



<b>Policy Name: Reserve and Reserve Fund Policy</b>	<b>Policy No: S400-XX</b>
Committee approval date:	-
Council approval date:	-
Revision date(s):	-
Department/Division:	Corporate Services

## 1. Purpose

The purpose of this policy is to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for Reserves and Reserve Funds managed by the Town.

## 2. Policy Statement

A policy governing the management and administration of Reserves and Reserve Funds.

## 3. Definitions

**Budget:** An estimated financial plan of revenue and expenditure for a set period of time.

**Capital Asset Renewal and Replacement:** A category of Reserves and Reserve Funds established to provide funding for the repair and maintenance of existing Town assets to ensure Town-owned assets do not deteriorate over time.

**Capital Asset Growth:** A category of Reserves and Reserve Funds established to provide funding to new capital initiatives while allowing the Town to stabilize the cost of purchasing major capital assets by spreading the cost over multiple years.

**Contingencies/Stabilization & Risk Management:** A category of Reserves and Reserve Funds designed to fund future obligations which are based on calculated



estimates and risk assessments to mitigate unforeseen events or one-time unanticipated revenue losses and expenses.

**Council:** The Council of the Town of Pelham.

**Debt:** Any obligation for the payment of money. For Ontario municipalities, debt would normally consist of debentures as well as either notes or cash from financial institutions.

**Development Charges (DC) Background Study:** The background study undertaken by the Town for its current Development Charges By-law.

**Development Charges (DC):** Fees collected from developers at time of building permit issuance to help pay for the cost of infrastructure required to provide municipal services to new development, such as roads, fire protection, water and sewer infrastructure, and recreation facilities.

**Discretionary Reserves and Reserve Funds:** A Reserve or Reserve Fund created by Council to set aside revenue to finance a future expenditure for which Council has the authority to spend money.

**GFOA:** The Government Finance Officers Association of the United States and Canada, a professional association of state, provincial and local finance officers dedicated to the sound management of financial resources.

**Liquidity:** A measure of an asset's convertibility to cash.

**MFOA:** Municipal Finance Officers Association of Ontario, a professional association which promotes the interests of its members in carrying out their statutory and financial responsibilities by initiating studies and sponsoring seminars to review, discuss and develop positions on important policy and financial management issues.



**Obligatory Reserve Fund:** A Reserve Fund created when senior government statute or agreement requires that revenue received for special purposes be segregated from the general revenues of the municipality. Obligatory Reserve Funds are to be used solely for the purpose prescribed for them by statute or agreement.

**PSAB:** The Public Sector Accounting Board, an independent board with the authority to set accounting standards for the public sector.

**Reserve:** An appropriation from net revenue and/or cost savings at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a Reserve Fund. Municipal Councils may set up Reserves for any purpose for which they have the authority to spend money, as outlined in section 290(4) of The Act. Reserves are either “discretionary” or “non-discretionary”. Discretionary Reserves are funded by the tax levy or other funding sources, and drawdowns or transfers from the Reserve can be approved for any purpose at Council’s discretion. Non-discretionary Reserves are “non-tax supported”, and receive revenues and incur expenses on their own without support from the general tax levy; drawdowns from non-discretionary Reserves must be for expenditures related to their revenue source as approved by Council. Non-discretionary Reserves include the Water and Wastewater Reserves.

**Reserve Fund:** Funds that have been set aside either by a by-law of the municipality or by a requirement of senior government statute or agreement to meet a future event. As a result, Reserve Funds are either “discretionary” being those set up by Council, or “obligatory” being those set up by virtue of a requirement of senior government statute or agreement. Municipal councils may set up Reserve Funds for any purpose for which they have the authority to spend money, as outlined in section 290(4) of The Act. Discretionary Reserve Funds can be funded from the general tax levy or they can be “non-tax supported”, and receive revenues and incur expenses on their own without support from the general tax levy; drawdowns from non-tax supported Reserve Funds must be for



expenditures related to their revenue source as approved by Council. Non-tax supported Reserve Funds include the Building Department Reserve Fund.

**Revolving Reserves and Reserve Funds:** Reserves and Reserve Funds used wholly or partially to fund normal course operating requirements or cash flow deficiencies that do not require Council approval provided they conform to intent of originating resolution or by-law and this policy.

**Specific Projects & New Initiatives:** A category of Reserves and Reserve Funds established for planned savings within the Budget to fund projects or expenses either identified at the time the Reserve or Reserve Fund is set-up or after, which allows the Town to save for planned or unanticipated projects or expenses that may arise and do not have another funding source.

**The Act:** The *Municipal Act*, 2001, S.O. 2001, c.25, as amended.

**Town:** The Corporation of the Town of Pelham.

**Treasurer:** The individual appointed by the municipality as Treasurer, in accordance with section 286 of The Act.

## 4. General Provisions

### 4.1 Principles and Objectives

Reserves and Reserve Funds are important long-term financial planning tools for municipalities, and are used to set aside funds for a future purpose.

The guiding principles for the Reserves and Reserve Funds shall be:

**a) Adherence to statutory requirements**

- i) The Town will establish and maintain segregated Reserve Funds that meet all statutory obligations.



- ii) Reserves and Reserve Funds shall be managed in accordance with The Act, which includes:
  - Section 290(2) the Budget shall set out the estimated revenues and expenditures of Reserves and Reserve Funds contained within a municipality's budget;
  - Section 418(3) as allowed by the Corporation, shall combine money held in any fund (including Reserves and Reserve Funds) for investment purposes; and
  - Section 418(4) that earnings from combined investments shall be credited to each segregated fund in proportion to the amount invested in it.
- iii) Reserves shall be established by Council resolution, which governs the purpose, funding sources, and drawdowns of the Reserve.
- iv) Reserve Funds shall be established by Council by-law, which governs the purpose, funding sources, drawdowns, and investment of the fund.
- v) Obligatory Reserve Funds shall be established and managed in accordance with the legislation and/or agreement pertaining to those funds, for example:
  - *The Development Charges Act, 1997*
  - *The Planning Act, Section 42*
  - *Municipal Funding Agreement for the Transfer of Federal Gas Tax Funds*
  - *The More Homes, More Choice Act, 2019*

**b) Promotion of financial stability and flexibility**

- i) Reserves and Reserve Funds shall form an integral component of



the Town's Budget and strategic financial plan. The Town recognizes that unstable and unpredictable tax levies can adversely affect residents and businesses in Pelham. The Town will strive to maintain sufficient Reserves and Reserve Funds to buffer the impact of unusual or unplanned cost increases or revenue reductions over multiple Budget cycles. Furthermore, the Town shall prioritize capital Reserves in order to minimize the debt levels of the Town and allow for greater financial flexibility.

- ii) It shall be the Town's practice to maintain adequate Reserves and Reserve Funds within the following categories to achieve long-term financial stability and flexibility (see definitions for detailed description of categories):
  - Obligatory;
  - Capital Asset Renewal and Replacement;
  - Capital Asset Growth;
  - Specific Projects and New Initiatives; and
  - Contingencies/Stabilization and Risk Management.
- iii) The Town shall strive to maintain Reserve and Reserve Fund levels in line with best practices of public service associations such as MFOA, GFOA, etc., and other municipalities otherwise comparable to the Town in population, geographic location, or other relevant characteristics.

**c) Provision for major capital expenditures**

It shall be the Town's goal to maintain adequate Reserves and Reserve Funds to replace and rehabilitate major capital assets, as required, and to provide for new capital assets that have been identified in the long-term capital plan. To achieve this goal, the following Budget practices will be applied where applicable:

- i) Target transfers to Reserve in the operating Budget will be sufficient to fund the full cost of replacement or rehabilitation of major assets at a rate that reflects the consumption of that asset by current



ratepayers. Contributions to these Reserves will commence in the fiscal year subsequent to the year the asset is acquired or put into service and will be based on an estimate of the useful life of that asset. For practical purposes, the Town will strive to transfer to the capital Reserves at minimum the amount of amortization for that class of assets as recorded in the financial statements, or a greater amount as indicated in the Town's Capital Asset Management Plan. This shall be reduced by the amortization of assets that the Town does not intend to replace or by any other sources of funding that are known at the time of Budget preparation.

- ii) Transfers to Reserve in the operating Budget will be further increased to provide funding for Capital Asset Growth as identified in the Town's long-term capital plan.
- iii) Obligatory Reserve Funds will be maintained for growth, parkland, gas tax and other grant-related capital projects. The growth-related obligatory Reserve Funds will be fully funded from developer contributions. Components of the growth related projects which benefit the existing ratepayers or for which a discount has been given, shall be funded from tax/rate funding sources in the year the project is built. Notwithstanding, Council may be issued for growth projects when required in accordance with the *Development Charges Act, 1997*, as amended, and other pertinent Town policies.

**d) Liquidity**

Reserves and Reserve Funds shall be kept at an adequate level to ensure the Town has sufficient cash flow to meet its financial obligations; including but not limited to:

- i) Replacing and rehabilitating capital infrastructure assets as required;
- ii) Supplying funds for new capital assets identified in the Town's long-term plans, or that arise from time-to-time;
- iii) Funding long-term contingencies and potential liabilities; and
- iv) Providing a buffer for significant unanticipated expenditures, or loss of revenues beyond the control of the Town.



## **4.2 Reserve and Reserve Fund Management**

### **a) Establishment and Modification of Reserves and Reserve Funds**

- i) Reserves and Discretionary Reserve Funds shall only be established or modified if they are supported by a financial plan identifying the funding needs, targets, contribution sources, projected drawdowns and investment of funds. Obligatory Reserve Funds are automatically established when Council passes a by-law for the collection of Obligatory Reserve Funds or approves an agreement specifying that funds be held in an Obligatory Reserve Fund.
- ii) Target funding levels shall be established for every Reserve and Reserve Fund. Methods for calculating Reserve and Reserve Fund targets shall be determined on a case-by-case basis considering the following:
  - Purpose of fund;
  - Certainty of end needs;
  - Best practices/standards regarding the identification of need and target balance levels (MFOA, GFOA, etc.); and
  - Economic factors.
- iii) The recommended minimum and maximum balances in Appendix B are guidelines toward which the Town will strive.
  - Where a Reserve or Reserve Fund is below the recommended minimum balance, the long-term capital plan will seek to restore the minimum balance as quickly as possible and the allocation of Reserve transfers to other Discretionary Reserves will be re-evaluated to determine if a reallocation is required.

The long-term strategy to achieve the target minimum balance for Reserves and Reserve Funds will be phased in as follows:

From 2020 to 2024: The lesser of the target balance and the projected 2019 balance plus 25% of the increase required to





reach the target minimum.

From 2025 to 2029: The lesser of the target balance and the projected 2019 balance plus 50% of the increase required to reach the target minimum.

From 2030 to 2034: The lesser of the target balance and the projected 2019 balance plus 75% of the increase required to reach the target minimum.

From 2035 to 2039: The lesser of the target balance and the projected 2019 balance plus 100% of the increase required to reach the target minimum.

- Where the Reserve or Reserve Fund is below the target balance, the long-term capital plan will be examined to determine whether increased Reserve transfers are required, projects can be deferred, or other funding must be considered as an alternative to Reserve Funding.
- Where the Reserve or Reserve Fund is above the maximum balance, it may be an indication that sufficient funds have been invested and the minimum annual contribution will be reviewed to determine whether operating Reserve transfers can be allocated to an alternate Discretionary Reserve.

- iv) Reserve and Reserve Fund balances and associated targets shall be reviewed periodically to ensure adequate Reserve and Reserve Fund levels are maintained for a ten-year period.

**b) Contributions To/Drawdowns From Reserves and Reserve Funds**

- i) Contributions to/drawdowns from Reserves and Reserve Funds shall be made in accordance with the Council-approved resolution or by-law, and this policy.
- ii) Contributions to/drawdowns from Reserves and Reserve Funds shall be approved by Council as part of the annual Budget process, or



specifically by resolution with the following exceptions:

- Direct contribution to Obligatory Reserve Funds such as development charges and federal gas tax funding;
  - Transfers that are the direct result of Council approved policies, by-laws or resolutions;
  - Interest allocation to Reserves and Reserve Funds in accordance with this policy;
  - Recurring contributions to/drawdowns from Reserves specified in this policy, including the appendices, or approved by Council at the time of establishment of the Reserve or Reserve Fund;
  - Where long-term grant agreements are in place such as Federal Gas Tax funding, alternative eligible capital projects may be selected for the application of grant funding, at the discretion of the Treasurer; and
  - Use of “revolving” Reserves and Reserve Funds for the purpose approved by Council.
- iii) Council approved contributions to/drawdowns from Reserves and Reserve Funds not realized shall be reported to Council as part of the annual Reserve and Reserve Fund report of the Treasurer.
- iv) Interest shall be allocated to Reserves and Reserve Funds as follows:
- Interest will be allocated to Obligatory Reserve Funds in accordance with applicable legislation, the agreement, or in the absence of such guidance, at the Town’s average rate of interest for the year as determined by the Treasurer;
  - Interest will be allocated to Discretionary Reserve Funds and non-discretionary Reserves at the Town’s average rate of interest



for the year as determined by the Treasurer;

- Interest will generally not be allocated to Discretionary Reserves unless specified by Council in the originating resolution establishing the Reserve; and
  - Interest will be allocated annually based on the interest rate multiplied by the previous year-end balance of the Reserve or Reserve Fund.
- v) Funding of projects from Reserves will be recorded at year-end based on the expenditures incurred during that fiscal year, at the proportionate percentage of Reserve funding in the approved Budget for that project.
- vi) If there is an operating deficit at year-end, it will be withdrawn from the Working Funds Reserve. If there is an operating surplus at year-end, it will be allocated as follows:
- The first \$147,000 will be transferred to the Land Acquisition Reserve until such time that the balance is returned to \$nil;
  - Any remaining surplus will be transferred to the Working Funds Reserve.

**c) Cash Management of Reserves and Reserve Funds**

- i) Reserve funds require the physical segregation of money or other liquid assets, as approved in the Town's Investment Policy.
- ii) Reserves do not require the physical segregation of money or specific assets, however to follow this policy's guiding principle of Liquidity, the Town will strive to maintain cash and liquid assets equal to the Reserves and Reserve Funds.
- iii) Multiple Reserve Funds may be consolidated together in an investment portfolio, but they must be segregated from other Town assets.



- iv) Given the funding of projects from Reserves and Reserve Funds at year-end, the investment and/or bank balance for Reserve Funds will be adjusted to agree to the prior year-end balance in the audited financial statements by June 30 each year.
- v) The Treasurer will report on the cash position of the Reserves and Reserve Funds annually (see Reporting Requirements below).

**d) Investment of Reserves and Reserve Funds**

- i) Reserves and Reserve Funds shall be invested for a term that will not exceed its expected date of need;
- ii) Reserves and Reserve Funds shall be invested in accordance with the Council-approved Investment Policy;
- iii) Interest earned on Reserves shall be recognized as revenue in the operating Budget; and
- iv) Interest earned on Reserve Funds shall be allocated to each specific Reserve Fund according to its proportionate share of the investment portfolio.

**e) Lending/Temporary Borrowing of Reserves and Reserve Funds**

- i) Intra-fund lending within a specific Reserve Fund shall be permitted if allowed by the related legislation or agreement to temporarily finance capital and/or operating cash flow deficiencies and avoid external borrowing costs, provided that all loans/transfers bear interest at the rate applicable to the Reserve Fund. For example, under the *Development Charges Act, 1997*, as amended, intra-fund borrowing between DC Reserve Funds is permitted, and the amounts borrowed must be repaid at the minimum prescribed interest rate.
- ii) Inter-fund lending between Reserves and Discretionary Reserve Funds (one Reserve is in a deficit and another Reserve is in a



surplus) shall be permitted to temporarily finance capital and/or operating cash flow deficiencies and avoid external borrowing costs, provided that there is a strategic financial plan in place to replenish the deficit and that interest continues to be allocated to the Reserves and Reserve Funds in accordance with this policy.

- iii) All inter-fund lending/temporary borrowing shall be provided from Reserves and Discretionary Reserve Fund balances and the loaning of obligatory Reserve Funds is prohibited.

**f) Termination of Reserves and Reserve Funds**

- i) A discretionary Reserve or Reserve Fund shall be terminated (wound down and closed) when the program or project it supports meets any of the following criteria:
  - It is no longer in the scope of the Town's strategic plans;
  - Program commitments have been completed and no future commitments are expected; and
  - The Treasurer is confident that balances in other areas can mitigate the need to hold any remaining Reserve or Reserve Fund balance.
- ii) Reserves or Reserve Funds identified for termination shall be reported to Council for review and approval. Reports to Council shall include recommendations regarding the timing of wind down, closure and the allocation of fund balances.

**4.3 Standard of Care**

**a) Responsibilities**

- i) Council shall:



- Establish Reserves and Reserve Funds in accordance with this policy;
  - In accordance with The Act, develop and evaluate policies to ensure that administrative policies, practices, and procedures are in place to maintain the financial integrity of the Town's Reserves and Reserve Funds;
  - Approve transactions to and from Reserves and Reserve Funds through the Budget process, specific resolution, and this policy; and
  - Ensure that any expenditure approval outside of the Budget process includes the source of funding from Reserves, Reserve Funds, or other sources as appropriate.
- ii) The Chief Administrative Officer shall:
- Support the Treasurer in ensuring the principles and requirements contained in this policy are applied consistently across all Town departments.
- iii) The Treasurer shall:
- Ensure that Reserves and Reserve Funds are established, maintained, and dissolved in compliance with this policy;
  - Update this policy as necessary and recommend changes to Council for approval;
  - Ensure that the principles and requirements contained in this policy are applied consistently across all departments;
  - Perform transfers to and from Reserves and Reserve Funds as authorized by Council;



- Recommend strategies for the adequacy of Reserve and Reserve Fund levels; and
- Report the Reserve and Reserve Fund balances and forecasts to Council (see Reporting Requirements below).

iv) Department Directors shall:

- Provide the Treasurer with the most current capital asset information to be used in evaluating the adequacy of Capital Asset Renewal and Replacement Reserves and Reserve Funds;
- Consult with the Treasurer when Reserves or Reserve Funds should be established;
- Consult with the Treasurer when the use of Reserves or Reserve Funds is required; and
- Inform the Treasurer when Reserve transfers are required as per resolution of Council and provide supporting documentation.

**b) Delegation of Authority**

- i) Once Council approves Reserves by resolution and Reserve Funds by by-law, the Treasurer shall have overall authority for the Reserves and Reserve Funds managed by the Town.
- ii) The Treasurer has the responsibility for setting Reserve and Reserve Fund targets. Targets will be periodically reported to Council through Reserve and Reserve Fund reports (see Reporting Requirements below).
- iii) The Treasurer shall have overall responsibility for this policy, and the authority to implement a program for Reserves and Reserve Funds and establish procedures consistent with the content of this policy.



Administrative responsibilities shall include, but are not limited to, the following:

- Determine need for Reserves and Reserve Funds for operating and capital Budgets;
- Set targets for Reserves and Reserve Funds in line with directives contained in this policy and other pertinent policies;
- As part of the reporting to Council, review and report on the adequacy and continuing need for Reserves and Reserve Funds managed by the Town;
- Prepare and present reports and/or by-laws associated with the establishment, monitoring, or termination of Reserves and Reserve Funds;
- Develop appropriate practices, procedures and processes for the investment of Reserves and Reserve Funds in line with legislative requirements, the Town's Investment Policy and other pertinent policies;
- Monitor and reconcile all receipts to and disbursements from Reserve and Reserve Fund accounts to ensure compliance with provincial regulations, PSAB and this policy;
- Approve updates to the appendices in accordance with this policy, by-laws or statutes as amended;
- Prepare the Town's long-term strategic financial plan with consideration of appropriate Reserves and Reserve Funds to effectively meet the Town's operating and capital Budget financing needs; and





- Ensure Reserves and Reserve Funds managed by the Town are in line with senior government statutes, agreements and other pertinent policies.

**c) Reporting Requirements:**

The Treasurer shall prepare the following reports regarding Reserves and Reserve Funds managed by the Town:

- i) Annual Audited Financial Statements
- ii) Reserve and Reserve Fund Report – An annual summary of the Reserves and Reserve Funds including opening balance, additions and reductions, and closing balance for the previous fiscal year, tying in the report to the audited financial statements. Included in this report will be an analysis of the Town cash position in the audited financial statements in comparison to the total balance of Reserves and Reserve Funds, as well as discussion regarding the investment of Reserves and Reserve Funds during that fiscal year.
- iii) DC Reserve Funds Report – An annual report detailing pertinent information regarding DC Reserve Funds shall be presented to Council as required by the *Development Charges Act, 1997*, as amended.
- iv) Parkland Dedication Reserve Fund Report – An annual report detailing pertinent information regarding Parkland Dedication Reserve Funds shall be presented to Council as required by the *Planning Act*, Section 42.
- v) Capital Asset Management Plan Update – A financial plan forecasting Reserve and Reserve Fund balances and a comparison to target objectives shall be prepared periodically based on the most current information available; this report may include



recommendations for the establishment of new, modification of existing and termination of existing Reserves and Reserve Funds.

- vi) Budget Reports – Reserve and Reserve Fund balances, projected contributions and planned drawdowns for a ten-year period shall be presented in each capital Budget.
- vii) Other reports in line with this policy shall be brought forward to Council as needed.

**d) Policy Review:**

This policy shall be presented to Council for review (and update if required) every four years, in the first year of each newly elected Council, or more frequently as deemed necessary by Council, the Chief Administrative Officer, or the Treasurer.

**5. Attachments**

Appendix A Summary of Types of Reserves and Reserve Funds

Appendix B Summary of Reserves and Reserve Funds at December 31, 2018

Policy S400-XX Appendix A  
Town of Pelham: Corporate Services  
Summary of Types of Reserves and Reserve Funds

Type	Physical Segregation of Money or Liquid Assets Required?	Method of Establishment	Lending/Temporary Borrowing	Council Discretion to Transfer from the Reserve or Reserve Fund to another Reserve or Reserve Fund	Interest	Examples
Obligatory Reserve Fund	Yes	Council passes a by-law for the collection of obligatory reserve funds or approves an agreement specifying that funds be held in an obligatory reserve fund	<ul style="list-style-type: none"><li>• Intra-fund lending permitted if allowed by the related legislation or agreement</li><li>• Inter-fund lending prohibited</li></ul>	No	Allocated in accordance with applicable legislation or the agreement	<ul style="list-style-type: none"><li>• Development Charge Reserve Fund</li><li>• Parkland Dedication Reserve Fund</li><li>• Federal Gas Tax Reserve Fund</li></ul>
Discretionary Reserve Fund	Yes	Council by-law which governs the purpose, funding sources, drawdowns, and investment of the fund	<ul style="list-style-type: none"><li>• Inter-fund lending permitted provided that there is a strategic financial plan in place to replenish the deficit and interest continues to be allocated to the reserve fund</li></ul>	General Tax Levy Supported - Yes Non-Tax Supported - No	Allocated at the Town's average rate of interest for the year as determined by the Treasurer	<ul style="list-style-type: none"><li>• Building Department Reserve Fund</li><li>• Facilities Reserve Fund</li><li>• Fire Reserve Fund</li><li>• Fleet Reserve Fund</li></ul>
Non-discretionary Reserve	No	Council resolution which governs the purpose, funding sources, drawdowns, and investment of the fund	<ul style="list-style-type: none"><li>• Inter-fund lending permitted provided that there is a strategic financial plan in place to replenish the deficit and interest continues to be allocated to the reserve</li></ul>	No	Allocated at the Town's average rate of interest for the year as determined by the Treasurer	<ul style="list-style-type: none"><li>• Water Reserve</li><li>• Wastewater Reserve</li></ul>
Discretionary Reserve	No	Council resolution which governs the purpose, funding sources, drawdowns, and investment of the fund	<ul style="list-style-type: none"><li>• Inter-fund lending permitted provided that there is a strategic financial plan in place to replenish the deficit and interest continues to be allocated to the reserve if applicable under this policy</li></ul>	Yes	Not allocated unless specified in originating Council resolution	<ul style="list-style-type: none"><li>• Working Funds Reserve</li><li>• Municipal Drainage Reserve</li><li>• Roads Reserve</li></ul>

Policy S400-XX Appendix B  
Town of Pelham: Corporate Services  
Summary of Reserves and Reserve Funds at December 31, 2018

Obligatory Reserve Funds

Name	Category	By-law, Legislation or Agreement	Purpose	Source of Funding	Target Annual Contribution	Basis for Target Reserve Balance	Recommended Minimum Balance	Target Balance	Recommended Maximum Balance
Development Charges Reserve Fund	• Obligatory • Capital Asset Growth	<i>Development Charges Act, 1997, as amended</i>	To pay for the cost of infrastructure required for new development as outlined in the DC Background Study	Developer Contributions	N/A - Contributions are dependent on development activity	The amount that is planned to be spent from the reserve fund in the next fiscal year	\$1,600,000	\$2,281,000	N/A
Federal Gas Tax Reserve Fund	• Obligatory • Capital Asset Growth	Municipal Funding Agreement for the Transfer of Federal Gas Tax Funds	To hold Federal Gas Tax grant funds until spent on an eligible project	Government of Canada grant	N/A - Contributions are dependent on grant funding awarded	N/A	N/A	N/A	Balance cannot exceed five prior years' funding received
Ontario Community Infrastructure Fund (OCIF) Reserve Fund	• Obligatory • Capital Asset Renewal and Replacement • Capital Asset Growth	Ontario Community Infrastructure Fund Formula-Based Component Agreement	To hold OCIF grant funds until spent on an eligible project	Government of Ontario grant	N/A - Contributions are dependent on grant funding awarded	N/A	N/A	N/A	Balance cannot exceed five prior years' funding received
Other Grants and Obligatory Funds Held	• Obligatory • Capital Asset Renewal and Replacement • Capital Asset Growth • Specific Projects and New Initiatives	Various grant agreements and trust documents	A general combination of grants (other than Federal Gas Tax and OCIF), Cemetery Perpetual Care Trust funds to be transferred, and other obligatory funds received which may change from year to year but must be kept in a separate reserve fund	Grants and other obligatory funds	N/A - Contributions are dependent on grant funding awarded	N/A	N/A	N/A	N/A
Parkland Dedication Reserve Fund	• Obligatory • Capital Asset Renewal and Replacement • Capital Asset Growth	<i>Planning Act</i> , Section 42	Parkland, capital machinery and equipment used in parks, and recreation	Developer Contributions in lieu of land for parkland purposes	N/A - Contributions are dependent on development activity	The amount that is planned to be spent from the reserve fund in the next three fiscal years	\$500,000	\$1,255,700	N/A

Discretionary Reserve Funds

Name	Category	By-law, Legislation or Agreement	Purpose	Source of Funding	Target Annual Contribution (Note 1)	Basis for Target Reserve Balance	Recommended Minimum Balance	Target Balance	Recommended Maximum Balance	Revolving Transactions not Requiring Separate Approval
Building Department Reserve Fund	• Contingencies/Stabilization and Risk Management • Revolving Reserve	<i>Building Code Act</i>	To offset the cost of administration and enforcement of the Building code when fee revenues are less than costs of delivering building services	Year-end building department surplus transferred to the reserve	N/A	Two years of projected Building Department operating expenditures, given the risk and unpredictable timing of development	\$600,000	\$1,200,000	\$1,800,000	• Year-end Building Department surplus or deficit transferred to/from reserve • Annual transfer to Town operating for administration • Transfer to other reserves for Building Department expenditures incurred (e.g. Fleet, IT)
Facilities Reserve Fund	• Capital Asset Renewal and Replacement • Capital Asset Growth	By-law 647 (1980)	To provide a source of funding for the purchase, replacement and expansion of capital items related to Municipal Facilities	Operating transfer to Facilities Reserve	\$1,490,400	Note 2	\$692,000	\$1,384,000	\$3,000,000	N/A
Fire Reserve Fund	• Capital Asset Renewal and Replacement • Capital Asset Growth	By-law 647 (1980)	To provide a source of funding for the purchase, replacement and expansion of capital items related to Fire operations including equipment and vehicles	Operating transfer to Fire Reserve	\$432,600	Note 2	\$540,750	\$1,081,500	\$2,000,000	N/A
Fleet Reserve Fund	• Capital Asset Renewal and Replacement • Capital Asset Growth	By-law 1195 (1988)	To provide a source of funding for the purchase, replacement and expansion of capital items related to the vehicle fleet, not funded by other reserves and reserve funds (such as Fire, Building Department, or Water and Wastewater vehicles)	Operating transfer to Fleet Reserve and transfers from other rate-supported reserves such as building department, water and wastewater	\$534,900	Note 2	\$668,600	\$1,337,200	\$2,500,000	N/A
Library Reserve Fund	• Capital Asset Renewal and Replacement • Capital Asset Growth • Contingencies/Stabilization and Risk Management • Revolving Reserve	By-law 1066 (1986)	To provide a source of funding for the purchase, replacement and expansion of capital items related to the Pelham Public Library, and to provide a buffer for significant unanticipated expenditures or loss of revenues related to the Library	Transfer to Library Reserve in Pelham Public Library budget	\$8,500 Equal to average annual spending in 5-year capital forecast	Note 2	\$10,650	\$21,300	\$50,000	• Year-end Library surplus or deficit transferred to/from reserve
Parks and Recreation Reserve Fund	• Capital Asset Renewal and Replacement • Capital Asset Growth	By-law 647 (1980)	To provide a source of funding for the purchase, replacement and expansion of capital items related to Parks	Operating transfer to Parks Reserve	\$296,500	Note 2	\$293,600	\$587,200	\$1,500,000	N/A

Policy S400-XX Appendix B  
Town of Pelham: Corporate Services  
Summary of Reserves and Reserve Funds at December 31, 2018

Non-Discretionary Reserves

Name	Category	By-law, Legislation or Agreement	Purpose	Source of Funding	Target Annual Contribution (Note 1)	Basis for Target Reserve Balance	Recommended Minimum Balance	Target Balance	Recommended Maximum Balance	Revolving Transactions not Requiring Separate Approval
Wastewater Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth • Contingencies/Stabilization and Risk Management • Revolving Reserve	Financial Plans Regulations O. Reg. 453/07	To fund major maintenance and replacement of sewer infrastructure, to fund wastewater capital asset growth, and to provide wastewater rate stabilization from year to year	Year-end wastewater surplus is transferred to the reserve	Target changes annually based on most recent Water and Wastewater Financial Plan	Most recent Water and Wastewater Financial Plan approved by Council in compliance with O. Reg. 453/07	N/A	Target changes annually based on most recent Water and Wastewater Financial Plan	N/A	• Year-end Wastewater surplus or deficit transferred to/from reserve • Transfer to other reserves for Wastewater expenditures incurred (e.g. Fleet, IT)
Water Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth • Contingencies/Stabilization and Risk Management • Revolving Reserve	Financial Plans Regulations O. Reg. 453/07	To fund major maintenance and replacement of water infrastructure, to fund water capital asset growth, and to provide water rate stabilization from year to year	Year-end water surplus is transferred to the reserve	Target changes annually based on most recent Water and Wastewater Financial Plan	Most recent Water and Wastewater Financial Plan approved by Council in compliance with O. Reg. 453/07	N/A	Target changes annually based on most recent Water and Wastewater Financial Plan	N/A	• Year-end Water surplus or deficit transferred to/from reserve • Transfer to other reserves for Water expenditures incurred (e.g. Fleet, IT)

Discretionary Reserves

Name	Category	Authorization	Purpose	Source of Funding	Target Annual Contribution (Note 1)	Basis for Target Reserve Balance	Recommended Minimum Balance	Target Balance	Recommended Maximum Balance	Revolving Transactions not Requiring Separate Approval
Cemetery Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the purchase, replacement and expansion of capital items related to Cemetery operations	Operating transfer to Cemetery Reserve	\$60,900	Note 2	\$54,150	\$108,300	\$250,000	N/A
Community Improvement Plan (CIP) Reserve	• Specific Projects and New Initiatives • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for Community Improvement Plan funding agreements	Operating transfer to Cemetery Reserve	Reserve drawdowns are dependent on number of agreements and timing of development completion therefore contributions fluctuate annually based on target balance	Equal to average of reserve expenditures over subsequent 5 years	\$60,400	\$120,800	N/A	• Funding of CIP agreements previously approved by Council
Elections Reserve	• Specific Projects and New Initiatives • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the cost of running municipal elections	Operating transfer to Elections Reserve	\$15,000 Equal to 25% of the anticipated cost of running a municipal election	N/A	\$0	N/A	\$60,000	• Funding of election expenditures
Future Subdivision Projects Reserve	• Specific Projects and New Initiatives	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the cost of infrastructure related to new subdivisions	Specific transfers as approved by Council	N/A	N/A	N/A	N/A	N/A	N/A
Information Technology Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the purchase, replacement and expansion of capital items related to Information Technology	Operating transfer to Information Technology Reserve	\$131,800	Note 2	\$134,650	\$269,300	\$550,000	N/A
Land Acquisition Reserve	• Specific Projects and New Initiatives • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the acquisition of land other than parkland	Specific transfers as approved by Council and allocation of year-end surplus in accordance with this policy	N/A	Sufficient funds to replenish the deficit position of the reserve	\$0	N/A	N/A	• See allocation of year-end surplus/deficit in this policy section 4.2 b) vi)
Meridian Community Centre (MCC) Reserve	• Specific Projects and New Initiatives • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To pay for short-term borrowing costs related to capital construction of the Meridian Community Centre	Specific transfers as approved by Council	N/A	N/A	N/A	N/A	N/A	• For the duration of the debenture related to pledges, pledged donations received will be deposited to the MCC Reserve, and the debenture payments will be funded from the MCC reserve to facilitate timing differences between donations and debenture payment due dates

Policy S400-XX Appendix B  
Town of Pelham: Corporate Services  
Summary of Reserves and Reserve Funds at December 31, 2018

Discretionary Reserves, Continued

Name	Category	Authorization	Purpose	Source of Funding	Target Annual Contribution (Note 1)	Basis for Target Reserve Balance	Recommended Minimum Balance	Target Balance	Recommended Maximum Balance	Revolving Transactions not Requiring Separate Approval
Municipal Drainage Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the maintenance, replacement and addition of municipal drains, beyond the amount recoverable from benefitting property owners	Operating transfer to Municipal Drainage Reserve	\$48,000	Note 2	\$28,150	\$56,300	\$100,000	• Due to the Town's obligation to maintain the drains, any unanticipated expenditures related to municipal drains will be funded from the reserve
Physician Recruitment Reserve	• Specific Projects and New Initiatives • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the cost of physician recruitment	Operating transfer to Physician Recruitment Reserve	N/A	One year of reserve contributions based on historical transfers	\$2,000	\$2,000	\$10,000	• Funding of physician recruitment expenditures approved by the Chief Administrative Officer. Expenditures will not draw the reserve below the minimum balance
Planning Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for studies, plans, and capital items related to Planning	Operating transfer to Planning Reserve	\$86,800	Note 2	\$80,400	\$160,800	\$300,000	N/A
Roads Reserve	• Capital Asset Renewal and Replacement • Capital Asset Growth • Contingencies/Stabilization and Risk Management • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a source of funding for the purchase, replacement and expansion of capital items related to Roads, and to provide a buffer for significant unanticipated expenditures related to Winter Control	Operating transfer to Roads Reserve	\$3,466,100 Equal to the amount in Note 1, plus 10% of the winter control budget for the previous year	Note 2	\$2,891,000	\$5,782,000	\$12,000,000	• To mitigate the risk of unpredictable weather events, any year-end surplus in Winter Control will be transferred to the reserve and any year-end deficit in Winter Control will be transferred from the reserve
Working Funds Reserve	• Contingencies/Stabilization and Risk Management • Revolving Reserve	Authorized through Council resolution at time of prior budget approval	To provide a buffer for significant unanticipated expenditures or loss of revenues of the Town, to provide a source of funding for future obligations based on calculated estimates and risk assessments, and to ensure the Town meets cash flow requirements	Niagara Peninsula Energy Inc (NPEI) dividends, allocation of operating surplus, specific transfers as approved by Council	N/A	The short-term target will be based on risk assessments and history of unanticipated expenditures in recent years such as legal claim settlements, gypsy moth infestation, etc. When the short-term target is reached, the long-term target will be 2 months' taxation revenues to provide cash flows prior to first tax instalment due date without borrowing against line of credit	\$0	\$500,000	\$2,329,000	• NPEI dividends transferred to working funds reserve annually • See allocation of year-end surplus/deficit in this policy section 4.2 b) vi)

**Note 1:** Unless otherwise specified, the Target Annual Contribution will be the greater of:  
a) One year amortization of assets related to the specific reserve, multiplied by inflation factor; and  
b) 1/5 budgeted capital spending over the next five years,  
Plus 1/5 of the current reserve deficit balance, if applicable.

**Note 2:** Sufficient funds to complete the projects in the Capital Asset Management Plan; in the absence of such guidance the target shall be the greater of:  
a) one year amortization of assets for this category multiplied by inflation factor, plus 50% of the cost of new assets to be funded in the 5-year forecast; and  
b) 50% of the total reserve spending in the 5-year forecast.