The Corporation of the Town of South Bruce Peninsula

By-Law Number 84-2013

Being a By-Law to Amend By-Law Number 44-2009
Being a By-Law to Adopt the Manual Governing the Policies and Procedures for the Corporation of the Town of South Bruce Peninsula (Reserve and Reserve Fund Policy)

Whereas Section 8 of the Municipal Act, 2001, c.25, as amended, provides that the powers of a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

And whereas Section 11 of the Municipal Act, 2001, c.25, as amended authorizes municipalities to pass by-laws regarding the accountability and transparency of the municipality and its operations;

And whereas Section 270 (1) 5 of the Municipal Act, 2001, c.25, as amended authorizes the municipality to adopt and maintain policies with respect to the manner in which the municipality will try to ensure that it is accountable to the public for its actions, and the manner in which the municipality will try to ensure that its actions are transparent to the public;

And whereas the Council of the Corporation of the Town of South Bruce Peninsula adopted a Municipal Policy Manual and desires to amend said by-law by adopting a policy regarding reserve and reserve funds.

Now therefore the Council of the Corporation of the Town of South Bruce Peninsula enact as follows:

1) That Policy TR.20.1 Reserve and Reserve Fund Policy be adopted as attached hereto and shall form part of the Municipal Policy Manual.

2) That all by-laws and policies inconsistent with this by-law are hereby repealed and replaced with this by-law.

3) That this by-law shall come into full force and effect upon the final passing thereof.

Read a first and second time this 20th day of August, 2013.
Read a third time and finally passed this 20\textsuperscript{th} day of August, 2013.

\underline{Mayor}

\underline{Clerk}
Reserve and Reserve Fund Policy

Purpose:

The purpose of this policy is to establish a framework capable of addressing long term funding strategies for the Town while employing sound financial and cash management to achieve financial stability.

Policy:

The policy is attached hereto.
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1. STATEMENT OF PRINCIPLE

It is the policy of the Town of South Bruce Peninsula:
- to establish reserves and reserve funds for planned future capital expenditures, unexpected or unpredicted events, or extraordinary expenditures which would otherwise cause fluctuations in the operating or capital budgets,
- to manage reserves, reserve funds, and deferred revenue in a responsible manner, and
- to use reserves, reserve funds, and deferred revenue solely for the specific purpose previously determined.

2. PURPOSE OF POLICY

The purpose of this policy is to establish a framework capable of addressing long term funding strategies for the Town while employing sound financial and cash management to achieve financial stability.

3. APPLICATION OF POLICY

The Reserve and Reserve Fund Policy applies to all departments, committees and local boards of the Corporation of the Town of South Bruce Peninsula.

4. DEFINITIONS

In this Policy,

"Reserve" means an allocation of accumulated net revenue that makes no reference to any specific asset and does not require the physical segregation of money. Reserves do not earn interest on their own because they are part of the revenue fund. Any earnings derived from investment of reserves are reported as revenue in the operating fund. Reserves are established primarily for the purpose of providing working funds.

"Reserve fund" means a fund that is segregated and restricted to meet a specified purpose. All earnings derived from investment of reserve funds must form part of the reserve fund. Usually based on a statutory requirement or a defined liability payable in the future, reserve funds are 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" means a reserve fund created whenever a statute or legislation requires that revenue received for special purposes be segregated from the general revenues of the Town. Obligatory reserve funds are created solely for the purpose prescribed for them. See the definition for "deferred revenue" for examples of obligatory reserve funds.

"Discretionary reserve fund" means a reserve fund created under the Municipal Act when Council wishes to set aside revenue to finance a future expenditure or to provide for a specific contingent liability, for which it has authority to spend money, so that the funds are available as required. Revenues set aside for the acquisition of fixed assets are examples of discretionary reserve funds.
"Deferred revenue" means revenue that is considered a liability on the Town’s financial statements until, over time, it becomes relevant to current operations, such as a prepayment received for goods and services that have not yet been provided. Deferred revenue is set aside in an obligatory reserve fund for a specific purpose by legislation, regulation, or agreement. Development charges and federal gasoline tax are examples of deferred revenue.

"Council" means the municipal Council of the Town of South Bruce Peninsula.

"Municipality" means the Corporation of the Town of South Bruce Peninsula.

"Town" means the Corporation of the Town of South Bruce Peninsula.

"Treasurer" means the Treasurer of the Town of South Bruce Peninsula or Designate.

5. RESPONSIBILITIES

5.1 Town Council

Town Council shall:
- Establish new reserves,
- Close existing reserves no longer required,
- Amalgamate reserves,
- Ensure that administrative policies, practices and procedures are in place and maintain the financial integrity of the Municipality,
- Approve transactions to and from reserves through the budget process or by specific resolution.

5.2 Manager of Financial Services / Treasurer

The Treasurer shall:
- Develop and update this policy as necessary and present changes to Council,
- Ensure that the principles and requirements contained in this policy are applied consistently,
- Provide recommendations for the establishment and dissolution of reserves,
- Perform the transfers to and from reserves as authorized by Council,
- Manage reserves and reserve funds in accordance with legislation and the Town’s financing strategies,
- Determine the appropriate source of funding for Town programs and capital works, and make recommendations to Council on the use of reserves and reserve funds,
- Provide analysis and recommended targets for reserve adequacy,
- Report to Council the reserve balances and forecasts as part of the annual budget approval.
6. GENERAL POLICIES

6.1 Establishment of Reserves and Reserve Funds

a) **Stabilization Reserves** will be used to provide tax rate and user rate stability by smoothing the effect of variable or unanticipated expenditures or revenues and to provide funding for one-time or short-term requirements. The Municipality shall establish the following stabilization reserves:
   - Tax Rate Stabilization
   - Water Rate Stabilization (Wiarton)
   - Water Rate Stabilization (Amabel)
   - Waste Water Rate Stabilization (Wiarton)
   - Winter Control

b) **Corporate Use Reserves** are established to provide for various contingent and potential future liabilities. The Municipality shall establish the following corporate use reserves:
   - Working Capital
   - Election Expenses
   - Insurance and Legal
   - WSIB

c) **Discretionary Reserve Funds** are segregated from the general revenues of the Municipality, based on Council direction, to finance future expenditures or to provide for a specific contingent liability so that the funds are available as required. The Municipality shall establish the following discretionary reserve funds

   **Tax Supported Capital Reserve Funds**
   - Capital – IT Equipment Replacement
   - Capital - Fleet
   - Capital – Public Works
   - Capital – Storm Water
   - Capital – Fire
   - Capital – Parking
   - Capital – Facilities
   - Capital – Recreation
   - Capital – Waste Management

   **User Pay Capital Reserve Funds**
   - Capital Water (Wiarton)
   - Capital Water (Amabel)
   - Capital Waste Water (Wiarton)

   **Operation Specific**
   - Cemetery Lot Improvement
   - Business Improvement Area
   - Wiarton-Keppel International Airport
   - Chesley Lake Fundraising
   - Landfill Closure
d) **Obligatory Reserve Funds** As per statute or legislation requirements, funds received for special purposes are segregated from the general revenues of the Town. Obligatory reserve funds are created solely for the purpose prescribed for them. The Municipality shall establish the following obligatory reserve funds:

- Subdivider Contributions
- Federal Gas Tax
- Building Services (Bill 124)
- Parkland: Cash in Lieu

### 6.2 Formation and Dissolution:

Council approval must be established prior to the formation or dissolution of any reserve or reserve fund. These approvals will be reviewed by the external auditor at the close of the fiscal year.

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.

If the purpose or purposes for which the reserve or reserve fund was created have been accomplished and the reserve or reserve fund is determined to be no longer necessary, the Treasurer, in consultation with the Department Head, shall report to Council with the recommendation on:

- The closure of the reserve or reserve fund.
- The disposition of any remaining funds.
- The necessary by-law amendment to this Policy.

### 6.3 Limitations

Transfers shall be made into or from reserves or reserve funds as prescribed by provincial statute or approved resolution or by-law (including but not limited to the annual budget by-law).

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

Money in a reserve fund shall be spent only for the predetermined purpose(s) of the reserve fund.

### 6.4 Withdrawals / Transfers

Utilization of funds from a reserve or reserve fund must be identified in an approved annual budget or a separate report submitted to Council for approval outside the normal annual budget process.

Utilization of funds from a stabilization reserve must be accompanied by a timeline and commitment to restore the reserve to its target balance.

Expenditures from reserves or reserve funds must not exceed the reserve balance unless it can be demonstrated to Council through financial cash flow projections that future sources of revenue will provide adequate funding to return the borrowing reserve to a positive balance.
6.5 Temporary Reserve Borrowing
Temporary borrowing to cover a reserve short-term deficit or interim servicing requirements is permitted, when justified, adequately supported, approved by the Treasurer and authorized by Council. However, the following conditions must be met:
- An analysis has demonstrated that excess funds are available and that borrowing will not adversely affect the intended purpose of the lending reserve.
- A plan to repay the lending reserve within a reasonable time is required.
- Interest will be paid to the reserve or reserve fund that that provided the borrowed funds.
- If approved by Council, the Treasurer shall prepare a promissory note setting out the terms and conditions of the loan transaction.
- Where applicable, legislative requirements may apply. For example, the Development Charges Act permits inter-fund borrowing only between development charge reserve funds and prescribes a minimum interest rate i.e. Bank of Canada prime rate as of the document approval date, updated on the first business day of every January, April, July, and October.

6.6 Transfer timing
Contributions from operating budgets to reserves shall be transferred upon the approval of the Town’s budget.
Contributions from reserves and reserve funds to capital or operating accounts shall be transferred annually in December or upon completion of a project and only to the extent of expenditures incurred to date.

6.7 Interest Allocation
All reserve funds will be interest bearing and will be invested in accordance with the Town’s approved investment policy.
Interest allocation shall be based on the annual average balance of the reserve fund (calculated as the sum of the opening and closing balances divided by 2) and the average rate of return of the Town.
If a reserve or reserve fund is in a negative balance, interest will be charged to that fund at the same rate used in calculating interest revenue.

6.8 Reserve Fund External Debt
Debt servicing costs shall be paid through the operating fund and identified in the Municipality’s annual operating budget.
These costs may be supported by an offsetting reserve contribution. Analysis of the reserve forecasts by the Treasurer is required on an annual basis to ensure adequate funding availability.

6.9 Reporting
For all reserves and reserve funds a Statement of Continuity and Forecast shall be prepared by the Treasurer and submitted annually with the capital budget.
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
7. **Reserve Levels and Targets**

**Total Reserve Targets**

a) Total consolidated stabilization reserves will be maintained at a level not less than 25% of the Municipality’s own source revenue (per Line 10-9910 of the Financial Information Return). Consolidated balances provide an indicator of the Town’s overall financial strength and ability to sustain periods of economic uncertainty. This target ensures that the Town continues to be financially well positioned.

b) The Ministry of Municipal Affairs and Housing has a Financial Indicator that considers Total Reserves and Discretionary Reserve Funds as a percentage of operating expenses. Anything greater than 20% is considered low risk. (For reference, the average for lower tier rural Municipalities in Southern Ontario was 67% in 2012. The Town had a ratio of 73.7% in 2012). The Town shall aim to maintain its ratio between 20% and the average of like Municipalities.

c) Municipal credit rating agencies recommend a debt to reserve ratio of $1 in reserves for every $1 in debt. The Town will take steps to limit its reliance on debt for financing infrastructure and ensure that the total debt burden of the Town does not exceed the total of all reserves and reserve funds.

The adequacy of an individual reserve or reserve fund shall be determined on a case-by-case basis using an estimate of the timing and magnitude of the costs to be incurred and a projection of expected contributions and interest earned. These shall be maintained as set out in the policy appendix.

**Capital Reserve Targets**

a) The **minimum** annual contribution to the Capital Reserves will be funded from ongoing operations at an amount equivalent to the next year’s planned spending requirements.

b) The **optimum** annual contribution to capital reserves for the full cost of replacement or rehabilitation of capital assets will be funded from ongoing operations at a rate which reflects the consumption of that asset by current ratepayers.

- 2% Road, water, wastewater and storm linear infrastructure
- 2% Building
- 5% Land Improvements
- 10% Vehicles & Equipment
- 20% Technology Equipment & Software
Operating Reserve Targets

a) The Tax Rate Stabilization Reserve should be maintained at no less than 5% and no more than 10% of the previous year’s tax levy to fund potential deficits and one-time non-recurring expenditures.
b) The Water and Wastewater Rate Stabilization Reserve be maintained at no less than 5% and no more than 10% of gross operating revenues to fund potential deficits and one-time non-recurring expenditures.
c) Other Operating Reserves minimum contributions are identified in Appendix “1”

8. Operating Surplus and Reserve Balances Exceeding Target

Year-end budget surplus / deficits will be allocated as follows:

i. Segregation of allocation for BIA to BIA Reserve Fund as primary funding source is BIA levy;
ii. Allocation of Wiarton-Keppel International Airport operations to the Wiarton-Keppel Airport Reserve Fund;
iii. Allocation of Cemetery operations to the Cemetery Reserve Fund;
iv. Allocation of Building permit operations to the Building Code Reserve Fund;
v. Allocation of Wiarton and Amabel Water operations to their respective Water Rate Stabilization Reserves. Deficits will be funded from the Water Rate Stabilization Reserves and if insufficient any shortfall will be funded from their respective Water Capital Discretionary Reserve Funds;
vi. Allocation of Wiarton Waste Water operations to the Wiarton Waste Water Rate Stabilization Reserve. Deficit will be funded from the Waste Water Rate Stabilization Reserve and if insufficient any shortfall will be funded from the Waste Water Capital Discretionary Reserve Funds;
vii. Year-end Tax-Supported budget deficits will be funded from the Tax Rate Stabilization Reserve. If funds in the reserve are inadequate the Treasurer will make a recommendation to Council for an alternative reserve funding source;
viii. Should the Town be in an overall tax-supported surplus position at year-end or reserve balances exceed targets, these funds will be distributed in the following manner:
   • Amounts required to replace stabilization reserves utilized in the current year
   • Up to 30% to the Tax Rate Stabilization Reserve to reduce pressure on the tax rate
   • Up to 70% to Capital Discretionary Reserve Funds as prioritized and identified by the Treasurer based on the Asset Management Plan

9. Policy Review
This policy will be reviewed in each term of Council and as required through the budget process.
POLICY APPENDIX
SPECIFIC RESERVES AND RESERVE FUNDS

Illustrated below are the categories and types that will form the foundation of this policy.

RESERVES

Stabilization Reserves
A. Tax Rate Stabilization
B. Water Rate Stabilization (Wiarton)
C. Water Rate Stabilization (Amabel)
D. Waste Water Rate Stabilization (Wiarton)
E. Winter Control

Corporate Use Reserves
F. Working Capital
G. Election Expenses
H. Insurance and Legal
I. WSIB

DISCRETIONARY RESERVE FUNDS

Capital Renewal Tax Supported
A. Capital – IT Equipment Replacement
B. Capital - Fleet
C. Capital – Public Works
D. Capital – Storm Water
E. Capital – Fire
F. Capital – Parking
G. Capital – Facilities
H. Capital – Recreation
I. Capital – Waste Management

Capital Renewal User Pay
J. Capital Water (Wiarton)
K. Capital Water (Amabel)
L. Capital Waste Water (Wiarton)

Special Purpose
M. Cemetery Lot Improvement
N. Business Improvement Area
O. Wiarton-Keppel International Airport
P. Chesley Lake Fundraising
Q. Landfill Closure
R. Management & Planning Studies
S. Economic Development
OBLIGATORY RESERVE FUNDS

A. Subdivider Contributions
B. Federal Gas Tax
C. Building Services (Bill 124)
D. Parkland: Cash in Lieu

Where applicable, for each reserve, the following detail will be illustrated:

• Purpose
• Source of Funding
• Limitations
• Min. Levels, Targets, longer term goals
• If required; Specific reporting
• Guiding legislation reference
A. Stabilization Reserves (Discretionary)

Stabilization reserves are intended to manage cash flows and mitigate wide fluctuations on the General Levy and User Pay system created by extraordinary and unforeseen events, one-time expenditures, revenue shortfalls, etc.

i. Tax Rate Stabilization Reserve

*Purpose:* To protect against raising tax rates or reducing service levels due to temporary shortfalls, economic trends, or unanticipated operating expenditures.

*Source of Funding:* Annual general levy operating budget surplus.

*Limitations:* Not to be considered a long-term sustainable funding source for general operations. Annual withdrawals are not to exceed an annual value equivalent to a 2% tax rate increase.

*Target:* 10% of previous year tax levy.

ii. Water Rate Stabilization (Wiarton) Reserve

*Purpose:* To ensure the financial viability and continued operations of the Wiarton Water division. To fund revenue shortfalls and one-time expenditures as well as other contingencies.

*Source of Funding:* Annual Wiarton water utility operating budget surplus.

*Limitations:* If depleted the Capital Water (Wiarton) reserve fund shall be used to cover operating budget deficits.

*Target:* 10% previous year gross water revenue

iii. Water Rate Stabilization (Amabel) Reserve

*Purpose:* To ensure the financial viability and continued operations of the Amabel Water division. To fund revenue shortfalls and one-time expenditures as well as other contingencies.

*Source of Funding:* Annual Amabel water utility operating budget surplus.

*Limitations:* If depleted the Capital Water (Amabel) reserve fund shall be used to cover operating budget deficits.

*Target:* 10% previous year gross water revenue
iv. Waste Water Rate Stabilization (Wiarton) Reserve

Purpose: To ensure the financial viability and continued operations of the Wiarton Waste Water division. To fund revenue shortfalls and one time expenditures as well as other contingencies.

Source of Funding: Annual Wiarton waste water utility operating budget surplus.

Limitations: If depleted the Capital Waste Water (Wiarton) reserve fund shall be used to cover operating budget deficits.

Target: 10% previous year gross waste water revenue

v. Winter Control Reserve

Purpose: To offset the significant unfavorable budget variances due to severe winter conditions.

Source of Funding: Net annual surplus funds generated within the Public Works Winter Control Division.

Limitations: Any surplus balance exceeding the allowable reserve contribution will be form part of the general budget surplus and allocated in accordance with this policy.

Target: a maximum of 25% of the 4 year average winter control costs.
B. Corporate Use Reserves (Discretionary)

i. Working Capital Reserve

*Purpose:* To assist in period during the fiscal year when unexpected expenditures, unbudgeted capital items, and emergency capital repairs are required.

*Source of Funding:* Allocation from annual general levy operating budget surplus.

*Limitations:* The use of these funds are general in nature and this reserve balance is intended to act as a cash float for unbudgeted and unexpected in-year needs that cannot be accommodated by more specific reserves and reserve funds.

*Target:* one month’s equivalent of general revenue.

ii. Election Reserve

*Purpose:* At the discretion of the Clerk, to be used to fund those expenditures related to elections, recounts and by-elections (i.e. technology, tabulator leases, voter list services, election labour costs, etc.). Annual operating budget contributions will smooth costs generally incurred every four years.

*Source of Funding:* Established annual operating budget contribution plus any election campaign surpluses pursuant to the Municipal Elections Act, 1996.

*Limitations:* Intended for election expenses.

*Target:* Forecasted direct election expenditures.

iii. Insurance and Legal

*Purpose:* To hold funds for the payment of extraordinary legal and insurance related costs (in excess of 4 year average legal and insurance deductible claim costs).

*Source of Funding:* Established annual operating budget contribution and/or allocation from general levy operating budget surplus.

*Limitations:* Target balance may be adjusted if our insurance deductible increases.

*Target:* As this is a new approach to legal and insurance management the contribution policy will be revisited in 2015 once some experience has been established.
iv. WSIB Claims Reserve

**Purpose:** The Town is currently on the WISB schedule 2 insurance plan "individual liability", where the employer assumes full liability for actual benefits paid, plus an administration charge. Instead of a premium the employer deposits funds with WSIB to cover costs. Since the employer pays the actual costs there is no liability protection. The Town has developed a reserve to assist in funding the potential high costs of claims.

**Source of Funding:** Established annual operating budget contribution

**Limitations:** To assist in funding WSIB schedule 2 claims.

**Target:** Not applicable, based on requirement.

C. Capital Renewal Tax Supported Reserve Funds (Discretionary)

The Town's largest investment is in its infrastructure network, which supports the Town's overall quality of life. These items range from roads and water mains, to fire engines and community centers. At the present time the Town does not have dedicated capital renewal reserve funds. The Town's infrastructure reserves will be very similar in nature and for this reason this section will identify a general infrastructure reserve purpose, source of funding and target section followed by the intended use and limitations for each individual reserve. Where applicable, if additional information is required other sections may be added.

**General Purpose** - Reserves form an important component of the Capital financing plan for infrastructure renewal items and will be used specifically for the purpose of repairing and replacing assets as defined in the capital budget guidelines and the intended use/limitation section of each reserve.

**General Source of Funding:** The primary source of funding for these reserves, unless otherwise stated, is operating budget contributions determined through the budget process.

**Target:** Reserve minimum: a minimum balance equivalent to the next year's planned spending requirements.

Reserve maximum: The optimum annual contribution to capital reserves for the full cost of replacement or rehabilitation of capital assets will be funded from ongoing operations at a rate which reflects the consumption of that asset by current ratepayers.

- 2% Road, water, wastewater and storm linear infrastructure
- 2% Building
- 5% Land Improvements
- 10% Vehicles & Equipment
- 20% Technology Equipment & Software

Reserves within this category are as follows:
i. Capital - IT Equipment Replacement Reserve Fund

*Intended Use/Limitations:* To fund the replacement costs associated with information technology equipment presently owned by the Municipality.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year's capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 20% of replacement cost value. For all new additions of IT equipment, an annual contribution based on a 20% value on approved capital budget.

ii. Capital - Fleet Replacement Reserve Fund

*Intended Use/Limitations:* To fund the refurbishment, and replacement costs associated with vehicles and equipment maintained by the Town's Fleet department; this excludes fire and rescue apparatus, vehicles and equipment that are maintained by the South Bruce Peninsula Fire Department.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year's capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 10% of replacement cost value. For all new additions of fleet, an annual contribution based on a 10% value on approved fleet budget.

iii. Capital – Public Works Reserve Fund

*Intended Use/Limitations:* To fund the repair, refurbishment, and replacement costs associated with Municipal roads, bridges, sidewalks, streetlights and associated features.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year's capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 2% of replacement cost value. For all new additions of public works capital, an annual contribution based on a 2% value on approved public works capital budget.

iv. Capital – Storm Sewer Reserve Fund

*Intended Use/Limitations:* To fund the linear replacement costs associated with Municipal storm sewers and related infrastructure.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year's capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 2% of replacement cost value. For all new additions of storm sewer infrastructure, an annual contribution based on a 2% value on approved capital budget.
v. Capital – Fire Reserve Fund

*Intended Use/Limitations:* To fund the refurbishment, and replacement costs associated with vehicles and equipment maintained by the South Bruce Peninsula Fire Department.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 10% of replacement cost value. For all new additions of fire equipment, an annual contribution based on a 10% value on approved fire capital budget.

vi. Capital – Parking Reserve Fund

*Intended Use/Limitations:* For the purpose of construction of parking lots, meter replacements and upgrading, landscaping, lighting of parking lot and long term maintenance of parking lot

*Target:* Establish annual operating budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 10% of replacement cost value. For all new additions of parking infrastructure, an annual contribution based on a 10% value on approved parking capital budget.

vii. Capital – Facilities Reserve Fund

*Intended Use/Limitations:* To fund repair and replacement costs associated with Town buildings and structures, (including administration facilities, community centres, libraries, memorial sites, park washrooms and facilities, fire stations, public works yard structures, etc).

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 2% of replacement cost value. For all new additions, an annual contribution based on a 2% value on approved building and facility project budget, excluding land costs.

viii. Capital – Recreation Reserve Fund

*Intended Use/Limitations:* To fund the repair, refurbishment, and replacement costs associated with Municipally owned park structures including paths, lighting, pooled furniture, field infrastructure, playground features, splash pads, fencing, etc.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 5% of replacement cost value. For all new additions, an annual contribution based on a 5% value on approved recreation capital project budget, excluding land costs.
ix. Capital – Waste Management Reserve Fund

*Intended Use/Limitations:* To fund the repair, refurbishment, and replacement costs associated with waste management activities, including landfill expansion.

*Funding Source:* Establish annual operating budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 5% of replacement cost value. For all new additions of waste management capital, an annual contribution based on a 5% value on approved waste management capital budget.

D. Capital Renewal User Pay Reserve Funds (Discretionary)

i. Capital – Wiarton Water Utility Reserve Fund

*Intended Use/Limitations:* To provide funding for capital infrastructure projects required by the Wiarton water utility system (i.e. treatment plant rehabilitation, water main transmission and distribution repairs, studies, etc).

*Funding Source:* Establish annual user pay budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 2% of replacement cost value. For all new additions, an annual contribution based on a 2% value on approved Wiarton water utility capital budget.

ii. Capital – Amabel Water Utility Reserve Fund

*Intended Use/Limitations:* To provide funding for capital infrastructure projects required by the Amabel water utility systems (i.e. treatment plant rehabilitation, water main transmission and distribution repairs, studies, etc).

*Funding Source:* Establish annual user pay budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 2% of replacement cost value. For all new additions, an annual contribution based on a 2% value on approved Amabel water utility capital budget.
iii. Capital – Wiarton Waste Water Utility Reserve Fund

*Intended Use/Limitations:* To provide funding for capital infrastructure projects required by the Wiarton waste water utility system (i.e. plant rehabilitation, waste water collection, conveyance, treatment and disposal, studies, etc).

*Funding Source:* Establish annual user pay budget contributions starting at an amount required to fund next year’s capital budget requirements, building to an optimum contribution for the full cost of replacement of all existing capital assets at 2% of replacement cost value. For all new additions, an annual contribution based on a 2% value on approved Wiarton waste water utility capital budget.

E. Special Purpose Reserve Funds (Discretionary)

Special purpose reserve funds are intended to manage cash flows that have been set aside to provide for the delivery of specific services.

i. Cemetery Lot Improvement Reserve Fund

*Purpose:* To be used for the upkeep and repair of Municipal owned cemetery structures, pathways, fencing, lighting, furniture, etc.

*Source of Funding:* Annual operating budget surplus of Municipal cemeteries.

*Limitations:* Items should be limited to expenses outside the scope of activities funded through cemetery operating or trust funds.

*Target:* Not applicable, based on requirements.

ii. Business Improvement Area Reserve Fund

*Purpose:* Improvement, beautification, maintenance, and special events of the Wiarton Business Improvement Area

*Source of Funding:* Annual BIA operating budget surplus of funds raised by BIA levy

*Limitations:* To be used only for BIA activities as approved in annual budget or by Council resolution.

*Target:* Not applicable.
iii. Wiarton-Keppel International Airport Reserve Fund

**Purpose:** Improvement, beautification, maintenance, and capital improvements at the Wiarton-Keppel International Airport.

**Source of Funding:** Annual operating budget surplus of Municipal contribution towards the Wiarton-Keppel International Airport. May also hold Municipal capital contribution until required.

**Limitations:** Ownership of the Wiarton-Keppel International Airport is in partnership with Georgian Bluffs. The airport board approves the annual operating and capital budget requests which are then ratified by each Municipal Council. Funds are committed for the approved workplan only.

**Target:** Not applicable, based on requirements

iv. Chesley Lake Fundraising Reserve Fund

**Purpose:** For remediation and upkeep activities at Chesley Lake.

**Source of Funding:** Donations and community contributions.

**Limitations:** May only be used for remediation work at Chesley Lake

**Target:** Not applicable, based on requirements

v. Landfill Closure Reserve Fund

**Purpose:** To set aside funds required to close (and monitor after closing) both of the landfill sites located within the Municipality.

**Source of Funding:** Annual operating budget contributions

**Limitations:** The reserve fund shall be used exclusively for works pertaining to the closure, remediation and monitoring of closed landfills.

**Target:** No formal actuarial estimate of post-closure costs has been prepared.

vi. Management & Planning Studies Reserve Fund

**Purpose:** To fund management and planning studies and their periodic updates.

**Source of Funding:** Annual operating budget contributions.

**Limitations:** May only be used for activities compliant with the stated purpose.

**Target:** Not applicable, based on requirements
vii. Economic Development Reserve Fund

*Purpose:* Capital expenditures related to improvement, beautification and maintenance of the Municipality. Operating expenditures for ongoing initiatives.

*Source of Funding:* Annual operating budget contributions.

*Limitations:* May only be used for activities compliant with the stated purpose.

*Target:* Not applicable, based on requirements

F. Obligatory Reserve Funds

These reserve funds are supported by legislation (federal, provincial or other Act based).

i. Subdivider Contributions Reserve Fund

*Purpose:* Developer agreements may also stipulate the collection of fees from developers for specific purposes. These fees are paid into a reserve until such a time as the funds are required for capital project completion.

*Source of Funding:* From developers as stipulated in their agreements with the Municipality.

*Limitations:* Funds are held in trust for developers for identified purposes only and to guarantee regulatory compliance.

*Target:* Not applicable, based on requirements.

ii. Federal Gas Tax Reserve Fund

*Purpose:* Environmentally sustainable municipal infrastructure projects that contribute to cleaner air, water and reducing greenhouse gas emissions as described in the Municipal Funding Agreement for the transfer of Federal Gas Tax revenue between the Association of Municipalities of Ontario (AMO) and the Town of South Bruce Peninsula.

*Source of Funding:* As outlined in the Municipal Funding Agreement; the funding allocation is determined at the provincial/territorial level based on population. The funding is provided to AMO which is responsible for the distribution to the municipalities within the province.

*Limitations:* Eligible projects only in accordance with the agreement and cannot accumulate more than three years unspent contributions.

*Target:* Not applicable, based on allocation received and timing of eligible and approved capital projects.
**Special Reporting:** As part of the funding agreement signed with the Federal government the Municipality shall prepare an annual financial report by March 31st of each year. This report shall include a continuity schedule of the obligatory reserve fund and specific outcomes for each completed project showing how they have achieved one of the program goals (cleaner air, water or reduced greenhouse gas emissions)

### iii. Building Services (Bill 124) Reserve Fund

**Purpose:** Bill 124 imposes specific restrictions on the use of building code revenues. The purpose of the reserve is to accumulate annual building code surpluses, which will be specifically used to provide building code service continuity only.

**Source of Funding:** From annual building code revenue surplus.

**Limitations:** Municipalities are required to segregate fees generated through building code permits and restrict them for building code related purposes. Based on this uses are limited to:
- Offset unfavourable revenue variances due to severe economic conditions; and
- Subsidize any negative year-end position; and
- Upon authorization of the Treasurer funds may also be used to fund or phase-in large building code budget items i.e. corporate studies, fee initiatives, capital projects, etc.

**Target:** A maximum of 1.5 times the annual building code process costs, both direct and indirect. Exceeding the target will trigger a review of trends and if needed a fee review.

**Special Reporting:** As part of Ontario Building Code 124, the Municipality shall prepare an annual financial report by March 31st of each year. This report includes the account balance for any building permit reserve funds that have been established by Council.

**Specific Legislation Reference:** Ontario Building Code – Bill 124

### iv. Parkland: Cash In Lieu Reserve Fund

**Purpose:** In lieu of conveying parkland within the planned development, a developer may opt to provide the Municipality with cash-in-lieu; the Municipality then takes on the responsibility of parkland development within the community.

**Source of Funding:** As per section 42, subsection 1 of the Planning Act, the developer has the option to convey land to the Municipality or provide an equivalent cash value. Specific details are provided within the act, but generally speak to 5% of residential land or 2% of commercial/industrial land or 1 hectare per 300 dwelling units.

*Ref:* section 42; subsection 1 of the Planning Act.

**Limitations:** May be used to provide funds to acquire active and/or passive parkland and the associated costs of getting the land ready for its intended purpose (i.e. surveys, appraisals, soil testing, indirect recoveries, etc.).

**Target:** Not applicable, based on external development decisions.