



Staff Report

Report To: Council Meeting
From: Magda Badura, CAO/Treasurer
Date: 2023-12-21
Subject: Reserve and Reserve Fund Policy

Recommendation:

That West Elgin Council hereby receives the report from M. Badura re: Reserves and Reserve Funds Policy and that West Elgin council approves the policy as presented; and

That a new Reserve Fund entitled Arena Facility Upgrades (01-3000-3040) be created to be used to transfer Kraft Hockeyville funds and accumulate interest at the rate the municipality earns from the financial institution;

That a new Reserve Fund entitled Arena Dehumidification System (01-3000-3042) be created to be used to transfer money to reserves and accumulate interest at the rate the municipality earns from the financial institution;

That a new Reserve Fund entitled “Playground Equipment – Rodney Park” (01-3000-3041) be created to be used to transfer donations received throughout the year.

That a new Reserve Fund entitled “Parks & Recreation – Pool” (01-3000-3043) be created to be used to transfer donation received from Rodney Cemetery Board.

That a new Reserve Fund entitled “Municipal Buildings – Old Town Hall Washroom Fund” (01-3000-3044) to be used to transfer donations received from Rodney Cemetery Board.

That the Federal Gas Tax Reserve Funds (01-3000-3101) be renamed to “Canada Community Building Fund Reserve Fund”;

That the RES- WL COMM IMPROVEMENT (01-3000-3012) be renamed to “West Lorne Main Street Reconstruction Reserve Fund”.

That \$40,940.66 be transferred from the RES – Prior Year’s Capital (01-3000-3030) to the Contingencies Reserve (01-3000-3002); and \$150,000.00 be transferred to Arena Facility Upgrades (01-3000-3040) (Res. 2023-117); and close depleted account RES – Prior Year’s Capital (01-3000-3030);

That depleted Reserves – Safe Restart Funding (01-3000-3015) be closed;

That depleted Reserves – 2021 COVID-19 Recovery funding (01-3000-3038) be closed; and

That depleted Reserves – RES-HAVEN LAKE ROAD (01-300-3026) be closed.

Purpose:

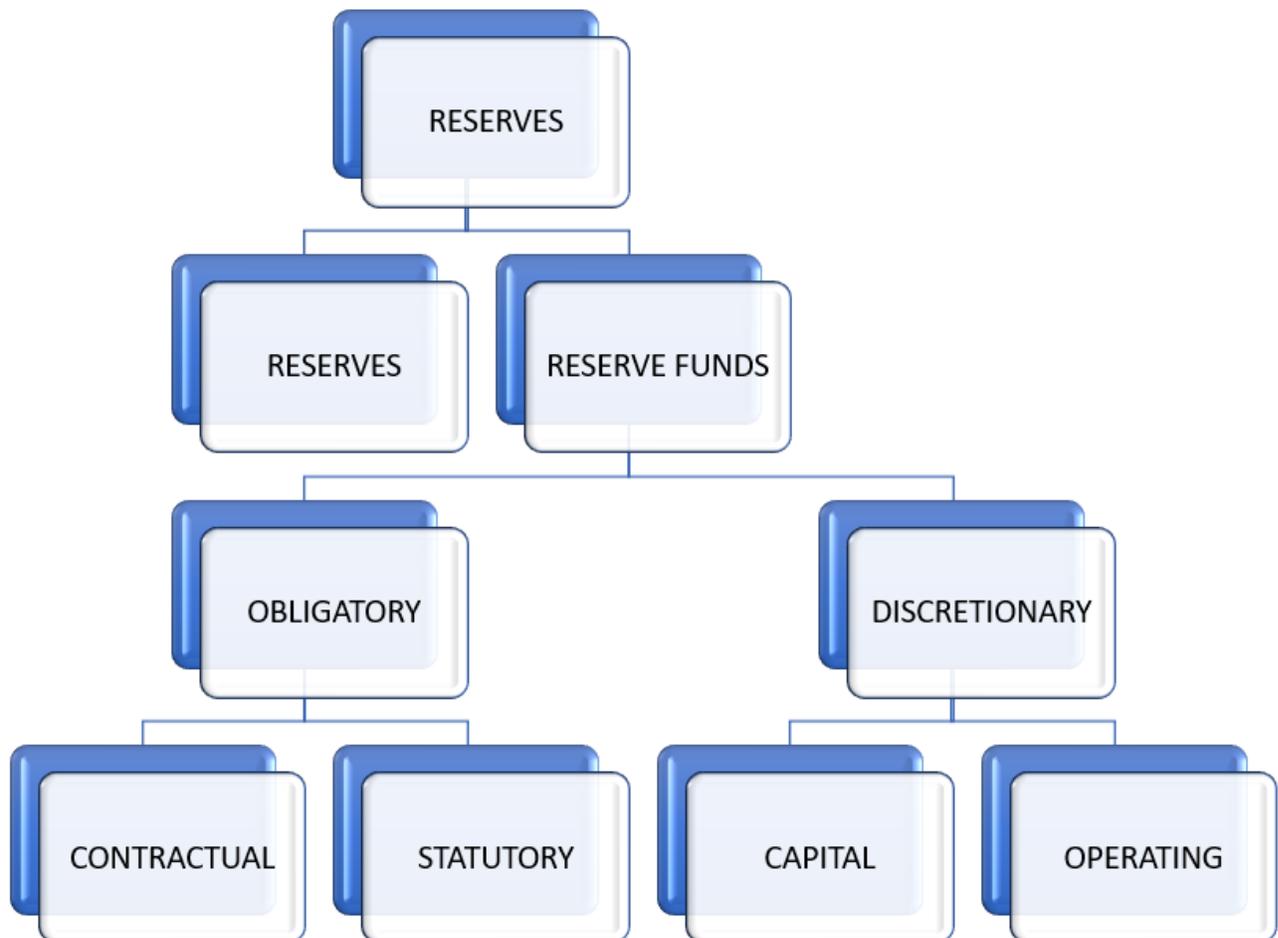
The purpose of this report is to provide council with the clarification on the questions that have been raised during regular session of council meeting on November 23, 2023.

Background:

At the last regular meeting of council the following questions and concerns have been raised:

1. In Sec. 4.0 Definitions were lacking clarity – in order provide clarity to definitions Schedule A: Classifications and Categories of Reserves chart has been created.

Schedule A: Classification and Categories of Reserves.



2. In Sec. 6.0 under Roles and Responsibilities; integrate specific protocols with respect to some of the responsibilities. It was suggested to develop regular review of the policy. Reference was made to *Sec. xiv "Ensuring a review and report to Council of the adequacy and continuing need for reserves and reserve funds is undertaken when deemed necessary"*; deemed necessary was replaced with at least annually.

3. *Sec. 7.2 – 2 Reserves for large or lumpy periodic or one-time payments (e.g. Roads Capital);* was replaced with lump-sum.
4. *Sec. 10 – require reference to the municipal act.*
All contributions to and/or withdrawals from reserves and reserve funds shall be approved by Council as either part of the annual budget approval process or by resolution, with the following exceptions:
 - A direct contribution to a reserve or reserve fund, such as parkland fees, or a settlement in account of prior year events.
 - Transfers that are the direct result of the year end surplus/deficit.
 - A transfer of funds between asset replacement reserves based upon reserve adequacy analyses, Asset Management Plan reports or other related information, at the discretion of the Treasurer.

Yearly budget, local municipalities

290 (1) For each year, a local municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality, including,

- (a) amounts sufficient to pay all debts of the municipality falling due within the year;
- (b) amounts required to be raised for sinking funds or retirement funds; and
- (c) amounts required for any board, commission or other body. 2001, c. 25, s. 290 (1); 2006, c. 32, Sched. A, s. 120 (1).

Exception

(1.1) Despite subsection (1), a budget for a year immediately following a year in which a regular election is held, may only be adopted in the year to which the budget applies. 2006, c. 32, Sched. A, s. 120 (2).

Detail and form

(2) The budget shall, in such detail and form as the Minister may require, set out the following amounts:

1. The estimated revenues, including the amount the municipality intends to raise on all the rateable property in the municipality by its general local municipality levy and the amount it intends to raise on less than all the rateable property in the municipality by a special local municipality levy under section 312.
2. The estimated portion of the estimated revenues described in paragraph 1, if any, to be paid into the municipality's reserve, sinking and retirement funds.
3. The estimated expenses, subject to any regulation made under clause 292 (2) (a).
4. The estimated portion of the estimated expenses described in paragraph 3, if any, to be paid out of the municipality's reserve, sinking and retirement funds. 2009, c. 18, Sched. 18, s. 2.

Reserve fund adjustment

(3) The total calculated under paragraph 1 shall be at least equal to the total calculated under paragraph 2:

1. The amount described in paragraph 1 of subsection (2), added to the amount described in paragraph 4 of subsection (2).
2. The amount described in paragraph 2 of subsection (2), added to the amount described in paragraph 3 of subsection (2). 2009, c. 18, Sched. 18, s. 2.

Allowance

(4) In preparing the budget for a year, the local municipality,

- (a) shall not include in the estimated revenues described in paragraph 1 of subsection (2) the estimated proceeds of any borrowing during the year;
- (b) shall treat as estimated revenues any surplus of any previous year that resulted because,
 - (i) revenues for that year were greater than the amount described in paragraph 1 of subsection (2) for that year, or
 - (ii) expenses for that year were less than the amount described in paragraph 3 of subsection (2) for that year;
- (c) shall provide for any deficit of any previous year that resulted because,
 - (i) revenues for that year were less than the amount calculated by deducting for that year the amount described in paragraph 2 of subsection (2) from the amount described in paragraph 1 of subsection (2), or
 - (ii) expenses were incurred by the municipality that were not in the budget for that year and were not paid for that year from a reserve, sinking or retirement fund;
- (d) shall provide for the cost of the collection of taxes and any abatement or discount of taxes;
- (e) shall provide for taxes and other revenues that in the opinion of the treasurer are uncollectible and for which provision has not been previously made;
- (f) may provide for taxes and other revenues that it is estimated will not be collected during the year; and
- (g) may provide for such reserve funds as the municipality considers necessary. 2009, c. 18, Sched. 18, s. 2.

(5) REPEALED: 2017, c. 10, Sched. 1, s. 37.

Yearly budget from boards, etc.

(6) Despite any other Act, for the purpose of preparing and adopting its budget for a year, the local municipality may by by-law require that the year's budget of every board, commission or other body, other than an upper-tier municipality or school board, for which the municipality is required by law to levy a tax or provide money, be submitted to the municipality on or before a date specified by the local municipality, and that the budget shall be in such detail and form as the by-law provides. 2009, c. 18, Sched. 18, s. 2.

Legislation Act, 2006

(7) Part III (Regulations) of the *Legislation Act, 2006* does not apply to a requirement of the Minister under subsection (2). 2009, c. 18, Sched. 18, s. 2.

Definition

(8) In this section,

Reserve funds

417 (1) If a local board, conservation authority or any other body exercising a power with respect to municipal affairs under any Act in unorganized territory does not have power under another Act or another section of this Act to establish and maintain a reserve fund, it may, under this subsection, provide in its budget for the establishment or maintenance of a reserve fund for any purpose for which it has authority to spend money. 2006, c. 32, Sched. A, s. 181; 2009, c. 34, Sched. I, s. 22.

Approval

(2) If the approval of a municipality is required by law for a capital expenditure or the issue of debentures by or on behalf of a local board, the local board must obtain the approval before providing for a reserve fund for those purposes in its budget. 2001, c. 25, s. 417 (2).

Investment

(3) The money raised by a body exercising a power with respect to municipal affairs under any Act in unorganized territory for a reserve fund shall be paid into a special account and may be invested only in the securities or classes of securities prescribed. 2001, c. 25, s. 417 (3).

Expenditure of reserve funds

(4) A municipality may by by-law provide that the money raised for a reserve fund established under subsection (1) may be spent, pledged or applied to a purpose other than that for which the fund was established. 2001, c. 25, s. 417 (4).

Regulations

(5) The Lieutenant Governor in Council may make regulations prescribing securities or classes of securities for the purpose of subsection (3). 2001, c. 25, s. 417 (5).

It was determined that no additional reference to the Municipal Act is required as the information is already included under Sec. 3.0 References.

Sec. 15 Temporary Borrowing – should there be a timeline set?

Temporary borrowing is allowed to cover a reserve short-term deficit and to fund expenditures or operating cash flow deficiencies to avoid external temporary borrowing costs. For example, transferring money from reserves to pay for the large project until funding is received.

Financial Implications:

None

Policies/Legislation:

Policy AD 3.5

Respectfully submitted by,
Magda Badura, CAO/Treasurer

Report Approval Details

Document Title:	2023 Reserve and Reserve Fund Policy - 2023-45-Administration Finance.docx
Attachments:	- Reserve Schedule - Draft Copy.pdf
Final Approval Date:	Dec 19, 2023

This report and all of its attachments were approved and signed as outlined below:

Terri Towstiuć