



Corporate Policy

Reserve and Reserve Fund Framework

Department: Corporate Services

Approved

**by Council:
Resolution No.**

1. Policy Statement

The Town of Orangeville (the “Town”) will establish and manage reserves and reserve funds as authorized under section 417 of the Municipal Act, 2001, in accordance with this policy.

2. Purpose

The Town is committed to being fiscally responsible and ensuring adequate funding is in place to sustain operations and implement capital and infrastructure priorities.

The purpose of this policy is to:

- Provide governance parameters in establishing and maintaining reserves and reserve funds;
- Provide a framework that supports long term integrated financial planning and fiscal sustainability;
- To promote stability within tax and user-rate impacts;
- To establish interest allocation eligibility criteria for reserves and reserve funds;
- To adhere to statutory requirements; and
- To fund known and unknown future obligations.

3. Definitions

Reserve – This type of fund pertains to those funds set aside by Council resolution or by-law but not allocated for an intended purpose nor are they restricted by provincial or municipal legislation. Reserves do not require the physical segregation of money as in the case of obligatory or discretionary reserve funds. Reserve accounts are often considered as allocations of accumulated municipal surplus. Reserves may be used as a source of funding for planned capital expenditures, may serve a stabilization function to mitigate operating budget impacts from planned or unplanned one-time revenue or expenditure items or may serve as a tool to mitigate cash flow fluctuations.

Obligatory Reserve Fund – This type of fund pertains to those that the Town is required to establish to meet legislative requirements or funding agreements with other entities, such as the Federal or Provincial governments. The Town must collect and segregate the specified revenues. The available funds must solely be used for the purposes prescribed for them under legislation or agreement. Reserve fund account balances earn and retain interest income to the credit of the reserve fund. Obligatory Reserve Funds are considered unearned revenue and are shown in the liabilities section of the municipal financial statements.

Discretionary Reserve Funds– This type of fund pertains to those that are established by Municipal Council by-law for a specific purpose. The Town has discretion in the establishment of this type of reserve fund, and funds can only be used to meet the purposes established within the by-law, which may include options for Council to transfer funds to other reserve funds. Reserve fund account balances may earn and retain interest income to the credit of the reserve fund. Discretionary Reserve Funds are considered as allocations of accumulated municipal surplus.

4. Scope

This policy applies to all departments and divisions within the Town of Orangeville. This policy replaces any former policy related to management or establishment of reserves or reserve funds, or sub-set thereof.

5. Policy

Establishment of Reserve and Reserve Funds

Reserves and reserve funds will be established and maintained into four categories as follows, which are further defined in Schedule “A” in the Town’s Reserve and Reserve Fund Policy.

- Discretionary Reserve Funds
- Obligatory Reserve Funds
- Capital Reserves
- Stabilization Reserves
- Cash Flow Reserves

Newly established reserves or reserve funds shall be documented in a Council Resolution, setting out at a minimum:

- Reserve/Reserve Fund Objectives
- Sources of Funding (including initial contribution)
- Eligible Uses
- Funding Target Balances or Annual Transfers (as applicable)

Management of Reserve and Reserve Funds

Contributions to/from reserves and reserve funds shall be made in accordance with applicable Council resolution, and this Policy, including through Council approved budgets.

Transfers between reserves and reserve funds may be recommended by the CFO/Treasurer to Council for review and approval.

The Tax Stabilization Reserve is utilized for extraordinary, non-recurring, temporary expenditures and/or revenue shortfalls. If insufficient funds are available, additional funding may be sourced from Working Funds Reserve upon recommendation from the CFO/Treasurer, and approval by Council.

Reserves and reserve funds may not be placed into a deficit position unless recommended by the CFO/Treasurer to Council for review and approval. Reserves and Reserve Funds that were in a deficit prior to the adoption of this policy shall be subject to efforts to reduce the deficit accordingly over a reasonable period as determined by the CFO/Treasurer. Periodically, borrowing from other reserves or reserve funds with similar funding sources may be required. In this case, upon recommendation from the CFO/Treasurer, Council approval of a viable repayment plan will be required.

Investment of Reserve Funds

The CFO/Treasurer shall invest reserves and reserve funds not immediately required in accordance with the Town's Investment Policy.

Interest Allocation Policy

Interest shall be credited to those reserves as set out in Schedules "A" to the Town's Reserve and Reserve Fund Policy. Interest will be allocated to reserves and reserve funds which are Discretionary or Obligatory Reserve Funds and those which are capital in nature or for which an obligation is deemed to be payable over time. Interest will be allocated based on the average annual balance of each eligible reserve or reserve fund.

Use of Reserves and Reserve Funds

Obligatory and Discretionary Reserve Funds shall only be applied to expenditures for which they were established.

Reserves, upon recommendation from the CFO/Treasurer, may be applied to an expenditure for which they were established for, subject to the following:

- The funds are applied to eligible expenditures;
- The original source of the funds is appropriate for the planned expenditure;

Closing or Consolidation of Reserves and Reserve Funds

Reserves or reserve funds identified for closure or consolidation shall be reported by the CFO/Treasurer to Council for review and approval as part of the year-end financial reporting, including the disposition of any remaining balance.

Responsibilities:

CFO/Treasurer

- Responsible for ensuring the Town remain in compliance with this policy and any legislation pertaining to reserves, reserve funds and municipal investments
- Responsible for annual reporting of reserve and reserve fund performance as part of annual financial reporting processes

Chief Administrative Officer

- Responsible for ensuring the Reserves and Reserve Funds Policy is aligned with corporate strategic priorities

Council

- Approval of Reserves and Reserve Funds Policy

Compliance:

Any exceptions to the provisions of this policy must have the approval of the Council in consultation with the CFO/Treasurer and CAO.

SCHEDULE "A"

Discretionary Reserve Funds

	Objective	Source(s)	Eligibility Criteria	Funding Target
Groundwater Recharge Compensation Reserve Fund	Funding to administer a groundwater recharge compensation program for developments that are unable to meet on-site groundwater recharge requirements per Report INS-2021-016	Council approved allocations during the annual budget including funding collected through the Town's Dedicated Infrastructure Levy.	As set out in Report INS-2021-016.	Per Financing Plan.
Community Improvement Plan Reserve Fund	Funding to achieve Planning objectives under approved Community Improvement Plans (CIPs)	Council approved allocations during the annual budget.	As set out in approved CIP	As set out in approved CIP
Vicki Baron Trail Reserve Fund	Funding for Credit Valley Conservation (CVC) special benefitting levy.	Council approved allocations during the annual budget.	As set out in CVC capital budget	As set out in CVC capital budget

Obligatory Reserve Funds

	Objective	Source(s)	Eligibility Criteria	Funding Target
Development Charges Reserve Funds	Developer funding for growth related infrastructure investments.	Development Charges collected in accordance with the Development Charges Act (DCA) and the Town's Development Charges By-Law.	The proportion of eligible growth related project costs outlined within the Town's Development Charges Background study, and other growth-related capital spending considered on a case-by-case basis.	Funding targets as established within the Town's Development Charges By-Law, as amended.
Canada Community Building Fund (CCBF)	Formula-based federal funding for community infrastructure projects (formerly "Federal Gas Tax")	Annual grant allocations, as outlined within a "Municipal Funding Agreement" between the Town and the Association of Municipalities of Ontario (AMO)	Eligible infrastructure service areas, as outlined within the municipal funding agreement.	As established within the Town's 10-Year Capital Forecast.
Ontario Community Infrastructure Fund (OCIF)	Formula-based provincial funding towards small, rural and northern communities to support core infrastructure investments.	Annual grant allocations, as determined by annual allocation notices from the Ministry of Infrastructure based upon a funding formula, as amended.	Capital expenditures on core infrastructure projects (such as roads, bridges, water and wastewater, including sanitary and stormwater facilities) that are part of an asset management plan.	As established within the Town's 10-Year Capital Forecast.
Parkland Dedication Reserve Fund	Developer funding for the provision of parks and recreation facilities.	Developer contributions collected in accordance with Section 42 of the Planning Act	Eligible service areas in accordance with Section 42 of the Planning Act	No established target balance
Provincial Gas Tax Reserve Fund	Formula-based provincial funding to operate and improve local transit.	Annual grant allocations as determined by the Ministry of Transportation of Ontario.	Can be used to extend service hours, buy transit vehicles, add routes, improve accessibility or upgrade infrastructure.	As established within the Town's 5-Year Operating Plan and 10-Year Capital Plan Forecast.

Capital Reserves

	Objective	Source(s)	Eligibility Criteria	Funding Target
Cemetery Capital Reserve	Funding for cemetery capital initiatives.	Council approved allocations during the annual budget for the cemetery division, and any annual operating or capital surplus from Cemetery division activities.	Cemetery capital initiatives as outlined in the Asset Management Program, 10-Year Capital Forecast.	Annual transfer to reserve target of \$16,000
Economic Development Signage Capital Reserve	Funding to replace physical and digital signage.	Council approved allocations during the annual budget.	Replacement of economic development signage as set out in the Town's Capital Budget.	Annual transfer to reserve target of \$25,000
Fire Purposes Capital Reserve	Funding for Fire Fleet, Fire Equipment and other Fire Capital costs.	Council approved allocations during the annual budget, including consolidation of existing Fire and Police reserves.	Fire capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program.	Annual transfer to reserve target of \$1,401,000.
Fleet Replacement Capital Reserve	Funding for Public Works Fleet Capital costs.	Council approved allocations during the annual budget.	Fleet capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program.	Annual transfer to reserve target of \$1,039,000.
Library Capital Reserve	Funding for Library capital costs including building and collections costs.	Council approved allocations during the annual budget including consolidation of reserves related to Library Building, Collections and Donations, and capital surplus from Library division activities.	Library capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program, and to offset any divisional deficits as required.	Annual transfer to reserve target of \$1,379,000.
Sale of Land Capital Reserve	Accumulate funding from the sale of Town lands to be used for transactional costs related to sale of land and potential additional land acquisition.	Funding from the sale of Town-owned lands.	Capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program.	No established target balance.
Winter Control Fleet and Equipment Reserve	Funding for winter control capital costs.	Contributions as approved by Council during the annual Capital Budget	Winter maintenance Capital Equipment such as Snow Plows.	Annual transfer to reserve target of \$180,000.
General Capital Reserve	Funding for new, renewal, repair and replacement of property tax funded infrastructure.	Council approved allocations during the annual budget. Surplus funds related to the closure of property tax-funded capital projects.	Unfunded capital project costs as set out in the 10-Year Capital Forecast and Annual Capital Program for property tax funded infrastructure.	Annual transfer to reserve target of \$8,367,000.

Capital Reserves

	Objective	Source(s)	Eligibility Criteria	Funding Target
Water Capital Reserve	Funding for water rate-funded capital infrastructure initiatives.	Council approved allocations towards water rate-funded initiatives during the annual budget and surpluses/deficits related to the closure of water capital projects.	Capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program for Water related Infrastructure.	Based on the projects identified within Town's 10-Year Capital Forecast and the Water Rate Study.
Wastewater Capital Reserve	Funding for wastewater rate-funded capital infrastructure initiatives.	Council approved allocations towards wastewater rate-funded initiatives during the annual budget and surpluses/deficits related to the closure of wastewater capital projects.	Capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program for Wastewater related Infrastructure.	Based on the projects identified within Town's 10-Year Capital Forecast and the Wastewater Rate Study.
Parks and Recreation Capital Reserve	Funding for parks and recreation funded capital infrastructure initiatives.	Council approved allocations towards parks and recreation initiatives during the annual budget including existing parks and recreation reserves.	Capital needs as set out in the 10-Year Capital Forecast and Annual Capital Program for Parks and Recreation related infrastructure.	Annual transfer to reserve target of \$1,635,660.

Cash Flow Reserves

	Objective	Source(s)	Eligibility Criteria	Funding Target
Working Funds Reserve	Serve as retained Working Capital to manage cash flow requirements until all tax levies have been collected and a source of investment income.	Council approved allocations during the annual budget and year end processing.	Manage cash flow requirements.	Target balance \$750,000.

Stabilization Reserves

	Objective	Source(s)	Eligibility Criteria	Funding Target
Water Rate Stabilization Reserve	To mitigate water rate fluctuations resulting from extraordinary, non-recurring, temporary expenditures and/or revenue shortfalls.	Unallocated Annual Water Operating Surplus and budgeted transfers from the Operating Budget as approved by Council.	To offset year-end water rate funded operating deficits. To mitigate significant water rate increases in extraordinary circumstances as defined.	Target balance 15% of prior year's water operating revenue \$1,164,000.
Wastewater Rate Stabilization Reserve	To mitigate wastewater rate fluctuations resulting from extraordinary, non-recurring, temporary expenditures and/or revenue shortfalls.	Unallocated Annual Wastewater Operating Surplus and budgeted transfers from the Operating Budget as approved by Council.	To offset year-end wastewater rate funded operating deficits. To mitigate significant water rate increases in extraordinary circumstances as defined.	Target balance 15% of prior year's wastewater operating revenue \$1,022,000.

Stabilization Reserves

	Objective	Source(s)	Eligibility Criteria	Funding Target
Building Permit Stabilization Reserve	To mitigate building permit operating budget variances.	Unallocated Annual Building Division operating surpluses and budgeted transfers from the Operating Budget as approved by Council.	To offset year-end building division operating deficits.	Target balance 30% of prior year's Building operating expenses \$200,000.
Cemetery Stabilization Reserve	To mitigate cemetery operating budget variances.	Unallocated Annual Cemetery operating surpluses and budgeted transfers from the Operating Budget as approved by Council.	To offset year-end cemetery operating deficits.	Target balance 30% of prior year's cemetery operating expenses \$28,000.
Elections Reserve	Funding for the municipal election.	Annual levy funded allocations as approved by Council.	Costs associated with the planning and administration of municipal elections.	Based upon the anticipated cost of the next election (\$268,000 for 2026 municipal election).
Insurance Reserve	Funding for unanticipated increases in insurance premiums, insurance claim deductibles and related legal expenses.	Surplus operating funds from the annual budget for insurance and legal expenses. Additional contributions as approved by Council during the annual budget.	Insurance and legal costs that exceed the annual budget allocation.	Minimum balance of \$500,000, to be adjusted based on experience.
Workplace Safety Insurance Board (WSIB) Reserve	Funding for extraordinary WSIB claims.	Surplus operating funds from the annual budget for WSIB expenses.	WSIB costs that exceed the annual budget allocation.	Minimum balance of \$500,000, to be adjusted based on experience.
Tax Stabilization Reserve	To mitigate significant property tax rate fluctuations resulting from extraordinary, non-recurring, temporary expenditures and/or revenue shortfalls.	Proportion of unallocated tax supported operating surplus and budgeted transfers from the Operating Budget as approved by Council.	To mitigate significant tax levy increases in extraordinary circumstances as defined.	Target balance of 10% of prior year's general property tax revenue \$4,190,000.