

Category: Finance

Finance Reserve and Reserve Fund Policy

Policy Number: [Policy Number (assigned by CAO's Office, after approval)]
Approved by: Council Resolution # [Council Resolution #] – [Date]
Administered by: Corporate Budget Office
Effective Date: Click or tap to enter a date.

1. Background.....	2
2. Purpose.....	2
3. Application and Scope.....	2
4. Outcomes.....	2
5. Principles	3
6. Policy Statements.....	3
7. Management of Reserves and Reserve Funds.....	3
8. Roles and Responsibilities	4
9. Monitoring, Compliance and Reporting.....	5
10. Definitions	5
11. References and Resources	7
12. Revision History	7

1. Background

The *Municipal Act, 2001* section 290 and its related regulations, provides that a municipality's budget shall set out amounts to be paid into and out of reserves and reserve funds (RRF). As such, the City of Brampton (the City) has established various reserves and reserve funds as part of its long-term financial management strategy. These reserves and reserve funds, required by provincial legislation, contractual agreement or as established by Council:

- assist with the management of finances,
- fund future capital programs and expenditures, and
- enhance the City's overall financial stability.

2. Purpose

The purpose of this Policy is to establish consistent principles, primary objectives, management and administrative responsibilities, and standards of care for the reserves and reserve funds managed by the City.

3. Application and Scope

This Policy applies to all reserves and reserve funds administered by the City, including those administered by the City for its local boards, agencies and or commissions. It covers the establishment, amendment, amalgamation, closure, administration, review and reporting on all reserves and reserve funds accordingly.

This policy will apply to all of the City's employees who are responsible for the administration and management of the City's reserves and reserve funds.

4. Outcomes

The intended outcomes of this Policy include:

- 4.1 Ensuring the City's administration and management of the reserves and reserve funds complies with the *Municipal Act, 2001* and its related regulations.
- 4.2 Establishing that this Policy will be administered by the City Treasurer, the Finance Division.
- 4.3 Providing clear guidelines to ensure staff demonstrate due diligence with respect to the administration and management of the City's reserves and reserve funds, and
- 4.4 Optimizing the City's reserve and reserve funds to ensure the City delivers programs and services for its residents and ratepayers.

5. Principles

- 5.1 **Budget and Strategic Financial Planning:** Reserves and reserve funds shall form an integral part of the City's budget and strategic financial plan.
- 5.2 **Accountability:** The City is accountable to stakeholders while adhering to all legislative and related policy requirements.
- 5.3 **Fiscally prudent:** The City is responsible for accurately and appropriately managing funds to ensure no undue burden is placed on residents and ratepayers.
- 5.4 **Transparency:** The City is responsible for conducting business in a manner that provides public transparency.
- 5.5 **Optimization of Capital Funds:** The City will utilise its capital reserves and reserve funds to finance its capital projects and program.
- 5.6 **Liquidity:** Reserves and reserve funds shall be kept at adequate levels to ensure the City has enough cash on hand to meet its financial obligations.

6. Policy Statements

In addition to complying with statutory and legal requirements, reserves and reserve funds are usually established for purposes that extend beyond a current fiscal year (e.g., the funding of future capital programs and expenditures). Although more strategic and long-term in nature, the use of reserves and reserve funds can also be used to maintain the financial stability of the City by:

- Stabilizing and or controlling property tax rate increases should the economy take a sudden downturn,
- Providing funding to address unexpected expenses or revenue shortfalls,
- Providing funding for one-time or short-term special purposes or projects,
- Providing funding for uncontrollable or unpredictable events such as floods, forest fires and or pandemics, and
- By assisting and providing the flexibility needed to manage fluctuations in the City's cash flows.

7. Management of Reserves and Reserve Funds

- 7.1 **Establishment, Closure & Maintenance:** New reserves and reserve funds require Council approval with clear purpose. A Council resolution and/or by-law repeal is required to close a reserve or reserve fund. The Treasurer or designate, may rename, merge or split reserve or reserve fund without changing its intended purpose. This will be reported to Council on a quarterly basis.

- 7.2 **Use & Transfers:** All reserves and reserve funds must be used only for their approved purposes. All transfers must follow all applicable legislation, by-laws, City policies and procedures, or approved budgets. Negative reserve and reserve fund balances resulting from intended uses must be repaid.
- 7.3 **Target Balances:** Target balances for the aggregate of capital reserves and reserve funds shall be maintained to ensure sufficient cash is on hand to meet obligations. Operating reserves and reserve funds targets will be maintained as per Budget Policy, FIN-140.
- 7.4 **Borrowing:** Internal borrowing against reserves and reserve funds is permitted providing that it complies with existing legislative and/or policy requirements.
- 7.5 **Reporting & Oversight:** Information on reserves and reserve funds will be reported internally and externally through the following reports: the annual audited consolidated financial statements, quarterly reserve and reserve fund updates to Council, monthly reserve and reserve fund statements, budget documents, and development charge, community benefit charge & cash in parkland reserve fund statements.

8. Roles and Responsibilities

8.1 City Council

8.1.1 In accordance with the Municipal Act 2001, and its related regulations, City Council is responsible for:

- a) Developing and evaluating the policies and programs of the City,
- b) Ensuring that administrative policies, practices and procedures are in place to implement Council's decisions, and
- c) Maintaining the financial integrity of the City.

City Council thus, has the ultimate authority and responsibility to establish and close reserves and reserve funds, and to authorize all transactions to reserves and reserve funds through either the budget process, or by specific Council resolution or by-law.

8.2 Chief Administrative Officer (CAO)

8.2.1 In accordance with the *Municipal Act 2001* and its related regulations, the CAO is responsible for exercising the general control and management of the City's affairs for the purpose of ensuring efficient and effective municipal operations.

8.2.2 Supporting the Treasurer by ensuring the purpose, guiding principles and requirements contained in this policy are applied consistently and accordingly by all City departments.

8.3 City Treasurer

- 8.3.1 Will provide Council with quarterly status updates on the financial status of the City according to the City's financial accountability framework and related policies. This may include making recommendations for revisions and or amendments to this policy.
- 8.3.2 The Treasurer will establish and manage all reserves and reserve funds in accordance with Council's direction and all applicable statutory and legal requirements.
- 8.3.3 The Treasurer may delegate authority for managing and administering the City's reserves and reserve funds to the Deputy Treasurer.
- 8.3.4 The Treasurer will prepare the City's long-term financial strategy with due consideration given to the appropriateness of reserves and reserve funds. This will ensure the operating and capital financing needs of the City can be met effectively.
- 8.3.5 The Treasurer and or the Deputy Treasurer will have overall responsibility for the management and administration of this policy including the related roles, responsibilities and procedures that are consistent with the content of this policy.

9. Monitoring, Compliance and Reporting

- 9.1 Compliance for the following will be monitored through regular and timely reporting to City Council.
- 9.2 Consequences of non-compliance
 - 9.2.1 Should there be any misuse of the reserves and reserve funds that were made not in compliance to this Policy, then the Treasurer will report the inconsistency to Council within the next quarter after becoming aware of it.
 - 9.2.2 The reserves and reserve funds will be reviewed to ensure there is sufficient funding for all commitments.

10. Definitions

- 10.1 **"Balance"** means the uncommitted balance of a reserve or reserve fund. It is the cash balance of the reserve or reserve fund net of any approved budgetary commitments.
- 10.2 **"Capital Expenditures"** are determined by the nature of the work that is undertaken. They include (but are not limited to) studies, road crack sealing program, etc. They can occasionally be one-time in nature.

- 10.3 “**Capital Reserves and Reserve Funds**” are funds to assist in financing all or part of the cost of construction, reconstruction, or acquisition of a capital facility, the acquisition of equipment or land improvements.
- 10.4 “**City**” means the Corporation of the City of Brampton.
- 10.5 “**Council**” means the mayor and members of Council for the City of Brampton.
- 10.6 “**Debt**” is any obligation for the repayment of money. For Ontario municipalities, debt would consist of debentures as well as either notes or cash from financial institutions but could also include loans from discretionary reserves and reserve funds.
- 10.7 “**Development Charges**” provide financing for growth-related projects undertaken by the City as detailed in the DC Background Study and By-law.
- 10.8 “**Discretionary Reserve Fund**” Monies set aside for a specific purpose by Council and legislated by municipal by-law. If Council should decide to spend the money for purposes other than what it was originally intended for, then a new by-law must be passed under section 417 (4) of the Municipal Act.
- 10.9 “**Fiscal Year**” means January through to December of each year.
- 10.10 “**Internal Borrowing**” means the borrowing of funds from one reserve or reserve fund to another. The borrowed funds are subject to interest and repayment as outlined in the Council authorization.
- 10.11 “**Obligatory Reserve Fund**” means a reserve fund created when a provincial or federal statute requires that revenue received for special purposes are segregated from the general revenues of the municipality (e.g. development charges). An obligatory reserve can also be created as result of a legal agreement (e.g. subdivision agreement with a developer). Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute or a legal agreement.
- 10.12 “**Operating Reserves and Reserve Funds**” are funds set aside to maintain a municipality’s cash flow for unforeseen circumstances and to smooth out the tax impact.
- 10.13 “**Program**” means a service area of the City (i.e. arena, parking etc.)
- 10.14 “**Quarterly**” means occurring every three months or four times each calendar year.
- 10.15 “**Reserve**” means allocation from net revenue at the discretion of Council, as authorized under the *Municipal Act*. It has no reference to any specific asset and does not require segregation as in the case of a reserve fund. A reserve may be established for a predetermined purpose and applied for that purpose at the discretion of Council. A reserve is generally referred to as

“contingency” or “rainy-day funds” to mitigate fluctuation in economic factors, in response to unanticipated events and contingent liabilities.

10.16 **“Reserve Fund”** means fund with assets which are segregated and restricted to meet the purpose of the reserve fund. It is based on a statutory requirement or defined liability payable in the future and is 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.

10.17 **“Treasurer”** means the Director of Finance or staff designated in writing as such as to act in the absence of the Treasurer. The Treasurer shall exercise all powers and duties of the Treasurer as set out in the *Municipal Act 2001*.

11. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publicly available.

11.1 External references

- [Municipal Act, 2001, S.O. 2001, c. 25 | ontario.ca](#)
- [Development Charges Act, 1997, S.O. 1997, c. 27 | ontario.ca](#)
- [Planning Act, R.S.O. 1990, c. P.13 | ontario.ca](#)

11.2 References to related bylaws, Council policies, and administrative directives

- [Budget Policy](#)
- [Financing Policy](#)
- [Investment Policy](#)
- [City of Brampton | Planning and Development | Development Charges](#)
- [City of Brampton | Stormwater | Stormwater](#)
- [City of Brampton | Planning and Development | Development Application Process](#)

11.3 References to related corporate-wide procedures, forms, and resources

- [City of Brampton | Corporate Asset Management | Corporate Asset Management](#)
- [City of Brampton | Budget | Long-Term Financial Master Plan](#)

12. Revision History

Date	Description
yyyy/mm/dd	Next Scheduled Review (<i>typically three years after approval</i>)