



DRAFT City of Belleville Reserve & Reserve Fund Policy

Dated: February 2024

1. POLICY STATEMENT

A policy governing the management and administration of the City of Belleville's Reserves and Reserve Funds.

2. PURPOSE

The *Municipal Act, 2001* (the Act) requires that a municipality's budget shall set out amounts to be paid in and out of reserves. Reserves and Reserve funds may be established for any purpose for which it has the authority to spend money. This policy identifies and rationalizes the various Reserves and Reserve Funds held by the City of Belleville (the City). Reserves and Reserve Funds are established and managed to:

- Adhere to statutory requirements.
- Facilitate and support long-term financial planning.
- Plan for the impact and financing of major capital projects over time and reducing the need for tax and user rate funded debentures.
- Stabilize tax and user rates.
- Absorb the cost of one-time or anticipated expenditures not initially approved in operating or capital budgets.
- Manage cash fluctuations.

3. SCOPE

The Reserves & Reserve Funds Policy applies to all Reserves & Reserve Funds established by the City.

4. DEFINITIONS

"Agencies, Boards and Commissions" (ABC) serve various functions to support governance, policy implementation and service provision. The City's ABCs stated in this policy include The Belleville Police Services Board and the Belleville Library Board.

“Asset Management Plan” or AMP is a strategic document that states how a group of assets are to be managed over a period. The plan describes the characteristics and condition of infrastructure assets, the levels of service expected from them, planned actions to ensure the assets are providing the expected level of service, and financing strategies to implement the planned actions.

“Discretionary Reserve Fund” is a reserve fund established at the discretion of Council through a by-law and is earmarked for a specific purpose. If Council should decide to spend the funds for purposes other than the original intent, a new by-law must be passed under Section 417 of the Act.

“Deferred Revenue” is revenue that is considered a liability on the City’s financial statements until, over time, it becomes relevant to current operations, such as prepayment received for something that has not yet been provided.

“Development Charge” is a charge legislated under the Development Charges Act, 1997 that allows a municipality to impose a charge to fund capital projects or certain operating costs that are deemed necessary to service new growth under the notion that growth pays for growth. Charges must accompany a by-law and development charges study that forecasts growth and relevant growth-related projects.

“Financial Information Return” or FIR is the main data collection tool used by the Ministry of Municipal Affairs and Housing to collect financial and statistical information for all municipalities. The Municipal Act, 2001 requires that each municipality will annually report on its financial affairs, accounts, and transactions in the form of the FIR. This data is available for public review online.

“Obligatory Reserve Fund” is a reserve fund that is legislated by senior levels of government, a municipal by-law, and/or agreement under external stipulations, giving rise to a potential liability. These funds are shown as Deferred Revenue on the audited financial statements until stipulations are met.

“Public Sector Accounting Board” or PSAB is an independent board with the authority to set accounting standards for the public sector.

“Reserve” is an allocation of funds that is not restricted by by-law or legislation but can be related to projects that are of a nature prescribed and managed by approval of Council. Reserves are held in the general bank account and typically do not receive an annual interest allocation.

“Reserve Fund” is a fund set aside for a specific purpose as required by legislation, by-law, or agreement and consists of obligatory (externally restricted) and discretionary (internally restricted) reserve funds. Reserve funds receive an interest allocation.

5. POLICY

The City’s Reserve and Reserve Funds are listed in Appendix A of this Policy, which outlines the various purposes, funding sources, targets, and reporting requirements.

5.1. ESTABLISHMENT

Prior to establishing a new Reserve or Reserve Fund, a financial plan will be prepared and approved by Council which identifies need, target funding level (if applicable), contribution sources, and projected disbursements (where practicable).

5.2. FUND TARGETS

Targets have been established for certain Reserves and Reserve Funds. These targets will be reviewed annually by staff to ensure their adequacy and reasonability. Methodologies for setting targets are specific to each Reserve or Reserve Fund, whereby consideration was given to the following:

- Purpose of fund (operating and/or capital)
- Certainty of end needs (contingency or long-term replacement/obligation)
- Economic factors (agreements, legislation, PSAB)
- Multi-year forecast of contribution and projected usages.

Where appropriate, the Treasurer may recommend transfers between Reserve Funds to Council from time to time to ensure the adequacy and projected use of funds, and to alleviate significant shifts in individual targets.

5.3. INVESTMENT

Reserve Funds may be invested for a term that will not exceed its expected date of need and in accordance with the City's Investment Policy. The related investment income will be allocated in accordance with the City's procedures.

5.4. CONTRIBUTIONS/WITHDRAWALS

All contributions to/withdrawals from Reserves and Reserve Funds shall be approved by Council, normally as part of the annual budget approval or specifically by resolution with the following exceptions:

- External contributions to Obligatory Reserve Funds.
- Allocation or utilization of Reserve Funds in accordance with the City's Surplus & Deficit Management Policy.
- Year-end surplus/deficits as reported under Belleville Police Services.
- Year-end surplus/deficits as reported under Winter Control.
- Year-end surplus/deficits of supplemental revenue and write-offs under Other Taxation.
- Interest allocations in accordance with the City's procedures.

5.5. TEMPORARY BORROWING

Temporary borrowing to cover a Reserve and Reserve Fund short-term deficit, interim servicing requirements, or internal financing is permitted, when justified, adequately supported, and authorized by Council where the following conditions are met:

- Borrowing must not adversely affect the intended purpose of the fund.
- A documented plan to repay the funds within a reasonable time frame is required.
- Interest, equivalent to the City's interest earned on reserve funds, will be applied to the outstanding amount borrowed.
- Legislative requirements, where applicable, will prevail.

5.6. TERMINATION/CLOSURE

If the purpose for which the Reserve or Reserve Fund was created has been accomplished and/or deemed no longer necessary, the Treasurer, in consultation with the applicable department Director shall report to Council with the recommendation on:

- The closure of the fund.
- The disposition of remaining funds.
- The necessary amendment or repeal to the by-law where applicable.

5.7. ROLES & RESPONSIBILITIES

Council:

- In accordance with Section 224 of the Act, develop and evaluate policies, ensure the administrative policies, practices, and procedures are in place and maintain financial integrity of the City.
- Subject to Section 5.4, approve transactions to and from Reserves and Reserve Funds through the budget process or by specific resolution or by-law.

Chief Administrative Officer

- Support the Treasurer or Designate in ensuring the principles and mandatory requirements contained in this policy are applied consistently across all City departments.

Treasurer or Designate:

- Develop and update this Policy as necessary and present changes to Finance Committee and Council.
- Ensure that the principles and requirements contained in this Policy are applied consistently across all departments.
- Subject to Section 5.4 and in accordance with the City's procedures, ensure contributions and withdrawals are adjusted for.
- Recommend strategies for the adequacy of Reserve/Reserve Fund levels.
- Report to Council the fund balances and forecasts as part of the annual budget approval and year-end audit processes.

Executive Management Team

- Provide the Treasurer or Designate with the most current information to be used in the assessment and adequacy of Reserves/Reserve Funds.
- Consult with the Treasurer or Designate when Reserves/Reserve Funds may be recommended for unbudgeted transactions.

5.8. REPORTING

Specific external reporting requirements are outlined in Appendix A of this policy. Additionally, general reporting is required for all Reserves and Reserve Funds as follows:

- Annual audited financial statements shall include a statement of opening and ending cash balances and activities of the preceding year as required by PSAB.
- Forecasts including commitments and target positions shall be presented to Finance Committee and Council annually as part of annual budget deliberations.
- Annual Financial Information Return Schedules 60 – Continuity of Reserves and Reserve Funds and 61 – Development Charges Reserve Funds, as required by the Ministry of Municipal Affairs and Housing.
- Other external reporting that may arise and may be brought to Council.

5.9. REVIEW

This policy shall be presented to Finance Committee and Council for review and update, if applicable, every four years, in the first year of each elected Council, or as deemed necessary by Council or the Treasurer.

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Appendix A

Name	Reserve/Reserve Fund	Funding Source	Category	Purpose	Target	Reporting Requirements
Building Code Act	Reserve Fund	Year-end operating surplus and/or budgeted contributions within Building Services.	A - Obligatory	To fund capital projects, one-time costs, and annual deficits due to the cyclical nature of building permit activity associated with enforcing the Building Code.	Operating: Two years of budgeted operating expenditures in preceding year. Capital: Five-year costs projected in capital plan.	Annual report in accordance with Section 7(4) of Building Code Act
Canada Community Building Fund (CCBF)	Reserve Fund	Annual allocation from the Association of Municipalities of Ontario (AMO).	A - Obligatory	To fund environmentally sustainable municipal infrastructure projects that contribute to cleaner air, water and reducing greenhouse gas emissions as described in accordance with the five-year agreement. Eligible expenditures are those associated with acquiring, planning, designing, constructing, or renovating a tangible capital asset; the strengthening of the ability of municipalities to improve local and regional planning and asset management as well as joint federal communication activities and federal signage. Schedules in the agreement set out specific eligible and ineligible expenditures.	N/A - Financing strategy and planned expenditures in accordance with City's AMP.	Annual report to AMO as per agreement
Development Charges	Reserve Fund	Development Charges collected as outlined in the bylaw and background study. Funds are deposited categorically in accordance with bylaw and study.	A - Obligatory	To fund growth-related projects forecasted in the Development Charges Study.	N/A - Financing strategy and planned expenditures in accordance with City's AMP and Infrastructure Phasing Strategy.	Annual year-end report to Council as per Section 43 of the Development Charges Act, 1997
Ontario Community Infrastructure Fund (OCIF)	Reserve Fund	Annual allocation formulated by the Ministry of Infrastructure (MOI).	A - Obligatory	To fund infrastructure projects in accordance with the OCIF Agreement, addressing road, bridges, water, and wastewater core infrastructure replacement needs.	N/A - Restrictions on funds held are in accordance with MOI Agreement.	Annual report to MOI as per agreement
Parkland Development	Reserve Fund	Cash in lieu of parkland as prescribed in the Planning Act.	A - Obligatory	Providing for the acquisitions of lands to be used for park or other public recreational purposes, including the erection or repair of buildings or other structures thereon or for the maintenance of lands, buildings, or structures used for park or other public recreational purposes, including the acquisition of machinery and equipment required for such maintenance.	N/A - Financing strategy and planned expenditures in accordance with City's AMP and Infrastructure Phasing Strategy.	Policy
Provincial Gas Tax	Reserve Fund	Annual allocation from the Ministry of Transportation (MTO)	A - Obligatory	To provide stable and predictable transit funding for Ontario municipalities in accordance with agreement.	N/A - Financing strategy and planned expenditures in accordance with MTO Agreement.	Annual report to Ministry of Transportation in accordance with agreement
Accessibility	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To offset future accessibility related capital improvements and operating expenditures relating to accessible programs and services.	N/A - Financing strategy and planned expenditures in accordance with City's Multi-Year Accessibility Plan.	Policy
Archives Facility	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To fund capital improvements planned at the Archives Facility.	N/A - Financing strategy and planned expenditures in accordance with City's AMP.	Policy
Asset Management	Reserve Fund	Allocation via operating budget and year-end Taxation operating surplus in accordance with Surplus & Deficit Management Policy	B - Discretionary - Core	To provide for tax-funded capital infrastructure projects (excluding City Boards).	Excluding Boards, the greater of: - Five-year tax-funded capital plan; and - 5% of tax-funded capital replacement values per inflated AMP	Policy
Casino - Development Infrastructure	Reserve Fund	Contributions from Ontario Lottery & Gaming Corporation (OLG) as per contribution agreement	B - Discretionary - Core	To fund the City's share of new infrastructure required from growth.	N/A - Financing strategy and planned expenditures in accordance with City's AMP.	Policy
Casino - Disaster Mitigation/Contingency	Reserve Fund	Contributions from OLG as per contribution agreement	B - Discretionary - Core	To fund costs in the event of a natural or other disaster.	\$500,000	Policy
Casino - Economic Development	Reserve Fund	Contributions from OLG as per contribution agreement	B - Discretionary - Core	To fund projects associated with economic development, including commercial/industrial land and various related strategic initiatives.	N/A	Policy
Casino - Infrastructure Maintenance	Reserve Fund	Contributions from OLG as per contribution agreement	B - Discretionary - Core	To provide for tax-funded capital infrastructure projects.	N/A - Financing strategy and planned expenditures in accordance with City's AMP.	Policy
Casino - Social Infrastructure	Reserve Fund	Contributions from OLG as per contribution agreement	B - Discretionary - Core	To fund assistance to non-profit agencies via the City's Social Infrastructure grant program.	N/A - Financing strategy and planned expenditures in accordance with City's Grant Policy.	Policy
Casino - Vehicle/Equipment Replacement	Reserve Fund	Contributions from OLG as per contribution agreement	B - Discretionary - Core	To provide for tax-funded vehicle & equipment replacements.	N/A - Financing strategy and planned expenditures in accordance with City's AMP.	Policy
Community Improvement Plan (CIP)	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To fund forecasted outflows from other Community Improvement incentive programs as outlined in the City's CIP.	Three years of estimated applications under CIP programs	Policy
Election Expenses	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To offset election expenses	Estimated future election costs.	Policy
Elexicon Revenue	Reserve Fund	Equity share from Elexicon Corporation per agreement	B - Discretionary - Core	To offset expenditures outside of the municipal mandate of the City.	75% of average annual future spending commitments from the fund.	Policy

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Name	Reserve/Reserve Fund	Funding Source	Category	Purpose	Target	Reporting Requirements
Environmental	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To fund the following: - Activities related to environmental issues or concerns including activities such as investigation, study, design, consulting, risk mitigation, construction, remediation or other similar activities that are the responsibility of the City. - Expenditures in the protection of environmentally sensitive and significant lands in teh City from development through purchase or other means. - Requirements and objectives of the Municipal Declaration of a Climate emergency. - Legislative requirements for nutrient recovery and management.	20% tax-funded operating expenditures budgeted in the preceding year in Environmental Services plus five-year forecast of capital projects eligible under the fund.	Policy
Future Employee Benefits	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To offset employee future benefit liability payments.	The greater of: - 25% of employee future benefits liability as reported in most recent audited PSAB financial statements; and - Five years of benefit payments as per most recent audited PSAB financial statements.	Policy
Industrial Land	Reserve Fund	Allocation via operating budget and net proceeds of industrial land sales	B - Discretionary - Core	To provide for the purchasing and servicing of industrial lands owned and controlled by the City.	N/A - Financing strategy and plan for industry-related expenditures.	Policy
Municipal Accomodation Tax (MAT)	Reserve Fund	MAT revenues collected	B - Discretionary - Core	To fund tourism-related expenditures.	N/A - Financing strategy and plan for tourism-related expenditures.	Policy
Museum Collections	Reserve Fund	Allocation via operating budget and net proceeds of designated heritage property sales	B - Discretionary - Core	to fund museum collection acquisitions and restoriation for the Glanmore Museum.	N/A	Policy
Retirement & Leave	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To fund accumulated leave and retirement incentives owing to eligible employees upon retirement, termination, or death.	5% of the City's total salaries & benefits as reported in most recently submitted FIR + estimated future payout of retirement incentives.	Policy
Tax Rate Stabilization	Reserve Fund	Allocation via operating budget and year-end Taxation operating surplus in accordance with Surplus & Deficit Management Policy	B - Discretionary - Core	To stabilize tax rates by funding in-year shortfalls and one-time/unanticipated expnditures including but not limited to legislated and discretionary plans/studies, legal costs, and insurance claims/premium increases.	10% of preceding year tax levy	Policy
Thurlow Landfill	Reserve Fund	Allocation via operating budget	B - Discretionary - Core	To fund eventual closure of Thurlow landfill	Present value of liability associated with landfill as report in most recent audited PSAB financial statements.	Policy
Winter Control	Reserve Fund	Year-end Winter Control operating surplus and/or budgeted contributions	B - Discretionary - Core	To stabilize tax rates by funding expenditures in the event of a shortfall in the winter control operating budget from extreme weather conditions.	30% of Winter & Flood Control operating expenditures budgeted in the preceding year.	Policy
Parking Development	Reserve Fund	Allocation via operating budget and parking year-end operating surplus in accordance with Surplus & Deficit Management Policy	C - Discretionary - Rate-funded	To stabilize parking rates by funding in-year revenue shortfalls, one-time/unanticipated expenditures, and capital infrastructure projects relating to parking.	Capital: Greater of - 5% of replacement value of parking infrastructure per inflated AMP; and - Five-year capital plan + Operating: 20% of preceding year budgeted parking expenditures.	Policy
Sanitary Sewer	Reserve Fund	Allocation via operating budget and wastewater year-end operating surplus in accordance with Surplus & Deficit Management Policy	C - Discretionary - Rate-funded	To stabilize wastewater rates by funding in-year revenue shortfalls, one-time/unanticipated expenditures, and capital infrastructure projects related to wastewater.	Capital: Greater of - 5% of replacement value of sanitary infrastructure per inflated AMP; and - Five-year capital plan + Operating: 5% of preceding year budgeted sanitary expenditures.	Policy
Water Service	Reserve Fund	Allocation via operating budget and water year-end operating surplus in accordance with Surplus & Deficit Management Policy	C - Discretionary - Rate-funded	To stabilize water rates by funding in-year revenue shortfalls, one-time/unanticipated expenditures, and capital infrastructure projects related to water.	Capital: Greater of - 5% of replacement value of water infrastructure per inflated AMP; and - Five-year capital plan + Operating: 5% of preceding year budgeted water expenditures.	Policy
Belleville Library (various)	Reserve/Reserve Fund (various)	Various	D - ABC	As outlined via resolutions from Belleville Library Board.	N/A	Belleville Library Board
Police	Reserve Fund	Year-end Police operating surplus and/or budgeted contributions	D - ABC	To stabilize tax rates by funding in-year revenue shortfalls, one-time/unanticipated expenditures, and capital infrastructure projects relating to policing.	Capital: Greater of - 5% of replacement value of police infrastructure per inflated AMP; and - Five-year capital plan + Operating: 5% of preceding year budgeted police expenditures.	Policy