

CORPORATION OF THE TOWNSHIP OF McNAB/BRAESIDE
By-Law No. 2024-13

Being a By-law to adopt the Reserve and Reserve Fund Policy.

WHEREAS the Municipal Act, 2001 confers broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality's ability to respond to municipal issues;

AND WHEREAS Section 8 of the Municipal Act, 2001 as amended, provides that a municipality has the capacity, rights and powers of a natural person for the purpose of exercising its authority under this or any other Act.

THEREFORE BE IT RESOLVED THAT the Corporation of the Township of McNab/Braeside hereby enacts as follows:

1. **THAT** Council of the Corporation of the Township of McNab/Braeside hereby adopt the "Reserve and Reserve Fund" Policy attached hereto and marked as Schedule "A" to this By-Law.
2. **THAT** this By-law shall come into full force and effect upon the passing thereof.

BE IT FURTHER ENACTED, that all By-Laws or parts thereof, and all or any resolutions of Council contrary thereto, or inconsistent herewith, be and the same are hereby repealed.


READ a first time this **5th day of March, 2024**.

READ a second time this **5th day of March, 2024**.

READ a third and final time and passed this **5th day of March, 2024**.



MAYOR




CAO/CLERK

CORPORATION OF THE TOWNSHIP OF McNAB/BRAESIDE

BY-LAW #2024-13

SCHEDULE "A"

Reserve and Reserve Fund Policy

	Township of McNab/Braeside	
	Department Treasury	Policy #
	Policy: Reserve and Reserve Fund Policy v.3	
	Date: January 13, 2021 February 2024 Rev. 3	Page: Page 1 of 13

Policy Statement

Reserves and reserve funds are a critical component of long-term financial planning and are used to maintain a stable financial position, minimize fluctuations in the tax rate and support future cash requirements. They are funded through annual contributions from the operating budget, year-end operating surpluses and external funding sources.

With limited and decreasing provincial and federal funding assistance programs, and a large infrastructure-funding gap, a Reserve and Reserve Fund Policy is a critical component to ensure the Township’s financial sustainability over the long-term. Specifically, reserves and reserve funds serve to protect ratepayers from significant increases in municipal taxes, rates and fees by:

Ensuring sufficient reserves are available to fund municipal infrastructure replacement and large projects, smoothing the tax impact over a number of years.

Reducing costs by limiting the need for debt to fund infrastructure projects and incur related interest expenses.

Providing financial flexibility to the Township to fund day-to-day operations, take advantage of funding opportunities and/or mitigate risks.

It is therefore the Township’s policy to create and manage reserves and reserve funds to address legislative requirements, manage long-term infrastructure needs, address risks, and fund projects in a responsible manner to better manage the long-term impact to ratepayers.

Purpose

The purpose of this policy is to establish policies for reserves and reserve funds to ensure the ongoing financial stability of the Township for: legislative purposes; cash-flow purposes; planned future capital expenditures; unexpected or unpredicted events; extraordinary expenditures; or to smooth expenditures which would otherwise cause fluctuations in operating or capital budgets.

Scope

This policy will cover all reserves and reserve funds for the Township of McNab/Braeside, establish the roles and responsibilities of administrators and identify the procedures for managing the reserves and reserve funds.

Responsibility

The responsibility to administer and ensure compliance with this policy rests with the Treasurer, under the general direction of the Chief Administrative Officer/Clerk.

Definitions

Reserve: In general, a reserve is an allocation of accumulated net revenue. It has no reference to any specific asset and does not require the physical segregation of money or assets. Reserves are not part of the general revenues and do not earn interest on their own. Any earnings derived from investment of reserves' money are reported as general revenue-fund earnings. Funds held in a reserve can be utilized at the discretion of Council, subject to the parameters defined in the reserve policy when established.

Reserve Fund: Means a fund with assets that 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 use of monies in the fund. There are two types of reserve funds: obligatory reserve funds and discretionary reserve funds.

Obligatory Reserve Fund: A reserve fund created when a provincial statute requires that revenue received for special purposes be segregated from the general revenues of a municipality. Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute. All earnings derived from investment of the reserve funds must form part of the reserve fund.

Discretionary Reserve Fund: A reserve fund created under the Municipal Act when Council wishes to earmark revenue to finance a future expenditure for which it has the authority to spend money, and to set aside a certain portion of any year's revenues so that the funds are available as required.

Procedures

Formation and Dissolution:

Council shall establish a reserve fund for liabilities of the Township which are incurred but not payable until later years, as prescribed by any provincial statute (such as revenue from development charges), and may establish a reserve or reserve fund to be used for any other authorized exclusive purpose. A discretionary reserve fund may be created where Council wishes to raise an amount from current revenue to finance future expenditures and this revenue is to be set aside from general operations to ensure that it will not be used for any other purpose and be available when needed. Otherwise, a reserve is preferable to a reserve fund in order to keep money available for financing daily operations, reduce accounting entries caused by inter-fund transfers, and simplify financial statement preparation. Reserve funds are created by specific by-laws or as part of other by-laws, such as those for development charges or annual budgets. Reserves are created by Council resolution. Council approval must be granted prior to the formation and dissolution of any reserve or reserve fund. All new reserve or reserve funds must be included in this policy.

Intended Use: Any change to the purpose for which the reserve or reserve fund is designated must be permitted by provincial statute and approved by by-law or resolution of Council as appropriate. Before creating a new reserve or reserve fund, the option of adding an incremental contribution to an existing reserve or reserve fund of a like nature will be considered. Reserves or reserve funds for different purposes shall be separate, but each may include a group of services in the same category

to increase flexibility. Reserves and reserve funds are typically segregated by municipal department to align with managerial authorities and underlying budget purposes. The *Development Charges Act* requires a separate reserve fund for each service, but permits services to be grouped into a category of services provided that services for which there is a 10% reduction are not grouped with services for which there is no such reduction.

If a discretionary reserve has been established for a specific project / purpose and that project has been completed or Council decides not to proceed with the project, any funds remaining in the reserve shall be transferred to the home department reserve at year-end. The Treasurer, under the direction of the CAO/Clerk, will determine how the funds are split, if at all, between the primary reserves (i.e. buildings, equipment, vehicles, etc.) Council will approve this allocation during year-end reporting.

Limitations: Transfers shall be made into or from reserves or reserve funds as prescribed by provincial statute or approved by by-law or specific resolution, including but not limited to the Development Charges By-law and the annual budget by-law. Actual transfers are amended at year-end based on actual expenditures in compliance with the procurement by-law, policies and procedures and any in-year changes approved by Council via resolution.

The annual budget shall set out the estimated portion of revenues considered necessary to be paid into Township reserves and reserve funds.

For reserves and discretionary reserve funds, revenue shall come only from contributions from the operating fund, contributions from the capital fund, and investment income. For obligatory reserve funds, revenue may also come from development charges, developer contributions, or higher levels of government.

Except for project-related reserves, money in a reserve or reserve fund shall be spent only for the predetermined purpose(s) of the reserve or reserve fund. Project-related reserves may be repurposed as approved by Council via resolution provided that monies have not already been contractually committed. The underlying departmental purpose of the monies are typically maintained.

Transfer timing: Contributions from operating budgets to reserves shall be transferred upon the approval of the Township's budget. Contributions from reserves and reserve funds to capital or operating accounts shall be transferred at least annually or upon completion of a project. Transfers from a reserve or reserve fund shall not occur if the transfer would put the reserve or reserve fund into a negative balance. If such is the case, inter-fund borrowing will be investigated as a funding source.

Adequacy: The adequacy of an individual reserve or reserve fund is determined on a case-by-case basis using an estimate of the timing and magnitude of the cost(s) to be mitigated, and a projection of contributions. Updated forecasts of a reserve or reserve fund can be provided to assist with the evaluation of any increases/decreases in contributions or new expenditures.

Forecasts will be developed for each reserve and reserve fund and will be updated at least annually.

Authorization: The Treasurer, under the direction of the CAO/Clerk, is generally responsible for identifying the appropriate source of financing for the Township's programs and capital works, and is in the position to make recommendations to Council on the use of reserve and reserve funds. Utilization of funds from a reserve or reserve fund must be identified in an approved annual budget, resolution or by-law submitted to Council for approval outside the normal annual budget process, unless otherwise stated in this policy.

Investment and Interest Allocation: Reserve and reserve funds must be invested in accordance with the Township's investment policy. Interest shall be allocated to reserve funds. Interest may be allocated to reserves where it is appropriate to adjust their balances for inflation.

Inter-Reserve Fund Borrowing: Temporary inter-fund borrowing to cover a reserve or reserve fund shortfall is permitted and encouraged to avoid external debt charges. However, borrowing from a reserve or reserve fund may occur only when an analysis of the reserve has determined that excess funds are available and that the use of these funds will not adversely affect the intended purpose of the reserve.

The Development Charges Act permits inter-fund borrowing between DC reserve funds, but amounts borrowed must be repaid with interest at a rate not less than the Bank of Canada rate on the day on which the Development Charges By-law comes into force updated on the first business day of every January, April, July, and October.

Reporting: Reserve and reserve fund balances, projected contributions and planned expenditure withdrawals are to be provided as a component of the annual budgets.

At the end of each fiscal year, the Treasurer shall provide Council with a financial statement related to the Development Charge By-law and development charge reserve funds.

Balances of reserves, discretionary reserve funds, and deferred revenue (obligatory reserve funds) with comparative figures shall be disclosed by way of a note to the financial statements, with specific reference made on the financial statements to the note, in conformity with the requirements of Public Sector Accounting Standards.

Target Reserve Levels

Target reserve levels and related funding sources can be found in the enclosed attachment.

Attachments

Annex A – Reserve and Reserve Funds Descriptions

Annex A – Reserve and Reserve Funds Descriptions

Working Funds

Background: This reserve is a cash flow account used to fund day-to-day operations. The purpose is to provide consistent cash flow for operations.

Limits: Set at approximately three month's operating expenses.

Policy: The Treasurer is responsible for and authorized to use the funds to manage daily cash flow. This limit should be reviewed annually to determine if adjustments are warranted. Any annual operating surplus will be used to top-up this reserve as required otherwise; the Township will budget for annual contributions to the reserve accordingly if required.

Future Loss of Grants or Assessment

Background: This reserve was established as a contingency reserve to temporarily stabilize the annual tax levy should the Township lose a significant level of stable grant funding in a single year OR should the Township lose a significant assessment appeal.

Limits: Not less than 0.5% of a tax levy increase.

Policy: This limit should be reviewed annually to determine if adjustments are warranted. Any annual operating surplus will be used to top-up this reserve as required. Should there be a need to utilize funds from this reserve during a given year, an annual contribution will be established in future budgets until the minimum limit is reached. Council shall approve the use of this reserve through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Fire Department: Wage Contingency

Background: Excluding the Fire Chief, the Township's Fire Department is staffed by volunteer fire fighters working out of three fire stations. Volunteer Fire Fighters are paid on an hourly basis. Hours worked by these volunteers can vary significantly from year to year based on the number of fire calls that are outside the control of the Fire Department. This reserve was established as a contingency reserve to cover any operating deficits as a result of an unexpected number of fire calls in a given fiscal year.

Limits: Not less than \$30,000.

Policy: The Treasurer on an annual basis shall evaluate the sufficiency of funding with guidance provided by the Fire Chief. Any annual operating surplus from the Fire Department will be used to top-up this reserve as required. Should there be a need to utilize funds from this reserve during a given year, an annual contribution will be established in future budgets until the minimum limit is reached. The Treasurer is authorized to utilize this reserve to fund any salary and wage operating budget shortfalls in the Fire Department as a result of a bad fire season.

Employee Benefits

Background: The Township is a member of the Municipal Benefits Committee, a purchasing group which provides pooled employee health and dental benefits to a number of municipal organizations in Renfrew County. This arrangement diversifies the benefit

coverage risks amongst a larger number of employees, lowering insurance premiums for smaller municipalities like ours. The Treasurer represents the Township on this Committee. As part of this arrangement, benefit contributions in excess of policy requirements can be refunded as determined by the Committee. These contribution returns are transferred to this reserve. This reserve was established as a contingency reserve to cover any unexpected employee-related costs including: short-term sick-leave coverages, and succession-planning training overlap periods. It can also serve to temporarily stabilize the annual tax levy should the Township's employee benefits plan face a significant cost increase in a single year.

Limits: Not less than \$15,000.

Policy: The Treasurer is authorized to transfer refunded benefit premiums into this reserve as applicable. Should there be a need to utilize funds from this reserve during a given year, an annual contribution will be established in future budgets until the minimum limit is reached. Council shall approve the use of this reserve through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Weather Emergency

Background: The effects of climate change are expected to increase the number of significant weather-related events. This can include: record snowfalls, flooding, wind events, ice storms, etc. Ontario's Municipal Disaster Recovery Assistance program is based on a cost-sharing arrangement, which becomes effective once the program is activated and municipal costs exceed 3% of its own purpose taxation levy. This reserve was established as a contingency reserve to cover any unexpected weather-related expenditures.

Limits: Not less than 5% of own purpose taxation levy

Policy: Until the minimum limit is reached, the Township will contribute a minimum of \$20,000 of its annual operating surplus each year to this reserve as applicable; otherwise, the Township will budget for annual contributions to the reserve accordingly if required.

For events affecting specific department budgets, these shortfalls shall first be funded by any surpluses in the tax-funded portion of the respective departmental budget. In the event that the foregoing surpluses are not sufficient to cover the shortfall, the Treasurer is authorized to utilize this reserve to fund any remaining shortfalls in operating expenses, which would otherwise result in a deficit for the affected department.

The CAO/Clerk may utilize this reserve in the event of an emergency in accordance with the Township's Procurement By-Law up to pre-specified dollar limits. Otherwise, Council shall approve the use of this reserve to cover expenditures related to declared emergencies by specific resolution.

Municipal Election

Background: This reserve is established to fund the cost of holding municipal elections every four years in order to stabilize the annual tax levy.

Limits: Annual contributions to ensure that sufficient funds are available every four years.

- Based on not less than \$40,000 to hold the election.
- Policy: This reserve will be utilized to fund the municipal elections. The CAO/Clerk will review and update the limit set out in this policy annually and the Township will budget for annual contributions to the reserve accordingly. In the year in which an election is held, the Treasurer may utilize this reserve to fund any expenditures deemed attributable to the election by the CAO/Clerk.

Building Department

- Background: In accordance with Section 7 of the Ontario *Building Code Act*, the municipality may impose fees for the purposes of carrying out functions pursuant to the Act, including the issuance of permits and inspections. Fees collected must not exceed the anticipated reasonable costs of the principal authority to administer and enforce the Act. It is understood that there may be increases and decreases in fees collected from year to year and that a reserve may be established to ensure that the function operates in a cost recovery basis for both capital and operating expenses.
- Limits: As available through annual surpluses.
- Policy: Any annual operating surplus from the Building Department may be transferred into this reserve and any annual deficit will be offset by transfers from this reserve. The Treasurer is authorized to utilize this reserve to fund any shortfalls in expenses, which would otherwise result in a deficit for the Building Department.

Recreation: Parks

- Background: This reserve is established to fund future events, asset replacement / betterments, unexpected losses, etc. throughout municipal parks. For example, flooding damage, replace playground equipment, etc.
- Limits: Not less than \$5,000.
- Policy: Council agrees to contribute \$5,000 annually to this reserve through the annual budget process.
Capital expenditures to be funded by this reserve must be approved by Council through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Recreation: Minor Ball

- Background: McNab/Braeside Minor Ball is operated under the direction of the Recreation Director as supported by the Recreation Committee and a volunteer Minor Ball Coordinator. The Coordinator is responsible to organize and operate an annual youth minor ball program. Revenues and expenditures for this program are budgeted annually as part of the Recreation Department Budget. This reserve was established to set aside any annual surplus operating funding to support any future operating shortfalls or program-related capital expenditures
- Limits: Not less than \$2,000.00
- Policy: Any annual operating surplus from Minor Ball will be transferred into this reserve and any annual deficit will be offset by transfers from this reserve. The Treasurer is authorized to utilize this reserve to fund any shortfalls in expenses, which would otherwise result in a deficit for this youth program.

Program-related capital expenditures to be funded by this reserve must be approved by Council through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds

Cemetery

Background: In the Bereavement Sector, the Ministry of Government and Consumer Services is responsible for legislation and regulation, and for burial sites, war graves, cemetery closures and abandoned cemeteries. Cemeteries can be declared abandoned by a judge of the Ontario Superior Court of Justice. Once a cemetery has been declared abandoned, the municipality becomes the owner of all of its assets, rights and obligations. As a result of the abandonment process, the Township has become owner of the Flat Rapids Cemetery located on Mill Ridge Road. This reserve was established to set- aside any annual surplus operating funding to support any future operating shortfalls, and anticipated special projects or cemetery-related capital expenditures. Cemetery revenues earned are held in an Operating and Care & Maintenance Trust Account in an effort to re-establish the minimum \$100,000 balance required for commercial cemetery operators, which helps ensure the long-term upkeep of a cemetery.

Limits: Not Less than \$5,000

Policy: The Flat Rapids Cemetery has a Township-funded budget, which covers day- to-day operating expenses. Any annual surplus from this operating budget will be transferred into this reserve and any annual deficit in the budgeted operating account will be offset by transfers from this reserve. The Treasurer is authorized to utilize this reserve to fund any shortfalls in expenses, which would otherwise result in a deficit for this Department. Any capital expenditures to be funded by this reserve must be approved by Council through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Accessibility

Background: This reserve was established as a program-specific reserve to cover any unexpected accessibility requirements or specialized accessibility equipment.

Limits: Minimum of \$2,000

Policy: Accessibility has a separate operating budget under general government. Any annual surplus from this operating budget will be transferred into this reserve and any annual deficit in the budgeted operating account will be offset by transfers from this reserve. The Treasurer is authorized to utilize this reserve to fund any shortfalls in expenses, which would otherwise result in a deficit for this line item. Any capital expenditures to be funded by this reserve must be approved by Council through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the fund

Waste Management: Closure

Background: The Township operates an active landfill on Calabogie Road. The *Environmental Protection Act* sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Landfill closure and post-closure care

requirements are independently assessed in accordance with industry standards and include final covering and landscaping of the landfill, treatment and monitoring of leachate, monitoring of ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover. This future cost is a liability of the Township and is disclosed on its annual audited financial statements. This reserve has been created to provide funding for this liability.

Limits: Annual contributions to ensure that sufficient funds are available to cover the estimated closure costs on its expected closure date. This ensures that current users are paying for the full cost of their waste.

Policy: The Treasurer with the assistance of the Director of Public Works will review and update the limit set out in this policy annually and the Township will budget for annual contributions to the reserve accordingly. In the years in which the landfill is closed, the Treasurer may utilize this reserve to fund any expenditures deemed attributable to the closure by the Director of Public Works.

The Waste Management Department may borrow from this reserve to internally finance capital asset acquisitions approved by Council, but must make annual repayment contributions to replace the full amount borrowed by the expected closure date. No other departments may borrow funds from this reserve.

Waste Management: Operating

Background: Waste Management is funded through its own separate garbage levy charged to users. The residential garbage levy rate typically increases in \$5 increments, which can create small shortfalls in the Department’s operating budget. This reserve was created to offset small budget deficits to ensure that the Department’s annual costs are fully offset, with no impact to the balance of the Township’s operating budget.

Limits: No less than the number of residential garbage levies assessed times \$4.

Policy: The Treasurer will calculate and review the limit set out in this policy annually. If available, the Treasurer may transfer annual Waste Management operating surplus funding to offset any reserve shortfalls, otherwise, the Township will budget for annual contributions to the reserve accordingly as required. Planned use of this reserve will be approved by Council through the annual budgeting process. The Treasurer is authorized to utilize this reserve to fund any shortfalls in expenses, which would otherwise result in a deficit for this Department.

Waste Management: Stage 3

Background: The Township is in the progress of opening a third stage of the landfill in three phases to increase the useful life of the landfill. The engineering and environmental design work for this stage has been completed. The excavation of the original organic material and replacement with a base layer of sand is required before each phase can be opened and used. Opening Stage 3A will require initial excavation and the addition of a sand base in year one, plus additional sand over the next five years to bring the base up to the required depth. Opening Stage 3A is expected to increase the useful life of the landfill by approximately 14 years.

Limits: Annual contributions to ensure that sufficient funds are available to cover the

estimated Stage 3 opening project costs.

Policy: The Treasurer and Director of Public Works will review and update the forecasted project costs set out in this policy annually. If available, the Treasurer may transfer annual Waste Management operating surplus funding to offset any reserve shortfalls, otherwise, the Township will budget for annual contributions to the reserve accordingly as required. Planned use of this reserve will be approved by Council through the annual budgeting process. The Treasurer may utilize this reserve to fund any expenditures deemed attributable to the Stage 3 project by the Director of Public Works

Municipal Development

Background: This reserve was established to fund projects, which support the development of the municipality including studies including: sustainable communities; municipal green energy projects; settlement area studies; community plans; and economic development.

Limits: No less than \$15,000.

Policy: The Township may contribute surpluses to this reserve as they become available. Use of this reserve shall require a resolution of Council outlining in detail the costs and uses of the funds. Should there be a need to utilize funds from this reserve during a given year, an annual contribution may be established in future budgets until the minimum limit is reached.

Administration Building

Background: The Township has been planning to construct a new municipal office for a number of years. This reserve has been created to set aside funding to cover construction, machinery and equipment for the new Township Office.

Limits: This project is currently in progress. Upon completion of the project, this reserve will be closed.

Policy: Use of this reserve shall require a resolution of Council outlining in detail the costs and uses of the funds. Upon completion of the project, the Treasurer is authorized to transfer any remaining balance as directed by Council.

General Government

Background: This reserve was created to fund specific projects related to General Government. At this time, funding is being set aside for an electronic records management project. Given the scope, size and cost of this project, this reserve has been created to spread the tax levy impact of this specific project over a number of years. This reserve is also used for any budgeted and approved projects carried forward from one fiscal year to the next.

Limits: Not applicable

Policy: The Township will make contributions from the General Government surplus each year to this reserve based on the recommendations of the CAO/Clerk as applicable/available; otherwise, the Township will budget for annual contributions to the reserve accordingly if required. Council shall approve the use of this reserve through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Fire Department - Equipment and Training

Background: This reserve was created to fund specific projects related to the Fire Department. At this time, this reserve is being used for any budgeted and approved projects carried forward from one fiscal year to the next.

Limits: Not applicable

Policy: This reserve was created to fund specific projects related to the Fire Department. At this time, this reserve is being used for any budgeted and approved projects carried forward from one fiscal year to the next.

Emergency Management

Background: This reserve was created to fund specific capital projects related to Emergency Management.

Limits: Not applicable.

Policy: The Township will make contributions from the Emergency Management operating surplus each year to this reserve as applicable/available; otherwise, the Township will budget for annual contributions to the reserve accordingly if required. Council shall approve the use of this reserve through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Recreation

Background: This reserve was created to fund specific projects related to the Recreation Department. At this time, this reserve is being used for any budgeted and approved projects carried forward from one fiscal year to the next.

Limits: Not applicable.

Policy: The Township will make contributions from the Recreation Department operating surplus each year to this reserve based on the recommendations of the Recreation Director, and approved by Council the Township will budget for annual contributions to the reserve accordingly if required. Council shall approve the use of this reserve through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Government Funded Reserves and Reserve Funds

Government Funded Reserves and Reserve Funds are established to track the revenues received from the Provincial and Federal Governments for roads infrastructure and other government sponsored programs. Funding received from other levels of government will be used in future budgets as per the guidelines of each program.

Roads Aggregate Reserve

Background: Under the *Aggregate Resources Act*, the Township receives funding annually based on the output of our local pits and quarries. This funding is intended to offset any additional wear and tear on municipal roads caused by their heavy equipment. This reserve was created to set aside this funding and apply it to applicable roads projects once accumulated funding reaches approximately \$100,000.

Limits: Not applicable.

Policy: The Township will make annual contributions of Aggregate Revenues received from the Township’s operating surplus each year as available. Council shall approve the use of this reserve through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Federal Gas Tax Reserve Fund

Background: The Township receives annual Gas Tax Revenue as a result of an agreement between the Association of Municipalities of Ontario and the Provincial and/or Federal Governments. These revenues are subject to conditions, one of which requires that the funds be held in a segregated reserve fund.

Limits: The Township can retain revenues received for spending in future years based on certain conditions. As a result, the amount will vary based on how the funds may be utilized.

Policy: The Township must utilize the Gas Tax Revenue for eligible projects and expenditures in accordance with criteria set out by the higher levels of government and in the agreement noted herein. Income received from investments of the gas tax reserve funds shall be credited to the reserve fund account. Council shall approve the use of this reserve fund through the annual budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.

Capital Expenditure Asset

Departments	Asset Types (as applicable)
Administration	Buildings/Building Improvements
Emergency Measures	Vehicles & Equipment
Fire Department	Paved Roads
Roads Department	Unpaved Roads
Waste Management	Sidewalks
Recreation Department	Streetlights
Museum	Park Equipment

Background: Capital Expenditure Reserves are used to fund specific replacement / renewal of capital assets. Reserves are separated by Department and Asset Type to respect managerial authorities and budgeted funding sources. As the assets of the Township increase, so should the contribution from the operating budget to these reserves for the replacement and refurbishment needs of the underlying capital asset, based on lifecycle costing. As staff proceed with the development of life cycle costing, the composition, utilization and target balances of the Capital Reserves will be reviewed.

Limits: No upper limit. --- Consistent with the 10-year Asset Management Plan Financial Schedules.
No lower than the following for specific capital expenditure reserve types to address risks and opportunities:

Paved roads: \$750,000

Vehicles and Equipment: Average replacement cost of a vehicle.

Policy: The Township will contribute a minimum of the actual annual amortization expenses incurred for a given fiscal year. Given the shortfall in funding from this approach based on the historical cost of contributions vs. future replacement costs, the Township will contribute tax funded departmental surpluses to these reserves, other

than those which will be directed to specific reserves or reserve funds as set out in this policy. Use of these reserves will be approved by Council through the annual capital budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds. Except for building reserves, the Township shall not fund long-term debt- repayment through the capital expenditure reserves. Given the lack of building reserves to fund critical replacements and for a limited time, a portion of debt-repayment expenditures shall be partially financed through the building reserves in order to address ratepayer affordability and limit building-related levy increases to no more than 3% per annum.

Development Charges Reserve Fund

Background: The Township completes Development Charges Background Studies pursuant to the *Development Charges Act* and has enacted a Development Charges by-law. This by-law establishes the Development Charges reserve fund for revenues received from development charges for defined eligible service categories.

Limits: Funds are collected to ensure that there is sufficient funding as set out in the Township's Development Charges Background Studies and related By- laws

Policy: The Development Charges Reserve Funds shall be used to meet net capital costs for which the development charge were levied under the Development Charges By-Law or any amendments thereto. Separate accounts shall be maintained under the Development Charges Reserve Funds including interest earned for each service category designated in Section 2.1 of the Development Charges By-law, as amended. Income received from investments of the Development Charges Reserve Funds shall be credited to the Development Charges Reserve Fund account for the designated service in relation to which the investment income applies. Use of this reserve fund will be approved by Council through the annual capital budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds

Park Land Development Reserve Fund

Background: Pursuant to Section 51.1 of the *Planning Act*, the Municipality may impose as a condition to the approval of a plan of subdivision, that a percentage of the land included in the plan be conveyed to the local municipality for park or other public recreational purposes. Where this condition is imposed, the Municipality may, in lieu of accepting the conveyance, require the payment of money by the owner of the land.

Limits: There is no set defined limit for this reserve fund as it is dependent upon development and the cash-in-lieu amounts received.

Policy: Recommendations for cash-in-lieu of parkland will be put forth by the Municipal Planner and will be calculated as per the *Planning Act*.

Withdrawals from the reserve fund for parkland development will be recommended by the CAO/Clerk in consultation with the Treasurer and Director of Recreation. Income received from investments of the cash-in-lieu shall be credited to the reserve fund account. Use of this reserve fund will be approved by Council through the annual capital budgeting process or by a resolution of Council outlining in detail the costs and uses of the funds.