

THE CORPORATION OF THE MUNICIPALITY OF SHUNIAH



BY-LAW NO. 3056-19

Being a by-law to adopt the Reserve and Reserve Fund Policy.

Recitals

- a) The Municipality of Shuniah has determined a need to adopt and establish a policy for reserve and reserve funds;
- b) Reserve and Reserve Fund Policy is to provide guidance with respect to the administration, establishment, targeted levels and uses of the Municipal's reserves.

NOW THEREFORE, the Council of the Municipality of Shuniah, a municipal corporation pursuant to the Municipal Act, 2001 ENACTS AS FOLLOWS:

1. That the Policy for the reserve and reserve fund attached hereto and marked as Schedule "A" is hereby adopted.
2. Schedule "A" shall form part of this by-law.
3. That this by-law shall come into force and take effect upon the third and final reading thereof.

READ A FIRST AND SECOND TIME THIS 19th DAY OF March, 2019

Wendy Landry
Mayor
[Signature]
Clerk

READ A THIRD TIME AND FINALLY PASSED THIS 19th DAY OF March, 2019

Wendy Landry
Mayor
[Signature]
Clerk



Reserve and Reserve Fund Policy

1 Purpose

The purpose of this Reserve and Reserve Fund Policy is to provide guidance with respect to the administration, establishment, targeted levels and uses of the Municipal's reserves.

2 Guiding Principles

The creation, use and management of reserves and reserve funds that is formalized in this policy will allow funds to be spent judiciously over time to ensure service levels are maintained and not impacted by unforeseen expenditures or downturns in the economy. It will also provide financial stability to the municipality that will mitigate the need to increase taxes as a result of such events.

Operating Reserves are to be used to fund items that occur that were not anticipated and/or budgeted. The Operating Reserve provides funding for operating items that will require a plan to contribute the funds back into the reserve in future years. Examples of items would be to fund the summer day camp or purchasing of promotional items.

Capital Reserves are to be used to accumulate funds over time to replace and maintain capital assets and infrastructure. Capital reserves will allow for financial flexibility for funding for capital expenditures that were not anticipated and therefore not budgeted. Examples of items not anticipated would be a culvert washout due to spring thaw.

Reserve Funds are only to be used for the specified purpose of the reserve. Reserve Funds will be invested and will earn interest that will be contributed back to the Reserve Fund.

3 Administration

3.1. Creating a New Reserve

Creating a new reserve can only be approved by Council. The establishment of a new reserve will require a report to Council which will address the following:

- i. Reserve Name
 - ii. Designation of the reserve (i.e. Operating, Capital, Reserve Fund)
 - iii. Intended purpose of the reserve
 - iv. Funding Source
 - v. Designated Use
 - vi. Targeted balance of the reserve
 - vii. Conditions and/or restrictions of the reserve
 - viii. Consequences of not creating the reserve
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3.2. Amending or Closing a Reserve

Amending or closing a reserve will require approval from Council. A report from the Treasurer will be prepared for Council with the justification for amending or closing the reserve.

3.3. Administering Reserves and Reserve Funds

Administration will manage the Municipal Reserves and Reserve Funds in accordance with this policy and ensure that all conditions and/or restrictions are met as approved by Council.

Any contributions and withdrawals from reserves that were not budgeted will require a separate report to Council for authorization. The report will be submitted and prepared by the Treasurer or CAO.

An annual report of the status of the Municipality's reserve will be prepared for Council at the same meeting Council reviews the Municipal annual audited financial statements. The annual report will include information on the targeted balances of each reserve. If a reserve balance is less than the minimum targeted balance, the report will provide recommendations to Council on a contribution plan in order to work towards achieving the targeted balance.

Administration will complete a review of the Municipal Reserve Policy every four (4) years will include the following:

- i. Adequacy of the targeted levels of reserves
- ii. Defined uses of reserves and reserve funds
- iii. Elimination of specific reserves and/or reserve funds
- iv. Category of reserves and/or reserve funds

A report to Council will be prepared to summarize the findings of the review and make recommendations to make changes to the policy or items listed above.

4 Category of Reserves

4.1. Operating Reserves

Operating reserves will be maintained to fund operating items that were not anticipated and/or budgeted. Operating reserves can also be used to as a mechanism to set funds aside for expenditures in future years. The Municipal's Operating Reserves shall include the following categories:

- i. Contingency Fund Reserve
 - ii. Working Capital Reserve
 - iii. Election Reserve Fund
 - iv. Future Health Benefit Assist-Reserve
 - v. MacGregor Recreation Reserve
 - vi. Land Development Reserve
 - vii. Official Plan Reserve
 - viii. Zoning By-law Reserve
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If a department request to use funds from the Municipal Working Reserves, a contribution plan must be incorporated to pay the funds back in future years.

The targeted funding level for the Municipal Operating Reserves in total is 25% of the previous year's tax levy that is used to support the Corporation's operating budgets.

4.2. Capital Reserves

Capital Reserves are to be used for long term capital investment projects that will be incurred in the future for both new capital and capital replacement. Capital Reserves should also be considered for use of unanticipated expenditures that are related to capital and/or the Municipality's infrastructure.

The Municipality's Capital Reserves shall include the following categories:

- i. Fire Hall Equipment Reserve Fund
- ii. Roads Equipment Replacement Fund
- iii. Roads-Reserve Fund

Municipal departments will be able to make budgeted contributions to the Capital Reserves as a mechanism to set aside budgeted funds for a project that will occur in future years.

The targeted funding level for the Municipal's Capital Reserves is 20% of the previous year's replacement cost for the Municipal's tangible capital assets. This should not include funds that have been contributed to the reserve for a specific project that is planned in future years.

4.3. Restricted Reserves (Municipal Funding)

There are certain reserves that have been established and internally funded that are deemed to be restricted for certain uses. The following is a list of the Restricted Reserve that are funded by the municipality:

- i. Landfill Contingency Reserve Fund

4.4. Restricted Reserves (Externally Funded)

Restricted Reserves that are funded externally include the following:

- i. Gas Tax Rebate Reserve Fund
- ii. Parkland Reserve Fund/Cash in Lieu

These reserves have been funded by senior levels of government or third parties for specific purposes that are defined by legislation or a municipal by-law. These funds will not have a targeted funding level. Reserves may vary depending on programs that are funded by other levels of government.

5 Borrowing from Reserve Funds

In certain circumstances, there is a good business case to allow borrowing from Reserve Funds as a financing option. If funds are borrowed from a Reserve Fund the fund must be credited interest annually that otherwise would have been earned in a competitive market investment. Council will be required to approve the use of Reserve Funds as a financing option.

6 Schedule A

Schedule A is attached and is considered a supporting document that forms the framework of this policy. This schedule provides a list of reserves and reserve funds which include the following:

- i. Name
- ii. Purpose
- iii. Source of funding
- iv. Designated use
- v. Targeted balance
- vi. Conditions and/or restrictions

Schedule A to By-law No.: 3056-19

Name	Purpose	Source of Funding	Designate Use	Targeted Balance	Conditions and/or Restrictions
Operating Reserves	A balance set aside to stabilize finances by providing assistance against unexpected events, losses of income, and large un-budgeted expenses	Tax Base: budgeted contributions or surpluses from Operating Budgets	To fund unexpected operating items as well as any annual deficits and smooth out fluxuations in tax rates	25% of the previous year's tax levy	Contribution plan to pay the funds back. Does not include funds that have been contributed to the Reserve for a specific project that is planned in future years
Capital Reserves	A balance set aside for the replacement and/or maintenance of capital assets and infrastructure.	Tax Base: budgeted contributions or surpluses from Capital Budgets.	To fund expenditures that relate to capital and/or infrastructure as well as any annual deficits.	20% of the prior year replacement cost	Does not include funds that have been contributed to the Reserve for a specific project that is planned in future years.
Restricted Reserve Funds (Municipal Funding)					
Landfill Reserve Fund	To set aside funds for the closure and post closure costs for the Municipal landfill sites.	Planned contributions from the tax base and/or tipping fee revenue	Costs associated with closing and post closure fo the landfill site	To set aside the necessary funds over the remaining life of the landfill site that will meet the post closure liability.	Funds can only be used for landfill sites.
Restricted Reserve Funds (Funded Externally)					
Federal Gas Tax	To provide ongoing source of funding to support infrastructure defined by the program.	The Federal Government and AMO	Municipal infrastructure projects	Not Applicable (must use within 5 years)	Funds can be used for projects that meet the criteria of the program.
Parkland Reserve Fund	To provide for the acquisition and development of public parks and recreational properties. (park improvements/development, play equipment etc.)	Planning fees associated with subdivision development.	To fund expenditures that relate to park maintenance and capital requirements	Not Applicable	Funds can only be used for recreational land purposes.