Corporate Policy

CP.7.1.15

Section: Financial

Subsection: General

Subject: Reserve and Reserve Fund Policy

Approval Authority: 2026.06.24-CR-02

Effective Date: June 24, 2026

1. Policy Statement

Reserves and Reserve Funds are essential tools for the effective planning and management of the Town's financial resources and serve as a key indicator of the Town's overall financial health. They are an integral component of the Town's Long-Range Financial Plan, helping to ensure that funds are available when required.

2. Purpose

The purpose of the Reserve and Reserve Fund policy is to establish financial guidelines and appropriate controls for the administration of reserves and reserve funds for the Town of Innisfil.

Reserves and Reserve Funds are established for a variety of purposes:

- to ensure the ongoing financial stability of the organization
- to protect against known risks and unforeseen events
- to provide for life cycle replacement of capital assets
- to meet specific liabilities
- to smooth expenditures which would otherwise cause fluctuations in operating or capital budgets
- to provide funds for new major capital assets

3. Definitions

Discretionary Reserve Fund: A reserve fund created under the Municipal Act when Council wishes to earmark revenue 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. Discretionary Reserve Fund types include:

- Infrastructure Renewal – set aside for the repair and replacement of existing assets, and to fund capital that is not eligible to be funded from growth revenues such as development charges. Examples include the Capital Reserve Fund and Alternative Revenue Source (ARS) Reserve Fund.

Obligatory Reserve Fund: Funds that are segregated for specific purposes as required by senior levels of government, and/or external agreements. These funds are subject to strict legislative or contractual requirements governing their collection and use. They are recorded as deferred revenue and recognized as a liability in the audited financial statements until the applicable stipulations are fulfilled, at which time they are recognized as revenue. Examples include Development Charge (DC) Reserve Funds and the Canada Community Building Fund (CCBF) Reserve Fund.

Own-Source Revenue: Direct municipal revenues such as property taxes, user fees and charges, but excluding:
- Grants from senior levels of government or from other government bodies or from another municipality
- Proceeds from the sale of real property
- Contributions or net transfers from a reserve or reserve fund
- Increase/decrease in government business enterprise equity

Reserve: An allocation from net revenue at the discretion of Council, after the provision for all known expenditures, as part of an overall strategy for funding programs or projects that are set out in annual budgets or budget forecasts and is authorized under the provisions set out in the Municipal Act. Reserves have no reference to a specific asset and do not require the physical segregation of money or assets as in the case of a reserve fund. They typically do not earn interest. Reserve types include:
- Stabilization Reserves – intended to manage cash flows and mitigate fluctuations on tax or user rates within the operating budget. Examples include the Property Tax Rate Stabilization Reserve and Building Inspection Stabilization Reserve.
- Special Purpose Reserves – Set aside funds collected for a specific purpose. Examples include Public Art Reserve and donation reserves.

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 are held in a separate bank account.

4. Responsibility

4.1 Council shall:
- Establishment of new reserves and reserve funds
- Closing reserve and reserve funds no longer needed
- Consolidation of reserve and reserve funds
- Directing the transfer to and from reserves and reserve funds through the budget process, Council resolutions or as contained in Council approved policies
- Evaluation and approval of policy

4.2 CFO/Director of Corporate Services shall:
- Have overall authority for establishing and managing reserves and reserve funds
- Together with the Treasurer may approve additional reserve and reserve fund transfers for capital acquisitions that are over the value authorized by Council, but cumulatively per project does not exceed $50,000

4.3 Treasurer or Designate shall:
- Determine the need for reserves and reserve funds for operating and capital operations through the development of the Long-Range Financial Plan
- Recommend establishing, closing and consolidating reserves and reserve funds
- Monitor the adequacy of reserve and reserve fund balances and report annually
- Recommend and monitor target balances for reserves and reserve funds
- Recommend transfers of funds to and from reserves and reserve funds
- Manage the reserves and reserve funds in accordance with legislative requirements and the Town's policy

- Together with the CFO/Director of Corporate Services may approve additional reserve and reserve fund transfers for capital acquisitions that are over the value authorized by Council, but cumulatively per project does not exceed $50,000
- Review and update this policy as required, but no less than with each Council term.

4.4 Directors, Service Areas and/or Designates shall:

- Provide the Treasurer with the most current capital asset information to be used in the assessment for the adequacy of capital reserves and reserve funds
- Consult with the CFO/Director of Corporate Services and Treasurer when reserve or reserve funds are required for unbudgeted transactions

5. Application

This policy applies to all departments and local boards of the Corporation of the Town of Innisfil and governs all reserves and reserve funds.

6. Administration

6.1. Establishing Reserves and Reserve Funds

6.1.1. A new reserve/reserve fund should only be established if it cannot be accommodated within an existing reserve and/or all alternative arrangements have been considered.

6.1.2. Reserves/reserve funds are established through a resolution of Council. The resolution and report must clearly identify the name of the reserve/reserve fund being created, the purpose, target balance, source of funds, how the funds will be used, and other relevant information where applicable.

6.2. Closure or consolidation of Reserve and Reserve Funds

If the purpose of a Reserve or Reserve Fund has been accomplished or is no longer necessary, Council, on the recommendation of the Treasurer, will approve the closure or consolidation, and transfer of any remaining funds

6.3. Inter-Reserve Fund Borrowing

6.3.1. Inter-fund borrowing between reserve and reserve funds is permitted and encouraged to avoid external borrowing costs. Borrowing shall only occur where an analysis of reserves and reserve funds confirms that sufficient surplus balances are available and that such use will not adversely impact the original purpose or funding requirements of the source reserve or reserve fund. However, there are limitations regarding inter-fund lending of Development Charge accounts that must be considered.

6.3.2. The Development Charges Act permits inter-fund borrowing between DC reserve funds, but amounts borrowed must be repaid with interest at a rate not less than the prescribed rate.

6.3.3. Other inter-fund borrowing must be repaid with interest at a rate equal to the lesser of the average rate of return for investments, or bank prime.

6.4. External Loans
External loans may be made at the discretion of Council under Section 107 of the Municipal Act, 2001, to any person, group or body (except for a municipality shall not assist directly or indirectly any manufacturing business or other industrial or commercial enterprise) for any purpose considered to be in the best interests of the municipality. External loans must bear market rates of return, commensurate with the term of loan.

6.5. Investment
Reserve funds may be invested for terms not exceeding their anticipated cash flow requirements. Investment income shall be allocated and credited monthly to each reserve fund based on its proportionate share of the overall investment portfolio. Where a reserve fund is in a negative cash position, interest shall be charged in accordance with 6.3.2 and 6.3.3. All investments shall be made in accordance with the Town's Investment Policy Statement.

6.6. Adequacy of Reserves and Reserve Funds

6.6.1. The adequacy of an individual reserve or reserve fund shall be determined on a case-by-case basis, taking into consideration the purpose of the reserve and the magnitude and timing of all future commitments and projected funding sources. Appendix A: Reserve and Reserve Fund Policy Schedule prescribes the target balances for each reserve and reserve fund.

6.6.2. In addition to reserve and reserve fund targets, the Town will establish Key Performance Indicators (KPIs) and metrics to effectively assess performance and aid in measuring the health of the Town's reserve and reserve funds. Relevant and informative KPIs will be developed through the budget process, and results will be reported to Council on an annual basis. Examples of some KPIs may include:

- Reserves + Discretionary Reserve Funds as a % of Own Source Revenues: This indicator shows the total value of funds held in reserves and discretionary reserve funds compared to a single year's own source revenue.

- Reserves per Capita: This provides the total reserves and discretionary reserves in relation to the population

- Debt to Reserve Ratio: This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances.

6.7. Contributions to/withdrawals from Reserves and Reserve Funds
All contributions to and/or withdrawals from reserves and reserve funds shall be established by Council, normally as part of the annual budget approval process or specifically by resolution, or through the CFO and Treasurer authority for additional approvals not greater than $50,000.

Reserve and reserve fund transfers related to development charge revenues, Canada Community-Building Fund receipts, etc., do not require approval.

6.8. Reporting
The following reports will be prepared with respect to the reserve and reserve funds:

6.8.1. Budget: Contributions to and appropriations from reserves and reserve funds will form part of the annual budget document that is approved by Council

6.8.2. Development Charge, Cash in Lieu of Parkland and Community Benefits Charge Annual Reserve Fund Statement: The Development Charges Act, 1997 (the "DCA) and the Planning Act, require that the Treasurer of the municipality provide to Council, annually, a statement relating to Development Charges (DC), Community Benefits Charge (CBC), and the Cash-in-Lieu of Parkland (CIL) reserve funds. This statement will then be forwarded to the Ministry of Municipal Affairs and Housing upon request.

6.8.3. Annual Audited Financial Statements: Shall be prepared in accordance with Public Sector Accounting Standards which includes changes in fund balances for all reserves and reserve funds.

6.8.4. Annual Financial Information Return (FIR): Reserve and reserve funds are included in the FIR that is reported to the Ministry of Municipal Affairs and Housing.

6.8.5. Reserve and Reserve Fund Statement: Annually, through the year-end results report to Council, information will be provided on reserve and reserve fund balances, commitments and performance results. It will also identify risks, emerging issues and changes to related legislation.

6.9. Policy Review

This policy shall be reviewed at least once every Council term, or earlier as required by legislative changes, financial conditions, or Council direction.

7. Exceptions

This policy does not apply to Library Board Reserves.

8. References

Development Charges Act, 1997
Municipal Act, 2001
Town of Innisfil – CP.7.1.6 Investment Policy

9. Revision History

Revision No.	Date	Summary of Changes	Approval Authority
V1	2026.06.24	Adoption	2026.06.24-CR-02

Appendix A

Reserves

Name	Purpose	Target Balance	Source of Funds	Use of Funds		Earns Interest
Election Costs	Amortize the cost of a municipal election over four years, rather than funding the entire amount in the election year.	Prior election cost total plus accumulated annual inflation to be achieved by next election year.	Annual budget transfer from the Clerks Election operating budget.	Operating	Funds transferred out every four years to fund the cost of running the municipal election.	No
Self-Insurance Reserve	Manage operating budget variances relating to insurance costs and to minimize the impact of rate increases on the tax rate.	No established target balance.	Funds transferred from operating budget as determined through budget process.	Operating	To fund unfavourable operating variances related to insurance costs, and to minimize tax rate impacts.	No
Property Tax Rate Stabilization Reserve	Provide cash flow, working capital, sufficient liquidity, offset extraordinary and unforeseen corporate expenditures.	Minimum of 5%, and a maximum of 10% of own source revenue.	Property tax based operating surplus, net of Council approved transfers to other specific reserves and amounts carried over to the next fiscal year. Property tax surplus funds greater than the maximum shall be allocated to the Capital Reserve Fund.	Operating	Property tax based operating deficit with any remaining deficit recovered through the operating budget of the year immediately following the year of the deficit. One-time, non-recurring expenditures contained in the operating budget. Emergency related purchases. Council approved additional in-year items that would create an overall operating deficit. Phase in significant impacts affecting the tax levy. Not to be considered a long-term sustainable funding source for general operations.	No

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Name	Purpose	Target Balance	Source of Funds	Use of Funds		Earns Interest
Building Inspection Stabilization Reserve	The Building Code Act states that the fees collected are to be used to administer the Act; surpluses cannot be used to fund general Town expenditures, and deficits should be funded from a reserve and not from the Town funds. This reserve was established to provide for capital expenditures and revenue stabilization as building permit activity is highly cyclical.	Balance to be maintained at 100%-200% of operating expenditures to ensure that sufficient funds are available during periods of lower activity. Contributions and balances in reserve should be reviewed every 5 years.	Operating surpluses from Building Inspection.	Operating & Capital	Used to stabilize the building permit revenue line in the operating budget. Building Inspection capital expenditures, including fleet.	Yes
Organizational Efficiency Reserve	To fund organizational and operational improvements	No established target balance.	Allocation from operating surplus.	Operating & Capital	For expenditures related to organizational and operating improvements.	No
Police Capital Reserve	To assist in the funding of Police related capital expenditures.	No established maximum limit, reserve balance must be positive.	Town’s portion of the Police annual operating surplus.	Capital	To fund the Town’s portion of the Police capital budget as recommended by the South Simcoe Police Services Boards and approved by Council.	No
Public Art Donation Reserve	To fund, promote and maintain projects in accordance with the Town Innisfil’s Public Art Policy.	No established maximum limit, reserve balance must be positive.	Contributions from public and private donors.	Capital	To fund, promote and maintain public art projects.	No
Public Art Reserve	To fund, promote and maintain projects in accordance with the Town Innisfil’s Public Art Policy.	Maximum is $500,000.	Annual budget transfer from Corporate Finance operating budget. Any design or donation proposal must include 10% of the value of the artwork or art commission.	Operating & Capital	Maintenance and restoration of the Town’s Public Art Inventory.	No

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Name	Purpose	Target Balance	Source of Funds	Use of Funds		Earns Interest
Development Engineering Stabilization Reserve	As a fully cost-recoverable service, the reserve is intended to mitigate fluctuations in operating results. Annual surpluses and deficits from the Development Engineering operating budget will be transferred to or from the reserve, as required, to maintain a balanced budget.	No established maximum limit, reserve balance must be positive. Engineering Fee Structure to be monitored and reviewed periodically to ensure full cost recovery.	Annual surplus from Development Engineering operating budget.	Operating	Used to stabilize the Development Engineering operating budget.	No

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Discretionary Reserve Funds

Name	Purpose	Target Balance	Source of Funds	Use of Funds		Earns Interest
Capital Reserve Fund	To provide funds for the replacement and rehabilitation of the Town's infrastructure, and new infrastructure or capital projects not funded through other growth-related reserve funds.	Maintain a minimum threshold cash, equivalent to one year's worth of the 5 year average of the non-growth tax-supported capital expenditure requirements. This ensures that one year of tax based funding is available to maintain liquidity.	Special Capital Levy equal to 1% of the blended tax rate for the average residential home. Supplementary property tax revenue, net of write-offs, that is in excess of what is budgeted to fund the current year operating budget. Provincial Offences Authority (POA) revenue. Net proceeds on the sale of land or other assets. Other budgeted transfers for vehicle, computer and general facility repairs and replacements.	Capital	To fund capital budget expenditures not funded by growth or through another reserve/reserve fund.	Yes
Tree Replacement	To set aside funds collected for cash-in-lieu of trees, as required through the Town's "Tree Policy for Development Approvals" CP.09-08-03.	No established maximum limit, reserve balance must be positive.	Fees collected under the Town's Tree Policy for Development Approvals.	Operating & Capital	Used to provide similar trees in an alternate location on the subject property or public lands within close proximity to the site where identified as needed by the Town.	Yes
Alternative Revenue Source (ARS)	Allocation and utilization of revenues received from the Ontario Lottery & Gaming Corporation (OLG).	Current year funds banked for use in future years.	OLG gaming revenues.	Operating & Capital	Grant to the Innisfil Community Foundation, as determined through the budget process. To fund the benefit to existing (BTE) portion of growth capital projects. BTE costs in excess of available ARS funds will be funded from the Capital Reserve Fund. Strategic one-time, non-recurring operating or capital expenditures	Yes

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Obligatory Reserve Funds

Name	Purpose	Target Balance	Source of Funds	Use of Funds		Earns Interest
7th/8th Line Urbanization	To set aside funds collected through the Alcona Secondary Plan Developers' Group Agreement re: 7th and 8th line reconstruction costs.	No established maximum limit, reserve balance must be positive.	Funds collected through the 7th/8th line agreement.	Capital	7th/8th line reconstruction costs.	Yes
Build Communities Strong Reserve Fund	The Build Communities Strong Reserve Fund provides funding for investments in Environmentally Sustainable Municipal Infrastructure (ESMI) Projects and Capacity Building Projects as per the Municipal Funding Agreement on the Build Communities Strong Fund.	No established maximum limit, reserve balance must be positive.	Annual grant funding as per the Municipal Funding Agreement.	Capital	Expenditures from the Build Communities Strong Reserve Fund are used to support environmentally sustainable municipal infrastructure to help ensure cleaner air, cleaner water, and reduced greenhouse gas emissions. The agreement identifies eligible project categories. Funds will be used for Town eligible costs as determined through the budget process.	Yes
Provincial Gas Tax (Transit)	Monies received from the Provincial government that are to be used to support increased public transportation ridership and investments in the renewal and expansion of public transportation.	No established maximum limit, reserve balance must be positive.	Funding provided by the Province of Ontario from time to time under its Dedicated Gas Tax Funds for Public Transportation Program.	Operating & Capital	Expenditures related to the provision of public transportation.	Yes
Cash in lieu of Parking	In accordance with sub-section 40(3) of the Planning Act for the purpose of requiring the payment-in-lieu of parking for exemptions made in accordance with sub section 40(1) and 40(2) of the Planning Act.	No established maximum limit, reserve balance must be positive.	Revenues collected from Parking payment-in-lieu agreements executed under sub-section 40(2) of the Planning Act.	Capital	Parking capital related expenditures to invest in infrastructure to support growth and service enhancement.	Yes

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Name	Purpose	Target Balance	Source of Funds	Use of Funds		Earns Interest
Cash in lieu of Parkland	Provides for the purchase and development of parkland in developing areas and redeveloping areas and/or supports the upgrading of existing parks/facilities.	No established maximum limit, reserve balance must be positive.	Funds transferred in as collected from development/redevelopment, in lieu of the conveyance of parkland, as per the Town's Parkland dedication by-law.	Capital	Eligible projects as determined by legislation, including: • Land acquisition which is the priority • Non-growth eligible costs would only be funded from this reserve fund if sufficient funds are not available through ARS.	Yes
Development Charges • By-law • Fleet • Parks • Fire • Police • Library • Roads • Public Works • General Government	As prescribed by the DCA, 1997, reserve funds are used to facilitate the collection of development charges from growth within the Town and the funding of capital infrastructure required to accommodate that growth.	A forecast shall be maintained to ensure that future development funds received are sufficient to cover costs of studies undertaken.	Development Charges are collected as outlined in the DC By-law(s).	Operating & Capital	Funds utilized for the growth-related component of projects identified in the Development Charges Background Study. Annual debt payments for growth related debt	Yes
Community Benefit Charges (CBC)	To collect funds from the implementation of a CBC By-law.	No established maximum, reserve fund must be positive. In each calendar year, the Town is required to spend or allocate at least 60 per cent of the monies that are in the account at the beginning of the year.	As per s.37 of the Planning Act, the developer is required to pay CBCs at rates as determined by the CBC By-law.	Operating & Capital	Funds utilized for growth related projects are funded from these reserve funds and are typically outlined in the CBC Strategy forecast.	Yes