / Legislation	Purpose	Funding Source	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Working Fund	Working Fund	To assist in periods throughout the year when cash balances are low and there is a requirement to cover payments and expenses, before tax levies, grants and other revenues become available	Established annual operating budget contribution. Allocation of yearend surpluses.	One month equivalent of tax revenues	\$1,500,000	The use of these funds are general in nature and this balance is intended to act as cash float. Capital projects and transfer do not occur for these funds Established by Bylaw No. 2001-047
Capital Project Carryforward	Capital	To finance the completion in the current year of capital projects where contracts had been previously awarded by council and for which funding was committed to in the prior year budget.	The amount of the commitment is carried forward from one budget year to the next, recognizing the timing difference between when the projects were budgeted in the annual estimates and when projects were started and completed.	Calculated based on projects not completed but budgeted from the tax levy or reserve funds in previous year.	n/a	Established by Bylaw No. 2017-070

Reserves	Categories / Legislation	Purpose	Funding Source	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Operating Project Carryforward	Operating	To finance the completion in the current year of operating projects where funding was committed to in the prior year budget.	The amount of the commitment is carried forward from one budget year to the next, recognizing the timing difference between when the projects were budgeted in the annual estimates and when projects were started and completed.	Calculated based on projects not completed but budgeted from the tax levy in previous year.	n/a	Established by Bylaw No. 2017-070

Schedule C: Listing of Reserve Funds

Reserve Funds: Obligatory	Categories	Purpose	Funding Source	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Development Charges (DC) Reserve Fund <ul style="list-style-type: none"> • roads; • public works; • fire protection, • parks and recreation; • library; • administration; • water; • wastewater 	Statutory Development Charges Act Sections 33-36	Holding account (s) for levies from developers to be used for approved DC programs/ projects	DC collections and credits Interest earned	n/a	See DC background study	n/a	Spending is dependent upon actual DC collection and credits Established by Bylaw No. 2014-069 and is amended from time to time.

Reserve Funds: Obligatory	Categories	Purpose	Funding Source	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Cash-in-Lieu of Parkland Reserve Fund	Statutory Planning Act s. 51.1 and s. 53	In accordance to the Planning Act- this reserve is dedicated for the purchase and development of parkland in developing areas and redeveloping areas and/or support the upgrading of existing parks/facilities provided the need to upgrade is due to intensification of the surrounding neighborhood	Developer contributions received in lieu of land being conveyed to the Municipality for parkland requirements as per Planning Act Interest earned	n/a	Adequate balance to fund parkland acquisitions, per the long-term capital plan	n/a	Dependent on overall development and re- development Established by Bylaw No. 2001- 047

Reserve Funds: Obligatory	Categories	Purpose	Funding Source	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Federal Gas Tax Reserve Fund	Contractual Federal Transfer Payments	For infrastructure in accordance with the Federal Gas Tax Agreement.	Funding provided by the Government of Canada under the agreement signed with the Government of Ontario and the Association of Municipalities of Ontario (AMO, who calculates the allocation for each municipality). Interest earned	Yearly contributions from the federal government as established in the agreement. Cannot exceed three years contributions.	n/a	n/a	The intent is to spend funds received as per agreement. Established by Bylaw No. 2014-048 through agreement.

Reserve Funds: Obligatory	Categories	Purpose	Funding Source	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Cash-in-Lieu of Parking Reserve Fund	Statutory Planning Act S40	In accordance to the Planning Act- this reserve is dedicated to cover costs of the Municipality maintaining parking for owner/occupants of a building that is required to provide and maintain parking facilities on the land but cannot and therefore exempt from providing or maintaining parking facilities.	Monies provided through an agreement with owner/occupant of a building that is exempt from providing or maintain parking facilities as per Planning Act. Interest earned	n/a	Adequate balance to fund parking maintenance.	n/a	Established in 2005

Reserve Funds: Obligatory	Categories	Purpose	Funding Source	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Cost Stabilization Reserve Fund	Statutory Building Code Act Ontario Regulation 305-03	To offset cost of administration and enforcement of the Building code when fee revenues are less than costs of delivering building services, to implement service enhancements and to purchase capital items required for the building department such as vehicles and equipment.	Yearend surpluses from Building and Inspection services net of year end deficits. Interest earned	\$100,000	The fund balance is to maintain a minimum equal to 15 months of projected operating expenses, to mitigate the sharp cyclical drops experienced, or when the economy faces a recessionary period, and to protect against building activity down turns.	\$520,000	Established by Bylaw 2017-070 The building department must report their surpluses and deficits to the industry as a separate entity as the Building Code Act states that the fees collected are to be used to administer the Act.

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Ilderton Lions Park Reserve Fund (Lions Club Fund)	Capital	To provide a source of funding for expenditures related to the purchase of capital assets as per Lions Club for the Ilderton Park	Funding through personal/corporate donations collected by the Lions Club and provided to the Municipality. Interest earned	N/A	Funding is held for a Community Organization, no target balance identified.	N/A	Funding level is dependent on fundraising effort Established in 2014
Poplar Hill Log Cabin Reserve Fund	Operating	To provide a source of funding for expenditures related to the maintenance of the Poplar Hill Log Cabin.	Funding through personal/corporate donations and grants. Interest earned	N/A	Funding is held for a Community Organization, no target balance identified.	N/A	Funding level is dependent on fundraising effort Established in 2002

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Delaware Hydro Reserve Fund	Operating and Capital	This fund contains monies received from the sale of the former Delaware hydro utility. Unless otherwise approved by specific Council resolution or by-law and amendment made to this Policy statement, expenditures from the Fund shall be limited to 50% of the interest earned by the Fund in the previous year, for the Village of Delaware.	Interest earned	No additional contribution identified.	n/a	n/a	<p>Established bylaw No. 2001-047</p> <p>Policy approved September 5, 2001 GG-4.15 Delaware Hydro Utility Proceeds Reserve Fund.</p> <p>Refer to policy for specific details on managing the Reserve Fund.</p>

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Employee Benefits Reserve Fund	Operating	<p>To fund future employee costs with respect to employee benefits.</p> <p>To fund any deficits in the municipal administrative services benefit plan, employee benefit costs, any employee wellness or training programs.</p>	<p>Yearly surpluses in the Municipal administrative services only benefit plan and the unspent funding in the employee health care spending account.</p> <p>Interest earned</p>	\$10,000	Half of one year's employee benefit premium costs.	\$150,000	<p>In May of 2014 the Municipality changed from a fully insured benefit plan to an Administrative Services Only (ASO Plans). An Administrative Services Only or ASO Plan is an alternative way for employers to fund their employee group benefits. Using this funding model, an employer will assume the cost of predictable claims while being protected by pooled stop loss insurance.</p> <p>Established in 2012</p>

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Medical Centre Reserve Fund	Capital and Operating	To fund major capital repairs or rehabilitation expenses associated with the Medical Centre	Funding through Medical Centre rental revenue Interest earned	\$30,000	Adequate Level to fund repairs and/ or replacement of major components	\$500,000	Components include roof, plumbing, HVAC, electrical, fire protection; etc. Established in 2010
Tax Rate Stabilization Reserve Fund	Operating	To fund tax revenue shortfalls, one time expenditures, as well as other contingencies such as MPAC appeals	Established annual operating budget contribution. Allocation of yearend surpluses. Interest earned	\$50,000	5%-10% of Prior Year Municipal Tax Levy	\$1,500,000	This reserve represents a non-sustainable source of annual funding and not recommended for use on a routine basis to reduce annual tax rate. Established by Bylaw No. 2001-047

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Build Middlesex Centre Reserve Fund	Operating	To provide funding for municipal strategic investments. Funding will be made available for projects that have potential of increasing the assessment base. Eligible projects include: downtown improvement projects in settlement areas, development of lands around the Wellness Centre, improvement of public lands, strategies to locate businesses in the municipality.	Funding through municipal land sales (net proceeds of land sales in excess of Land Acquisition and disposal costs). Interest earned	N/A	Estimate of cost of incentives.	\$1,000,000	Established by Resolution R2013-107, April 17, 2013.

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Waste Management	Capital	To fund major maintenance and replacement of waste management facilities and landfill rehabilitation.	Interest earned	n/a	n/a	n/a	Established in 2002
Gravel Pit Rehabilitation	Operating	To fund the future rehabilitation and purchases of the gravel pits in the Municipality	Funding through royalty received yearly on behalf of Aggregate Resources Trust, in addition to an established annual operating budget contribution. Interest earned	\$50,000	Adequate level to fund a new gravel pit.	\$1,000,000	Established bylaw No. 2001-047
Computer Replacement Reserve Fund	Capital	To fund new and replacement equipment	Established annual operating budget contribution. Interest earned	\$25,000	Adequate level to fund yearly replacements	\$50,000	Established bylaw No. 2001-047

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Insurance Claims Reserve Fund	Operating	To provide contingency to accommodate annual fluctuations in cost of claims (deductibles) and premiums	Allocation based on fund usage and evidence of reasonably determined liability Established annual operating budget contribution Interest earned	\$25,000	Half of one year's insurance budget	\$250,000	Established bylaw No. 2001-047
Fire Vehicles and Equipment Reserve Fund	Capital	To fund replacement of fire vehicles and equipment	Established annual operating budget contribution calculated as the estimated yearly depreciation on the replacement cost of the asset adjusted for inflation. Interest earned	\$275,000	Based on the Asset Management Plan, 15% of total replacement cost.	\$1,000,000	Established bylaw No. 2001-047

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Fire Public Education Reserve Fund	Operating	To fund operating costs of the Fire Department. Funding to be used for the following expenditures: public education program, training and fire vehicles and equipment.	Funded through revenue earned under the Fire Marque program. Interest earned	\$25,000	Adequate Level to fund two public education programs a year for five years	\$100,000	Under agreement with Fire Marque, revenue collected is required to be used for public education. Agreement approved by Bylaw No. 2011- 104
Buildings and Facilities Reserve Fund	Capital	To fund refurbishment, and replacement costs associated with Municipal Facilities	Established annual operating budget contribution calculated as the estimated yearly depreciation on the replacement cost of the asset adjusted for inflation. Interest earned	\$1,353,000	Based on the Asset Management Plan, 10% of total replacement cost.	\$7,200,000	Components include roof, plumbing, HVAC, electrical, fire protection; etc. Established bylaw No. 2001- 047

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Road Capital Reserve Fund	Capital	To fund refurbishment, rehabilitation and replacement costs associated with Bridges, culverts and roads infrastructure	Established annual operating budget contribution calculated as half the estimated yearly depreciation on the replacement cost of the asset adjusted for inflation. Interest earned	\$2,100,000	Based on the Asset Management Plan, 5% of total replacement cost.	\$8,650,000	Established bylaw No. 2001-047
General Vehicles and Equipment Reserve Fund	Capital	To fund the purchase of new and replacement costs associated with vehicles and equipment	Established annual operating budget contribution calculated as half the estimated yearly depreciation on the replacement cost of the asset adjusted for inflation. Interest earned	\$660,000	Based on the Asset Management Plan, 10% of total replacement cost.	\$900,000	Established bylaw No. 2001-047

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Ontario Community Infrastructure Fund (OCIF) Reserve Fund	Contractual Provincial Transfer Payments	For infrastructure in accordance with the OCIF Agreement. Funds are not to be used for growth-related expansion projects.	Funding provided by the Province of Ontario under the agreement signed with the Government of Ontario Interest earned	Yearly contributions from the provincial government as established in the agreement.	N/A	N/A	The intent is to spend funds received as per agreement. Agreement by Bylaw No. 2016-114 Established in 2014

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Administrative Support Reserve Fund	Operating and Capital	To fund operational costs of the administrative functions provided at the Municipality for other departments. Funds raised are to be used to offset large expenditures or additional staffing requirements to support the administrative functions and fund special projects that have long term benefits for the Municipality.	Established annual operating budget contribution based on an allocation from other departments that are funded by specific user fees/permits. Interest earned	\$25,000	n/a	n/a	Established by Bylaw 2017-070

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Winter Maintenance Reserve Fund	Operating	To fund winter maintenance in the event of a shortfall in the operating budget. The reserve fund aids in minimizing the financial implications resulting from extreme winter weather conditions.	Yearend surpluses from Transportation services net of year end deficits.	\$45,000	The winter maintenance balance is recommended to be equal to 25% of the 4-year average winter maintenance costs.	\$165,000	Established by Bylaw 2017-070
Election Reserve	Operating	To finance expenses related to elections avoiding disproportionate burden on levy in an election year	Established annual operating budget contribution Interest Earned	\$15,000	75% of the election costs	\$45,000	The transfer to operating in an election year should deplete this reserve. Any unexpected balance is carried forward in the reserve Established bylaw No. 2001-047

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Wastewater Capital Reserve Fund	Capital and Operating	To fund maintenance and replacement of wastewater facilities and linear assets. It is also used to finance the non-growth component of new wastewater assets and has provided wastewater rate stabilization from year to year.	Funding is a result of surcharges on the wastewater user rate. In addition, any surplus in the wastewater annual operating budget has been contributed to supplement the reserve balance.	\$800,000	5%-10% of the replacement costs of the assets as per the Asset Management Plan and Water/Wastewater Financial Plan.	\$5,800,000	Established bylaw No. 2001-047 Funding 2003

Reserve Funds: Discretionary	Categories	Purpose	Funding Source/Basis for Contribution	Annual Target Contribution	Basis for Target Reserve Balance	Target Balance	Rationale/ Notes
Water Capital Reserve Fund	Capital and Operating	To fund maintenance and replacement of water facilities and linear assets. It is also used to finance the non-growth component of new water assets and has provided water rate stabilization from year to year.	Funding is a result of surcharges on the water user rate. In addition, any surplus in the water annual operating budget has been contributed to supplement the reserve balance.	\$1,200,000	5%-10% of the replacement costs of the assets as per the Asset Management Plan and Water/Wastewater Financial Plan.	\$7,000,000	Established bylaw No. 2001-047 Funding 2006.
Storm Water Capital Reserve Fund	Capital and Operating	To fund maintenance and replacement of storm water assets and municipal drains.	Funding is a result of surcharges on the storm water user rate. In addition, any surplus in the storm water annual operating budget has been contributed to supplement the reserve balance.	\$700,000	5%-10% of the replacement costs of the assets as per the Asset Management Plan	\$3,340,000	Established bylaw No. 2001-047 Funding 2007