

# CORPORATE POLICY AND PROCEDURE



POLICY	<b>General Reserve and Reserve Fund Policy</b>
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICIES	Investment Policy, Debt Policy, Capital Renewal Reserve Fund Policy, DC Exemption Policy
APPROVED BY	Council
EFFECTIVE DATE	September 25, 2017
REVISION DATE	Within each term of Council

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## PURPOSE

### Policy Statement

It is the policy of the City of Guelph to:

- Establish reserves and reserve funds for planned future capital expenditures, unexpected events or extraordinary expenditures which would otherwise cause fluctuations in the operating or capital budgets;
- Manage reserves and reserve funds in a responsible manner; and
- Utilize reserves and reserve funds solely for their intended purpose.

### Policy details

A financial reserve is a provision for an amount that is designated for a future purpose that extends beyond the current fiscal year. Reserves are established for a variety of purposes:

- to ensure the ongoing financial stability of the organization;
- to protect against known risks and unforeseen events;
- to provide for life cycle replacement of capital assets;
- to meet specific liabilities;
- to smooth expenditures which would otherwise cause fluctuations in operating or capital budgets;
- to provide for planned future expenditures and
- to provide a source of internal financing

The City of Guelph has a variety of reserves and reserve funds, both obligatory and discretionary, as outlined in **Appendix A: Reserve and Reserve Fund Policy Schedule**.

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## Definitions

**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 or projects as set out in annual budget or budget forecast and is authorized under the provisions set out in the Municipal Act. Reserves have no reference to a specific asset, do not earn interest, do not require segregation and may be established for a pre-determined purpose.

**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. All interest earnings derived from reserve fund assets must remain and accumulate in that reserve fund. There are two types of reserve funds: obligatory and discretionary.

**Obligatory reserve funds** are created when a provincial statute requires that revenue received for specific purposes is segregated from the general revenues of the municipality. Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute.

**Discretionary reserve funds** are 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.

**Deferred revenue** means revenue that is considered a liability on the City's financial statements until, over time, it becomes relevant to current operations, such as a prepayment received from 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 and provincial gasoline tax are examples of deferred revenue.

## SCOPE

The General Reserve and Reserve Fund Policy applies to all departments and local boards of the Corporation of the City of Guelph.

## ADMINISTRATION

### Creation & Dissolution

Council approval must be established prior to the formation or dissolution of any reserve or a reserve fund. New reserves and reserve funds must have a Council approved policy that outlines the purpose, targets, funding sources and authorization. All proposed reserve and reserve fund policies must be reviewed by the Treasurer prior to seeking council approval to ensure the policy is in line with

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current financial strategies, policies and procedures. Prior to creating a new reserve or reserve fund, it is recommended that a review of existing reserve or reserve funds be completed to determine if the goals and needs identified in the proposed reserve and reserve fund policy can be accommodated by an existing reserve or reserve fund.

## **Adequacy**

The adequacy of an individual reserve or reserve fund shall be determined on a case-by-case basis, taking into consideration the purpose of the reserve and the magnitude and timing of all future commitments and projected funding sources. Appendix A: Reserve and Reserve Fund Policy Schedule prescribes the target balances for each reserve and reserve fund. If a reserve or reserve fund has exceeded the recommended target, the Treasurer will review the source of funding and consider transferring funds to areas where there is high need or high priority, subject to Council approval.

General corporate reserve and reserve fund targets:

- Total Operating Reserves as a percentage of Own Source Revenue: this indicator analyzes the health of the operating reserves by focusing specifically on the contingency reserves capered to own source revenues. The City's benchmark is 8%-10% based on a review of best practices. This ratio is calculated for the tax supported funds and the non tax supported funds.
- Debt to Reserve Fund ratio: This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances. The current target identified in the Debt Policy is 1:1 (total debt outstanding should not exceed the total reserve and reserve fund balance)
- Liquid Assets to Total Reserves: This ratio compares the cash and investment balances to the reserve and reserve fund balances. This ratio indicates whether a City is managing total cash flow appropriately as reserve and reserve funds should have corresponding available assets. The target for this indicator is a minimum of 1:1 (total cash and investments to be at least equal to the total reserves and reserve funds).
- Capital Reserve Fund annual transfer targets: This indicator ensures that corporately, on an annual basis, the City is investing in infrastructure renewal as a primary corporate objective. The annual budget transfer to capital as approved through the operating budget shall be allocated as follows:
  - 80% to the infrastructure renewal reserve fund
  - 10% to the growth reserve fund
  - 10% to the city building reserve fund

Variation from this policy must be approved by Council.

Reserve and reserve fund balances can be increased through the following options:

- Contributions from the operating fund that are approved by Council through the annual budget process or through other in-year reports
- Yearend operating surplus allocations as recommended by the Treasurer and approved by Council

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- Returning surplus funds from capital projects or other operating budgets in accordance with the Policy
  - Donations/bequests/surcharges/fees/proceeds from sale of assets
  - Interest income earned on reserve fund balances

### **Reserve Fund Borrowing**

Inter-fund borrowing between reserve and reserve funds is permitted, with the exception of the Obligatory reserve funds. Obligatory funds are not permitted to fund deficiencies in the reserves and reserve funds.

Short-term inter-fund borrowing is permitted to cover a reserve or reserve fund shortfall over a period of less than two years where;

- sufficient funding is available
- it is deemed appropriate by the Treasurer; and
- interest is paid annually on the borrowed funds where applicable

Long-term inter-fund borrowing is permitted over a period of greater than two years where;

- sufficient funding is available
- it is deemed appropriate by the Treasurer and,
- interest is paid annually on the borrowed funds
- there is a Council approved By-law

The *Development Charges Act 1997* permits inter-fund borrowing between DC reserve funds, provided that all amounts borrowed are repaid with a prescribed rate of interest.

### **External Debt supported with Reserve Funds**

External debt and debt servicing costs shall be budgeted and paid from the operating fund. There are two exemptions to this rule:

- **Development Charge Reserve Fund:** Under the Development Charges Act, debt may be included as a capital cost to leverage development charge revenue while waiting for DC collections to catch up to growth-related spending. The DC debt related costs will be recovered from the appropriate DC reserve fund.
- **Cash in Lieu of Parkland Reserve Fund:** Historically, debt has been permitted for the purchase of parkland, but under this policy, new debt will be incurred and repaid through the operating fund in order to reduce the risk from future undetermined contributions

### **Authorization**

The Treasurer is responsible for monitoring the status of reserves and reserve funds in accordance with the Council approved policy.

Utilization of funds from a reserve or reserve fund can be approved through the following options:

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- a) approved by Council through the annual budget process
  - b) approved by Council through a separate report/ Council resolution
  - c) any other means prescribed by the approved Reserve and Reserve Fund Policy

Council must approve the:

- establishment of new reserves and reserve funds
- closing reserves and reserve funds no longer required
- consolidation of reserves and reserve funds
- transfer funds to and from reserves and reserve funds as prescribed by Appendix A: Reserve and Reserve Fund Policy Schedule

The Treasurer will:

- recommend establishing, closing and consolidating reserves and reserve funds
- monitor the adequacy of reserve and reserve fund balances and report annually
- recommend and monitor target balances for reserves and reserve funds
- recommend transfers of funds to and from reserves and reserve funds
- manage the reserves and reserve funds in accordance with legislative requirements and the City's existing policies and corporate strategies
- determine the source of financing for the City's programs and capital works

### **Investment Income Earned on Reserve Funds**

Reserve funds must be invested and done so in a manner that is in accordance with the City's approved Investment Policy. Investment income earned on the total cash and investment portfolio shall be credited to each separate fund in proportion to the amount invested from it. The investment income allocation shall be based on the average annual balance of the reserve fund calculated at year end at the average annual interest rate earned on the City's total cash and investment portfolio.

### **Contribution timing**

Contributions from operating budgets to reserves shall be transferred to the reserve or reserve fund as a one-time transfer at the beginning of the year based on the approval of the City's budget. Contributions from reserves and reserve funds to capital or operating accounts shall be transferred at least semi-annually, upon completion of a project or as directed by Council.

### **Reporting**

The status of the City's reserves and reserve funds will be communicated to Council, the public and the Ministry of Municipal Affairs and Housing through the following reports:

- A Reserve and Reserve Fund Statement detailing balances, transactions, funding status and commitments is required annually. It will identify risks, emerging issues and changes to relative legislation;
- Reserve and reserve fund balances, projected contributions and planned expenditures shall be presented with the annual budget;

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- Each year, in accordance with provincial legislation, the Treasurer will provide Council with a Development Charge Reserve Fund Statement with balances, expenditures, collections and transfers;
  - Each year, in accordance with provincial legislation, the Treasurer will provide Council with a Parkland Dedication Reserve Fund Statement with balances, expenditures, collections and transfers;
  - The City's annual audited Financial Statements and provincially mandated Financial Information Return

## **POLICY REVIEW**

This policy is to be reviewed with every term of Council

The Treasurer has the authority to administratively amend Appendix A: Reserve and Reserve Fund Policy Schedule when deemed necessary. Administrative amendments authorized are:

- Updating Appendix A for Council approved changes, additions or deletions of individual reserve or reserve fund policies
- Updating Appendix A for refinement of the reserve and reserve fund targets as new and improved information becomes available through the Asset Management or other initiatives
- Updating Appendix A for the authorization language in the event of a corporate reorganization that changes the position titles referenced in the Policy

APPENDIX A: Reserve and Reserve Fund Policy Schedule

NAME	#	PURPOSE	TARGET BALANCE	SOURCE OF FUNDS	USE OF FUNDS	AUTHORITY/TIMING
<b>TAX SUPPORTED - RESERVES</b>						
<b>OPERATING</b>						
TAX RATE OPERATING CONTINGENCY	180	Provide cash flow, working capital, sufficient liquidity, offset extraordinary and unforeseen corporate expenditures.  Mitigate fluctuations to the tax rate for planned one-time operating budget impacts.	8-10% of own source revenue less other tax-supported corporate operating contingency reserves.  Reserve balance cannot fall below \$5 million in order to maintain sufficient corporate liquidity.	Council approved transfers from the operating fund and approved surplus allocations from the operating budget at year end.	To offset budget deficits arising from unforeseen, extraordinary, expenditures.  To fund one-time operating budget impacts that would otherwise cause a tax rate fluctuation.	Council approved transfers during budget, in-year or end of year.
COMPENSATION CONTINGENCY	131	Manage operating budget variances relating to employee benefits and other compensation related costs including:  Medical / Dental benefits, Short Term and Long Term Disability Severance, Employee Assistance Program (EAP), Arbitration related costs, Regulatory audit decisions, Joint Job Evaluation Committee, Pay Equity.	2.5% of total annual corporate salary and benefit budget	Council approved transfers through budget and approved year end surplus allocations.  Annual surplus from all employee benefits including severances, EAP, arbitration, grievances, regulatory decisions	To offset budget deficits arising from compensation related costs including employee benefits, severances, EAP, arbitration, grievances, regulatory decisions or any other unforeseen one-time compensation related expenditures	Council approved transfers at budget are estimates.  Actual transfers will reflect real experience and approved by CAO & Treasurer.  One-time unforeseen expenditure funding > \$100 thousand require Council approval.
LIBRARY OPERATING CONTINGENCY	102	Mitigate fluctuations to the tax rate for planned one-time operating budget impacts.  Offset extraordinary and unforeseen Library expenditures	Not more than 1% of the Library annual operating budget.	Funds transferred in from Library Board recommended and Council approved surplus allocation	To fund one-time, or unforeseen operating expenditures	As recommended by the Library Board and approved by Council
POLICE OPERATING CONTINGENCY	115	Mitigate fluctuations to the tax rate for planned one-time operating budget impacts.  Offset extraordinary and unforeseen Police expenditures	Not more than 1% of the Police annual operating budget.	Funds transferred in from GPS recommended and Council approved surplus allocation	To fund one-time, or unforeseen operating expenditures	As recommended by the Guelph Police Services Board and approved by Council
ENVIRONMENT AND UTILITY CONTINGENCY	198	Offset the impact of volatile operating expenditures relating to energy, fuel, winter control and other weather related events and recyclables commodity prices.	Up to 50% of five year average hydro & winter control expense plus the difference between the high and low commodity proceed projections	Council approved transfers from the operating fund and approved surplus allocations from the operating budget	Funds used to offset, extraordinary and onetime operating costs relating to unforeseen price increases, legislation changes, weather events in excess of reasonable budget.	CAO and Treasurer approved transfers in year in accordance with the pre-approved purpose.  Minimum claim of \$50 thousand required.
SOCIAL HOUSING	208	Manage funds for investment in social housing, including County owned facilities.	Not more than 10% of the Social Housing budget.	Council approved transfers from the operating fund and approved surplus allocations from the operating budget.	Funds used to fund operating and costs relating to the Social Housing program managed by the County of Wellington on behalf of the City	Council approved transfers during budget, in-year or end of year.
LEGAL/INSURANCE	193	Manage operating budget variances relating to external legal expenditures and settlements, large insurance claims, insurance deductible costs and other costs not recoverable through insurance (lost revenue, business interruption).	Average of the past five years legal and insurance claims.	Council approved transfers from the operating fund and budget surplus from external legal and insurance claim expenses.	Funds used to manage operating budget variances related to retaining outside legal support to assist the City at the Ontario Municipal Board, administrative tribunals and court proceedings, as well as insurance claim settlement, payment of insurance deductibles and funding of business costs not recoverable by insurance (lost revenues or business interruption costs.)	CAO and Treasurer approved transfers in year in accordance with the pre-approved purpose.  Council approval for one-time expenditures > than \$100 thousand.
ACCUMULATED SICK LEAVE (FIRE)	100	Accumulate funds over the service life of an employee to fund sick leave hours that are payable in the future.	minimum = 95% of the Liability for Sick Leave.	Annual contribution from the operating fund based on the City's sick leave liability.	To pay sick leave liabilities as incurred, at retirement or termination, as defined by the collective agreement.	Council approved transfers at budget are estimates.  Actual transfers will reflect real experience and approved by Treasurer



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	NAME	#	PURPOSE	TARGET BALANCE	SOURCE OF FUNDS	USE OF FUNDS	AUTHORITY/TIMING
PROGRAM SPECIFIC	ACCUMULATED SICK LEAVE (POLICE)	101	Accumulate funds over the service life of an employee to fund sick leave hours that are payable in the future.	minimum = 95% of the Liability for Sick Leave.	Annual contribution from the operating fund based on the City's sick leave liability.	To pay sick leave liabilities as incurred, at retirement or termination, as defined by the collective agreement.	Council approved transfers at budget are estimates.  Actual transfers will reflect real experience and approved by Treasurer.
	WSIB	330	Accumulate funds throughout the service life of an employee to fund the expected cost of WSIB claims.	minimum = 25% of the WSIB Liability.	Contribution amount from operating fund accumulated on a per employee basis to reflect the estimated annual cost of the WSIB claims.	To fund WSIB claim payments.	Council approved transfers at budget are estimates.  Actual transfers will reflect real experience and approved by Treasurer.
	PARAMEDIC RETIREMENT	338	Accumulate funds over the service life of an employee to fund the future cost of retirement benefits. Paramedic employees hired before July 1, 2010 receive a lump sum retirement benefit based on years of service.	Equal to the long term funding plan required to fund retirement payments over the remaining service life of the paramedics.	Contribution from operating fund accumulated based on a per employee basis to reflect future cost of the severance benefit.	To fund retirement and severance benefit payments as per the collective agreement.	Council approved transfers at budget are estimates.  Actual transfers will reflect real experience and approved by Treasurer.
	ELECTION COSTS	195	Amortize the cost of a municipal election over four years, rather than funding the entire amount in the year of the election.	Prior election cost total plus accumulated annual inflation to be achieved by next election year.	Funds transferred in from an annual budgeted transfer from the Clerks Election operating budget.	Funds transferred out every four years to fund the cost of running the municipal election.	Council approved through annual Operating Budget or other in year Council report.
	WESTMINSTER WOODS	345	This reserve is required, as per the Licence Agreement (September 2006) between the City and Westminster Woods Ltd.	\$35,000	The reserve fund to be maintained by contributions from Westminster in accordance with an engineer's report every three years that estimates the cost for removal of the Works, restoration of the lands, plus a 10% contingency.	To cover the cost to remove the Works and restoration of the licensed lands or perform emergency repair of the Works on the Licensed Lands, at the City's discretion.	As approved by the DCAO of IDE in-year.
STRATEGIC	AFFORDABLE HOUSING	119	To provide incentives to developers that encourage the creation of affordable rental units.  Refer to separate Council approved policy.	As mandated by the affordable housing strategy to be approved by Council 2017.	Funds transferred in from the City's annual operating budget provision.	Funds awarded to affordable housing projects that meet program requirements.	Council approved through the annual budget.  Use of funds approved by management in accordance with the Council approved policy.
	REDEVELOPMENT INCENTIVES (3)	122	Incentive program aimed at encouraging redevelopment of brownfield sites, heritage sites and high density developments in the downtown	Please see the TIBG fiscal impact schedule for the program funding requirements (based on committed and completed projects). Balance must be positive.	Funds transferred in from approved contributions from the operating budget.	Funds awarded to Council approved redevelopment projects within the downtown core. TIBGs paid out to each project over a maximum of 10 years and grant amount calculation based on incremental tax	Total program budget approved by council in April 2012.  Management administers incentive grant payment funding in accordance with the Council approved program.
	DOWNTOWN IMPROVEMENT	194	Downtown CIP incentive program supports private sector investments in the form of façade improvement, feasibility studies and large scale renovations	Reserve is intended to accommodate longer term grant commitments over a yearend. There should be no uncommitted balance in the reserve.	Funds transferred in from the City's annual operating budget provision.	Eligible projects could receive: 50% Feasibility Study amounts up to \$5000; 50% Façade Improvement up to a maximum of \$10,000; and 30% capital cost of redevelopment to a maximum of \$120,000 per address.	Annual program allocation approved by Council through the Operating Budget. Eligible properties determined by GM Business Development.
	GREENHOUSE GAS	352	Accumulate revenues from the sale of Greenhouse gas credits for improvements to the Eastview Landfill.	No established maximum limit, reserve balance must be positive.	Funds transferred in from the sale of Greenhouse gas credits.	To fund infrastructure replacement and site upgrades associated with Eastview Landfill Methane Collection.	Council approved through the Capital Budget or other in-year report.
	STRATEGIC INITIATIVES	179	Enable the development and execution of corporate initiatives.	No established maximum limit, reserve balance must be positive.	One time contribution of \$1.1 million in 2011.	Funds will be used for the exclusive purpose of financing initiatives identified in the City's Corporate Administration Plan.	Council approved through the Operating Budget or other in year Council report.



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NAME	#	PURPOSE	TARGET BALANCE	SOURCE OF FUNDS	USE OF FUNDS	AUTHORITY/TIMING
INDUSTRIAL LAND	332	Manage funds for the development of the Hanlon Creek Business Park, including proceeds from sale of land within the park.	Value of future land sales must be equal to or greater than cost of servicing less life to date land sales.	Funds transferred in from the sale of city-owned industrial or commercial land.	Funds used to purchase land, service new land and meet debt payments obligations.	Council approved through the Capital and Operating Budget or other in-year Council report.
<b>TAX-SUPPORTED - RESERVE FUNDS</b>						
MUSEUM DONATIONS (3)	135	Accumulate donations for the Civic Museum and McCrae house to be used for future operating or capital projects, including artifacts.	No established maximum limit, reserve balance must be positive.	Funds transferred in from private donations or bequests.	Funds transferred out for approved capital projects or operating expenditures relating to the Museums.	As approved by the DCAO of Public Services.
PUBLIC ART	356	Accumulate funds for the purpose of investing in public art.	No established maximum limit, reserve balance must be positive.	Funds transferred in from private donations.	To fund the acquisition and maintenance of public art.	Council approved through the Operating Budget or other in year Council report.
COMMUNITY INVESTMENT	205	Support community programs and initiatives.	No established maximum limit, reserve balance must be positive.	One-time transfer from operating.	To fund community benefit initiatives.	Council approved through the Operating Budget or other in year Council report.
RENTAL PROPERTY	206	Accumulate funds from the lease and rental revenues generated from city-owned properties that will be used to fund	No established maximum limit, reserve balance must be positive.	Proceeds from lease and rental agreements on corporate properties	To fund facility maintenance requirements on corporate facilities that are leased or rented	As approved by the DCAO of IDE in-year.
ONTARIO MUNICIPAL COMMUTER CYCLING	350	Provincial funding to develop strategies to move the modal split within the City towards Council targets.	No established maximum limit, reserve balance must be positive.	One time external grant from other level of government.	Develop strategies to move the modal split within the City towards Council targets.	Council approved through the Operating Budget or other in year Council report.
LIBRARY BEQUESTS	138	To fund one-time library related capital or operating expenses.	No established maximum limit, reserve balance must be positive.	Funds transferred in from private donations.	Funds transferred out to fund library operating and capital expenditures.	As approved by the Library Board.
LIBRARY CAPITAL	157	To assist in financing the cost of construction, reconstruction or acquisition of Library assets.	No established maximum limit, reserve balance must be positive.	Council approved transfers from operating and proceeds of the sale from disposed Library assets.	To fund initiatives that support Library infrastructure, life cycle or expansion.	As recommended by the Library Board and approved by Council through the Capital Budget.
POLICE CAPITAL	158	To assist in financing the cost of construction, reconstruction or acquisition of Police assets.	No established maximum limit, reserve balance must be positive.	Council approved transfers from operating and proceeds of the sale from disposed Police assets.	To fund initiatives that support Police infrastructure, life cycle or expansions.	As recommended by the Police Services Board and approved by Council through the Capital Budget.
PARAMEDIC SERVICES PROVINCIAL CAPITAL	360	Funding from the Ministry of Health to support replacement of Paramedic capital assets	No established maximum limit, reserve balance must be positive.	Annual provincial funding of depreciation, equal to 50% of prior years annual depreciation	Fund up to 50% of lifecycle replacement of paramedic services equipment, vehicles and facility costs	Council approval through the annual capital budget or other in year Council report.
SLEEMAN CENTRE NAMING RIGHTS	162	To fund capital projects at the Sleeman Centre.	No established maximum limit, reserve balance must be positive.	Funds transferred in from the rights fee based on the naming rights and sponsorship agreement with Sleeman Breweries. (2007-2019)	To fund capital investments at the Sleeman Centre.	Council approved through the Capital Budget or by a DCAO and Treasurer in-year.
SLEEMAN CENTRE	189	To fund non-lifecycle capital projects at the Sleeman Centre.	No established maximum limit, reserve balance must be positive.	A surcharge between \$.25 and \$1.5 is added to tickets sold for special events at the Sleeman Centre event and then transferred to the reserve.	To fund non-lifecycle capital projects.	Council approved through the Capital Budget or by the DCAO Public Services and Treasurer in-year.
RIVER RUN	340	To fund capital projects at the River Run.	No established maximum limit, reserve balance must be positive.	A surcharge of \$1.75/ticket on tickets over \$10 is added to those sold for River Run Centre events and transferred to the reserve.	To fund non-life cycle capital projects relating to the River Run.	Council approved through the Capital Budget or by the DCAO Public Services and Treasurer in-year.
CITY-OWNED CONTAMINATED SITES	155	Allocation of funds to manage liabilities associated with city-owned environmentally contaminated sites.	10% of the current outstanding liability.	Council approved transfer from operating fund.	Funds will be used to investigate, remediate and asses risk associated with city-owned contaminated sites and ensure potential risks to human and environmental health are managed	Council approved in-year and through the Capital Budget.

APPENDIX A: Reserve and Reserve Fund Policy Schedule

	NAME	#	PURPOSE	TARGET BALANCE	SOURCE OF FUNDS	USE OF FUNDS	AUTHORITY/TIMING
<b>STRATEGIC</b>	INFRASTRUCTURE RENEWAL	150	To provide funds for the replacement and rehabilitation of the City's infrastructure.	Annual capital transfer equal to 100 year average total tax supported asset replacement cost;  Balance equal one year's worth of tax supported capital requirement based on ten year average.  **To be further refined through the work of the Asset Management Office.	Council approved transfer from operating budget and the proceeds from the sale of vehicle and equipment assets	Funds used to replace or renew existing infrastructure.	Council approved through capital budget or other in year Council report.  Treasurer authority for annual transfers (inclusive of all capital tax funded reserve funds) of not more than 0.5% of annual tax supported capital budget for administrative purposes of closing capital projects.
	GROWTH	156	To provide funds to cover shortfalls in growth related capital funding relating to exemptions, reductions and limitations mandated by the Development Charge Act, 1997 and exemptions prescribed by the City's DC By-law.	25% of annual DC collections (based on three year average before exemptions).	Council approved transfer from operating fund	To fund growth related capital costs not covered by development charges.	Council approved through capital budget or other in year Council report.  Management authority of annual transfers not more than 0.5% of annual growth related capital budget for administrative purposes of closing capital projects.
	CITY BUILDING	159	To fund enhancements to City assets that are non-growth related and not asset renewal, including those related to accessibility.	Average 10 year annual requirement.	Council approved transfer from operating fund.	Funds will be used for capital expenditures that enhance existing assets or introduce new assets relating to new services.	Council approved through capital budget or other in year Council report.  Management authority for annual transfers (inclusive of all capital tax funded reserve funds) of not more than 0.5% of annual tax supported capital budget for administrative purposes of closing capital projects.
	100RE	355	To provide funding for capital and operating projects that will enable the City to accomplish its stated goal of reaching 100% renewable energy usage by 2050.	Development of long term target balance in process.	Budgeted transfers from operating and revenue generated from energy related activities.	Funds to be used for capital and operating expenditures that contribute to the goal of reaching 100% renewable energy by 2050.	Expenditures to be approved via the annual operating and capital budgets.
	EFFICIENCY, INNOVATION AND OPPORTUNITY FUND	351	To provide funding for corporate investment opportunities that generate efficiencies and/or savings or avoided costs that may be repaid to the reserve in full or part over a period of time.	Minimum \$5 million.	Future contributions from ongoing Council approved transfers from the operating fund and project repayments for derived savings over an approved repayment term.	Funds to be used for the exclusive purpose of financing corporate efficiency investment priorities in accordance with the limitations set out in the policy (2017).	CAO and Treasurer approval of \$250 thousand annual projects based on an application process.  Council approval of use over \$250 thousand
	<b>NON-TAX SUPPORTED - RESERVE FUNDS</b>						
<b>PROGRAM SPECIFIC</b>	<b>OPERATING</b>						
	WATER OPERATING CONTINGENCY	181	To meet emergency and unplanned funding needs for Water Operations in order to avoid operating deficits or fluctuations in the rate.	10% of annual gross operating expenditures.	Funds transferred in from water operating surpluses.	Funds used to offset emergency or unplanned expenses relating to water operations.	Council approved at time of variance reporting and year-end.
	WASTEWATER OPERATING CONTINGENCY	182	To meet emergency and unplanned funding needs for Wastewater Operations in order to avoid an operating deficit or fluctuations in the rate.	10% of annual gross operating expenditures.	Funds transferred in from wastewater operating surpluses.	Funds used to offset emergency or unplanned expenses relating to wastewater operations.	Council approved at time of variance reporting and year-end.
	PARKING OPERATING CONTINGENCY	106	To fund emergency and unplanned operating costs in order to minimize fluctuations in the parking rate	10% of annual gross operating expenditures before transfers to reserves	Council approved transfers from operating budget and surplus allocations	Funds used to offset emergency, unplanned or onetime expenses relating to parking operations	Council approved through budget or other in year report.
STORMWATER OPERATING CONTINGENCY	359	To meet emergency and unplanned funding needs for Stormwater Operations in order to avoid an operating deficit or fluctuations in the rate.	10% of annual gross operating expenditures.	Funds transferred in from stormwater operating surpluses.	Funds used to offset emergency or unplanned expenses relating to stormwater operations.	Council approved at time of variance reporting and year-end.	

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COURT CONTINGENCY	211	To meet emergency and unplanned funding needs for Courts in order to avoid an operating deficit.	8 - 10% of City's share of Court's gross operating expenditures.	Funds transferred in from Courts annual operating surplus, if available.	Funds transferred out to assist with stabilizing the Courts annual operating budget	Council approved at time of variance reporting and year-end.
<b>CAPITAL</b>						
PROGRAM SPECIFIC WATER CAPITAL	152	To assist in financing the capital program for waterworks.	Annual capital transfer equal to 100 year average total waterworks asset replacement cost;  Balance equal to the average 3% of total waterworks asset replacement cost.  **To be further refined through the work of the Asset Management Office.	Council approved transfer from operating budget and the proceeds from the sale of vehicle and equipment assets.	To replace existing water infrastructure and invest in city building initiatives relating to water as well as provide funding for water growth related assets to offset DC exemptions incurred.	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than 0.5% of annual water capital budget for the administrative purpose of closing capital projects.
PROGRAM SPECIFIC WASTEWATER CAPITAL	153	To assist in financing the capital program for Wastewater.	Annual capital transfer equal to 100 year average total wastewater asset replacement cost; Balance equal to the average 3% of total wastewater asset replacement cost.  **To be further refined through the work of the Asset Management Office	Council approved transfer from operating fund and any uncommitted surplus from completed projects	To replace existing wastewater infrastructure, invest in city building initiatives relating to wastewater as well as provide funding to wastewater growth related assets to offset DC exemptions incurred	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than 0.5% of annual wastewater capital budget for the administrative purpose of closing capital projects.
PROGRAM SPECIFIC STORMWATER CAPITAL	165	To assist in financing the capital program for Storm water.	Annual capital transfer equal to 100 year average totalstormwater asset replacement cost; Balance equal to the average 3% of total stormwater asset replacement cost.  **To be further refined through the work of the Asset Management Office.	Council approved transfer from operating fund and any uncommitted surplus from completed projects	To replace existing stormwater infrastructure, invest in city building initiatives relating to stormwater as well as provide stormwater funding to growth related assets to offset DC exemptions incurred	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than 0.5% of annual stormwater capital budget for the administrative purpose of closing capital projects.
PROGRAM SPECIFIC PARKING CAPITAL	151	To assist in financing the capital program for Parking Services	10 year average capital requirement	Parking revenue	To replace existing parking infrastructure and invest in City building initiatives relating to parking as well as provide parking funding to growth related assets to offset DC exemptions	Council approved through capital budget
PROGRAM SPECIFIC COURTS CAPITAL	120	To assist in financing the capital program for the Provincial Offences Act (POA) Court operations.	Under review - to be based on the outcome of the Asset Management Plan work.	Council approved transfer from operating fund and any uncommitted surplus from completed projects.	To replace existing court infrastructure, invest in city building initiatives relating to the court and to contribute funding to court growth related assets for DC exemptions incurred.	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than \$100 thousand for the administrative purpose of closing capital projects.
<b>OBLIGATORY RESERVE FUNDS</b>						
PARKLAND DEDICATION	300	Created in accordance with subsection 42 (14) and (15) of the Planning Act for the purpose of requiring the payment of cash-in-lieu of conveyance of land for a park or other public recreation purpose.	2017 update to the City's Parkland dedication by-law will provide information needed to determine appropriate target.	Funds transferred in as collected from development/redevelopment, in lieu of the conveyance of parkland.	Funds transferred out for the acquisition of land to be used for park or public recreation purposes, as per the Planning Act sec 42(15).	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than \$100 thousand for the administrative purpose of closing capital projects.

APPENDIX A: Reserve and Reserve Fund Policy Schedule

	NAME	#	PURPOSE	TARGET BALANCE	SOURCE OF FUNDS	USE OF FUNDS	AUTHORITY/TIMING
CORPORATE	DOWNTOWN PARKLAND DEDICATION	301	Created in accordance with subsection 42 (14) and (15) of the Planning Act for the purpose of requiring the payment of cash-in-lieu of conveyance of land for a park or other public recreation purpose in the downtown.	25% of the planned parkland purchase cost in accordance with the Downtown Secondary Plan.	Funds transferred in as collected from development in lieu of the conveyance of parkland in the downtown.	Funds to be transferred out to purchase additional parkland in the downtown, in accordance with the Planning Act sec 42 (15).	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than \$100 thousand for the administrative purpose of closing capital projects.
	BUILDING SERVICES OBC STABILIZATION	188	As mandated by O.Reg.305/03 of the Building Code, a building services stabilization reserve fund is required for managing fluctuations in City building activity that may impact	One year operating expenditure (based prior year budget).	Funds transferred in from building service delivery surplus.	To cover shortfalls in building operations or applied to capital projects related to Building related services.	Use and authority as mandated by Provincial Legislation.
	DEDICATED GAS TAX	342	Monies received from the Provincial government that are to be used to support increased public transportation ridership and investments in the renewal and expansion of public transportation.	No established maximum limit, reserve balance must be positive.	Annual transfer from Government of Ontario from provincial gasoline tax based on a formula using annual ridership numbers.	Funds must be used for the provision of public transportation.	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than \$100 thousand for the administrative purpose of closing capital projects.
	FEDERAL GAS TAX	343	Infrastructure construction, renewal or enhancement within 17 eligible categories.	No established maximum limit, reserve balance must be positive.	Annual transfer from the Government of Canada from federal gasoline tax based on a per capita basis.	Funds must be used for the construction, renewal or enhancement of capital assets within 17 categories established by the Government of Canada.	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than \$100 thousand for the administrative purpose of closing capital projects.
	DEVELOPMENT CHARGES	311 to 327	As prescribed by the <i>DCA, 1997</i> , reserve funds are used to facilitate the collection of development charges from growth within the City and the funding of capital infrastructure required to accommodate that growth.	Reserve fund balance must be zero by build out and debt interest cannot exceed 20% of annual DC revenues.	Funds transferred in as collected from developers.	Funds transferred out for the growth-related component of projects identified in the Development Charges Background Study.	Council approved through capital budget or other in year Council report.  Management authority for annual transfers of not more than 0.5% of annual growth funded capital budget for the administrative purpose of closing capital projects.