

# **THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI**

## **BY-LAW NO. 15-1233**

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### **Being a by-law to adopt a Reserves and Reserve Fund Policy for the Corporation of the Municipality of Temagami.**

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**WHEREAS** under Section 8. (1) of the Municipal Act, 2001, S.O., 2001, c.25, as amended, (the Act) the powers of a municipality under this or any other Act shall be interpreted broadly so as to confer broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality's ability to respond to municipal issues;

**AND WHEREAS** Section 224 of the Act, outlines the role of council, which includes developing the policies of the municipality and maintaining the financial integrity of the municipality;

**AND WHEREAS** Section 290 (4)(g) of the Act provides that a local municipality may, in preparing the budget for a year, provide for such reserve funds as the municipality considers necessary.


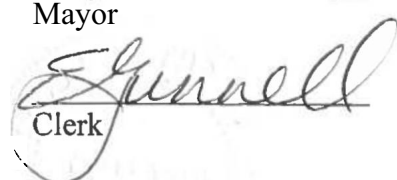
**AND WHEREAS** the Council of the Corporation of the Municipality of Temagami passed Resolution 15-074 to adopt the recommendation of the General Government and Finance Advisory Committee contained in Memo 2015-M-006 on the on the 29<sup>th</sup> day of January 2015, to adopt a Reserves and Reserve Funds Policy;

**NOW THEREFORE the Council of the Corporation of the Municipality of Temagami hereby enacts as follows:**

1. That the Municipality hereby adopts the Reserves and Reserve Funds Policy attached hereto as Schedule "A" and forming part of this bylaw.
2. That the Clerk of the Municipality of Temagami is hereby authorized to make minor modifications or corrections of a grammatical or typographical nature to this by-law and schedule, after the passage of this by-law, where such modifications or corrections do not alter the intent of the by-law.
3. That this bylaw shall come into force and take effect upon final passing thereof.

TAKEN AS READ A FIRST time on this 29<sup>th</sup> day of January 2015.

READ A SECOND AND THIRD time and finally passed on this 29<sup>th</sup> day of January 2015.

  
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Mayor  
  
\_\_\_\_\_  
Clerk

**The Corporation of the  
Municipality of Temagami**

**Schedule "A" to By-law 15-1233**

**Reserves and Reserve Fund Policy**

**Purpose**

The purpose of the Reserve and Reserve Fund Policy is to establish the framework and outline requirements for establishing reserve funds, authorizations required for use of reserve funds and for reporting requirements to Council.

A reserve policy is a critical component of a municipality's long term financial plan. There are a number of legislated Obligatory Reserve Funds governed by various legislations. Section 417 of the Municipal Act, 2001 governs Discretionary Reserve Funds.

**Goals and Objectives**

The goals and objectives of the Reserve and Reserve Fund Policy include:

1. To reduce the risks to the taxpayer of significant budget impacts arising from uncontrollable events and activities;
2. To provide a source of one-time or short term financing without permanently impacting the tax rates. For example, capital projects or major capital equipment requirements, which are not included in approved budgets and cannot be reasonably funded by delaying a lower priority capital project;
3. To provide a source of funding for a one-time operating expenditure, including small capital, not in approved budget allocations;
4. To ensure adequate cash flows and liquidity; and
5. To maintain a level of reserves that would be comparable to other Ontario municipalities and as defined in the below performance targets.

**Performance Targets**

Reserve policies are intended to provide long term perspective to financial planning. The performance targets identified within this policy are to achieve long term financial stability as well as support to the attainment of the Municipality's broader strategic objectives.

**General Targets**

**Discretionary Capital Reserve Funds:** Are dedicated capital reserves with a long-term target level of at least 40% of total capital budgeted expenditures funded by the municipality (not to include the portion of capital budgeted expenditures that are funded initially:

by grants or other funding from other government agencies) excluding water and wastewater.

**Discretionary Operating Reserve Funds:** Are dedicated operating reserves with a long-term target level of at least 10% of total operating budget expenditures.

**Tax Rate Stabilization Reserve Funds:** Fund target level should be maintained at a level of 5% of the total municipal tax levy.

**Operating Budget Contingency Fund:** Identified for unbudgeted operating expenditures should total 1% of the approved operating budget.

## **Water and Wastewater Targets**

**Water and Wastewater Stabilization Reserve Funds:** Are dedicated operating reserves used to fund unbudgeted operating deficits in water and wastewater operations. Unbudgeted water and wastewater surpluses in water and wastewater operations are to be transferred into the reserve fund.

**Dedicated Water and Wastewater Capital Reserve Funds:** Are dedicated capital reserves with an overall target level of at least 40% of the total capital budgeted expenditures for water and wastewater.

## **Implementation and Reporting**

1. The implementation of this policy shall be considered a long-term goal of the Municipality.
2. The Treasurer shall provide an annual report to Council as to the Municipality's reserves and reserve funds.
3. Council must approve any new discretionary reserve fund by resolution. Alternatively a new reserve fund may be established with the approval of the Operating Budget by specific reference within the budget details.
4. Transfers to or from a reserve or reserve fund must be approved by Council. Approval may be granted by specific resolution, by policy approved by Council or by specifically approved budget allocations.

## **Definitions**

### **Reserve**

A "reserve" is a discretionary appropriation from net revenue, after provision has been made 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. Investment income earned on municipal assets is not allocated to reserves.

## **Reserve Fund**

A reserve fund that is funded from the revenue fund is normally established in the estimates by-law with a complementary by-law or resolution outlining its operational elements. A reserve fund that is funded from other sources is normally established in a specific by-law or resolution that also outlines its operational elements.

A reserve fund differs from a reserve in that reserve fund assets are segregated and restricted to meet the purpose of the reserve fund. Investment income earned on the segregated reserve fund assets is added to the balance of the reserve fund and is not available for general municipal purposes. There are two types of reserve funds, obligatory reserve funds and discretionary reserve funds.

### **Obligatory Reserve Fund**

“Obligatory Reserve Fund” is created whenever a statute requires revenue received for special purposes to 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.

### **Discretionary Reserve Fund**

“Discretionary Reserve Fund” is created under Section 417 of the Municipality Act whenever a Council wishes to designate revenues to finance a future expenditure for which it has the authority to spend money and to set aside a certain portion of any year’s revenues so that the funds are available as required. In accordance with Section 417, municipalities should create new reserve funds (or additional allocations to reserve funds) through the estimates process, defining the purpose for which the reserve fund is being created.