

**THE CORPORATION OF THE TOWNSHIP OF LEEDS AND THE  
THOUSAND ISLANDS**

**BY-LAW NUMBER 21-045**

**BEING A BY-LAW TO ESTABLISH A RESERVE AND A RESERVE  
FUND POLICY FOR THE TOWNSHIP OF LEEDS AND THE  
THOUSAND ISLANDS.**

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**WHEREAS** Section 417 of the Municipal Act, 2001, S.O. 2001, c. 25, 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.

**AND WHEREAS** it is deemed expedient to establish a reserve and a reserve fund policy;

**NOW THEREFORE** the Council of The Corporation of the Township of Leeds and the Thousand Islands hereby enacts as follows:

1. That Schedule 'A' attached hereto and forming part of this By-law.
2. That this By-law shall come into force and effect on the date of passing thereof.
3. That By-law #20-058 is hereby repealed.

**READ A FIRST AND SECOND TIME THIS 13<sup>th</sup> DAY OF  
SEPTEMBER 2021.**

**READ A THIRD TIME AND FINALLY PASSED THIS 13<sup>th</sup> DAY OF  
SEPTEMBER 2021.**

  
Corinna Smith-Gatcke, Mayor

  
Kimberly Westgate, Clerk





Township of  
**Leeds and the  
Thousand Islands**

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**Subject:** Reserve and Reserve Fund Policy  
**Creation Date:**  
**Last Review:**  
**Date of Approval by Council:**  
**Effective Date: September 13, 2021**

**Index Number:**  
**Revision Date:** August 31, 2021  
**Next Review:**  
**Resolution Number:**

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## **Policy Statement**

The Township of Leeds and the Thousand Islands (the "Township") employs the use of reserves and reserve funds to assist in achieving long term financial sustainability. Prudent fiscal stewardship of Township funds through effective and efficient management of reserves and reserve funds helps to provide financial stability and flexibility.

## **Purpose**

The purpose of this policy is to establish the responsibilities, internal controls, authorizations, and objectives to ensure the efficient management of reserves and reserve funds. This policy supports the long-term financial sustainability of the Township.

## **Definitions**

Deferred Revenue is revenue that is considered a liability on the Township's financial statements until such time as it becomes relevant to current operations. Obligatory reserve funds are classified as deferred revenue on the year end financial statements.

Director of Finance means the Treasurer of the Township responsible for fulfilling the duties referenced in the Municipal Act.

Reserve is an allocation of net surpluses, representing accumulated net revenue. Reserves do not receive an annual interest allocation.

Discretionary Reserve Fund reserve funds created at the discretion of Council through which revenues are segregated to finance future expenditures of a purpose designated by Council through policy or Council resolution. Discretionary Reserve Funds are allocated interest annually.



Obligatory Reserve Fund are monies set aside and legally restricted by provincial legislation, municipal bylaw or agreement. The funds are for a specific purpose and cannot be used for any other purpose.

Senior Management Team includes the CAO, Director of Finance, Director of Planning and Development, Director of Community and Business Services, Director of Operations and Infrastructure, the Fire Chief and the Clerk.

Township means the Corporation of the Township of Leeds and the Thousand Islands.

### **Objectives**

Reserves and reserve funds promote flexibility and stability and help ensure long term financial sustainability. Reserves and reserve funds should serve to balance the impact of operating costs and capital costs on both current and future taxpayers. More specifically, they are established to:

1. Adhere to statutory requirements.
2. Facilitate long term financial planning through financial stability and flexibility.
3. Plan for capital expenditures as identified in the Asset Management Plan.
4. Help mitigate the impact of significant unforeseen expenditures and mitigate property tax increases.

The effective management of the reserves and reserve funds promote fiscal prudence.

### **Obligatory Reserve Funds**

An obligatory reserve fund is established through the terms of an agreement which is entered into by the Township or through legislation from a higher level of government.

**Cash in lieu of Parkland Reserve Fund** was established to provide for the purchase and development of parkland in developing areas and redeveloping areas and/or supports the upgrading of existing parks and facilities provided the need to upgrade is due to intensification of the surrounding neighbourhood. This Reserve Fund is a legislated requirement of the Planning Act. The Director of Finance, Director of Planning and other Senior Management Team members will determine which capital projects meet the objectives to receive funding from this Reserve Fund. In accordance with the Planning Act, the Township has the authority to request conveyance of land for parks at a rate of 5% for residential development and 2% of industrial and commercial development. Cash in lieu of parkland can be accepted at the discretion of the Township.

The Cash in Lieu of Parkland Reserve Fund will fund:

- Land acquisition for new parks in developing areas or redeveloping areas;
- Development of the newly acquired lands;

- The redevelopment of existing parks (not new parkland) If the need for the redevelopment of the park is due to redevelopment/intensification of the immediate neighbourhood served by that park; or
- Additions to facilities to support growth where the need is due to growth;

**Canada Community-Building Reserve Fund (CCBF)** previously the Federal Gas Tax Reserve Fund, was established to segregate annual CCBF payments received from the Federal Government. This Reserve Fund will fund projects that meet the eligibility requirements defined in the Municipal Funding Agreement.

**Ontario Community Infrastructure Reserve Fund** was established to segregate funding received under the Ontario Community Infrastructure Fund (OCIF) Agreement. The OCIF was established by the Government of Ontario to assist small communities in addressing roads, bridges, water and wastewater core infrastructure needs. Eligible projects per the OCIF Agreement are funded from this reserve fund.

### **Reserves and Discretionary Reserve Funds**

Discretionary reserves and reserve funds are created by Council to set aside revenue and/or cost savings to finance future expenditures. Through approval of this policy, Council governs the purpose, funding sources, and intended withdrawals from the funds.

### **Capital Reserve Funds**

The Capital Reserve Funds are funded from annual contributions from the operating budget. These contributions are made up of, property tax levy revenue and other available revenue sources. The capital reserve funds are structured in accordance with the hierarchy contained in the asset data inventory to facilitate long term financial planning and matching of funds to asset requirements. These reserve funds are intended to fund new and replacement assets in the respective asset classes.

Capital investment requirements are based on the Township's Asset Management Plan, as well as other factors such as corporate priorities, legislated requirements, and growth in the Township.

Reserve Fund Name	Details/Notes
Bridges & Culverts Reserve Fund	
Facilities and Buildings Reserve Fund	
Fleet, Machinery & Equipment Reserve Fund	Includes furniture, fixtures, and information technology assets
Parks & Land Improvements Reserve Fund	Includes docks, piers, trails, playground equipment and other related assets
Road Network Reserve Fund	Includes storm water, streetlights, signs, and sidewalks



### **Area Specific Discretionary Reserve Fund**

Building Permit Reserve Fund was established to record the year end surplus or deficit from the building department operations. In accordance with the Building Code Act, the fees collected are to be used to administer the Act; surpluses cannot be used to fund general Township expenditures and deficits should be funded from the reserve fund, not from the general tax levy.

Water Reserve Fund was established to fund the water operating and capital expenditures. The Water utility is funded separately through utility rates. The annual surplus is allocated to this reserve fund and any deficit is funded by this reserve fund. The Asset Management Plan, and Long-Term Financial plan developed as part of the rate study, provide guidance in terms of funding requirements and the amount of operating budget that should be transferred to the reserve fund.

Wastewater Reserve Fund was established to fund the wastewater operating and capital expenditures. The Wastewater utility is funded separately through utility rates. The annual surplus is allocated to this reserve fund and any deficit is funded by this reserve fund. The Asset Management Plan, and Long-Term Financial plan developed as part of the rate study, provide guidance in terms of funding requirements and the amount of operating budget that should be transferred to the reserve fund.

### **Other Discretionary Reserve Funds**

Community Grant Reserve Fund was established to fund the community grants program provided by the Township. Applications are administered in accordance with the Community Grants Policy. This Reserve Fund receives annual contributions through the operating budget.

Community Improvement Plan Reserve Fund was established to create and administer the Community Improvement Plan (CIP) of the Township.

Election Reserve Fund was established to fund expenditures which occur every four years related to the municipal election. This Reserve Fund is funded through annual contributions from the operating budget based on the anticipated cost of the next municipal election.

Heritage Conservation and Celebration Grant Reserve Fund The Township of Leeds and the Thousand Islands Heritage Conservation and Celebration Grant program assists in the revitalization and conservation of heritage properties with the Township as a method of helping maintain and celebrate heritage. The total annual budget established annually through the operating budget, will fund 50% of costs for eligible projects up to a maximum of \$2,500. Any portion of the annual grant budget that is not expended in the year shall be allocated to the Heritage Conservation and Celebration Grant Reserve Fund.

Special Projects Reserve Fund was established to fund special projects such as studies, master plans, strategic plans and other periodic or one-time expenditures. This reserve fund is intended to mitigate impacts to the property tax levy. Annual allocations to the reserve fund from the operating budget will support the funding of special project operating expenses that are not cyclical in nature.

Tax Stabilization Reserve Fund was established to mitigate risks to future tax rate increases due to unforeseen events. The unexpected loss of any source of revenue and/or significant expenditure could result in substantial increases to future property tax rates. The Tax Stabilization Reserve Fund is intended to help smooth annual tax rate increases. The annual contribution amount from the operating fund remains in place until the fund reaches a maximum of 3% of the annual tax levy.

### **Reserves**

Reserves are funded from accumulated net revenue and are not required to be segregated. Annual surpluses are the main contribution source.

Contingency Reserve was established to stabilize the impacts of cyclical revenue downturns and operating cost increases that are largely temporary and not within the Township's ability to adjust in the short term. This reserve fund is funded through 50% allocation of annual surpluses.

Working Fund Reserve was established to ensure that the Township meets cash flow requirements and provides for unexpected revenue downturns and/or operating cost increases. This reserve fund is funded through a 50% allocation of annual surpluses.

### **Contributions to and Withdrawals from Reserves and Reserve Funds**

All contributions to and withdrawals from reserves and reserve funds shall be approved by Council, normally as part of the annual budget approval process or specifically by resolution. The Director of Finance will have delegated authority to make transfers where the transaction is a legislated requirement, the transfer of funds is correcting an error, the



transfer is not material, and/or the transfer of funds is inline with the originally intended purpose as approved by Council.

Internal lending from reserves and reserve funds is permitted to temporarily finance capital fund expenditures or operating cash flow deficiencies to avoid external temporary borrowing costs provided that all loans/transfers bear market rates of return that interest income is credited to the original reserve/reserve fund.

## **Responsibilities**

### **Council**

- Evaluate and approve the policy;
- Direct the transfer of funds to and from Reserves and Reserve Funds through the annual budget process;
- Direct the transfer of funds to and from Reserves and Reserve Funds through Council Resolution or By-Law outside of the budget process;
- Direct the creation, elimination or consolidation of Reserves and Reserve Funds as appropriate;

### **Director of Finance (or Delegate)**

- Provide recommendations for the establishment, closure or consolidation of Reserves and Reserve Funds;
- Provide analysis and recommendations on the adequacy of Reserves and Reserve Funds;
- Manage Reserves and Reserve Funds in accordance with legislation, municipal financing strategies and approved commitments;
- Provide long range financial planning recommendations to link the capital and asset management plan with the reserve and reserve fund plans.
- Prepare reporting to meet legislated requirements, to include in annual financial statements and to present to Council on a regular basis.

### **CAO and Senior Management Team**

- Plan for long term asset management replacement and rehabilitation with consideration for minimizing general tax levy and user rate increases in conjunction with all municipal service requirements;
- Provide cost and revenue estimates to guide long term planning;
- Consult with Finance staff regarding any deviation from Council approved contributions to and withdrawals from reserves and reserve funds for the intended purposes and report such deviations to Council where appropriate;