



## Report to Committee of the Whole

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**To:** Mayor Linton and Members of Council

**Report:** COR2021-54

**Prepared By:** Dan Wilson, Managing Director of  
Corporate Services & Treasurer

**Date:** 07 Sep 2021

**RE:** Reserve and Reserve Fund Policy Update

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### **Recommendation:**

THAT the Council of the Township of Centre Wellington adopt the Reserve and Reserve Fund Policy outlined in report COR2021-54 dated September 7, 2021.

AND THAT the Council of the Township of Centre Wellington authorize the Mayor and Clerk to sign a by-law with respect to this Policy.

AND THAT the recommended transfers between reserves as at December 31, 2020, as outlined in report COR2021-54 dated September 7, 2021, be approved and posted as of January 1, 2021.

AND THAT any transfers between reserves required as a result of 2021 transactions relating to the updated policy be made by staff.

### **Report:**

Municipal reserves and reserve funds are important long-term municipal financial planning tools used to set aside funds to meet future funding requirements. For example, reserves for vehicle replacements ensure that funding will be available to pay for the replacement of vehicles as they reach the end of their useful life.

Having a reserve and reserve funds policy in place provides guidance for Township staff in preparing the annual operating and capital budgets.

Reserves are monies set aside by approval of Council, usually through the budget process, and are not restricted by legislation. Reserves do not receive an annual interest allocation. The "future funding requirements" do not have to be specific projects or assets.

Reserve funds may be obligatory or discretionary, and accrue interest.

Obligatory reserve funds are created where a statute requires that funds received be segregated from the general revenues of the municipality, and are shown on the

municipality's financial statements and financial information return as deferred revenue. The Township's obligatory reserve funds are:

- Cash-In-Lieu Parkland Reserve Fund (Planning Act)
- Cash-In-Lieu Parking Reserve Fund (Planning Act)
- Gas Tax Reserve Fund (per agreement with AMO and Federal Government)
- Building Code Reserve Fund (Building Code Act)
- Development Charges Reserve Funds (Development Charges Act)

Discretionary reserve funds are established at the discretion of Council, and are earmarked for a specific purpose.

A summary of the Township's reserves and reserve funds are included as Attachment A with recommended changes included in the third column. The policy in Attachment A has been provided in the form of a by-law, as the establishment and use of reserve funds are required to be passed by Council via by-law.

A summary of significant changes to individual existing reserves and reserve funds are as follows:

#### Recommended New Reserves for 2021

- Facility Replacement Reserve (Tax Supported) - this new reserve will support and fund the recommendations in the substantially completed Building Condition Audit.
- Neighbourhood Wellness Reserve - this reserve will retain unspent funds that have been designated for neighbourhood wellness.
- WSIB Excess Loss Reserve - this reserve is being established based on recommendations from the Township's actuarial consultants (see discussion below).

#### Recommended Reserve and Reserve Funds to be Closed

- Winter Maintenance Reserve - this reserve is no longer required, as the General Capital Reserve acts as the Township's stability reserve due to operating budget fluctuations.
- St George St W Drainage Reserve - this reserve is no longer required, as drainage work on St George St W would be funded from other funding sources, such as the General Capital Reserve.
- WR7 & WR21 Sidewalk Reserve - this reserve is no longer required, as sidewalk needs on WR7 and/or WR21 would be funded from other funding sources, such as the General Capital Reserve.
- Elora Clock Reserve Fund - the funds in this reserve fund have been in place since pre-amalgamation with no activity (other than interest earned annually). It is recommended that these funds be allocated to the Arts, Culture and Heritage Reserve Fund. If/when funds are required for this initiative, staff would recommend the use of this reserve fund.

## Other Recommended Reserve and Reserve Fund Transactions and Processes

- Transfer funds from the General Capital Reserve to various reserves including the Contingency Reserve, WSIB ABO (Accrued Benefit Obligation) Reserve, Insurance Reserve, and Legal Matters Reserve to meet recommended funding targets for individual reserves.
- Transfer funds from the Land Sale Reserve related to the past sale of business park lands to the Economic Development Reserve Fund. This is in accordance with the recommended source of funding for the Economic Development Reserve Fund and will assist in servicing the business park lands on Dickson Drive as well as other future business parks.
- Annually funds accumulated in the Fergus Theatre Reserve will be transferred to the Facility Replacement Reserve (Tax Supported) to assist in funding the future replacement of Township facilities (which includes the Fergus Theatre).
- Annual surpluses (or deficits) from cemetery operations will be transferred to (or from) the Cemetery Reserve to assist in operating Township cemeteries on a self sustaining basis.
- Transfer \$225,000 of funds held in the CWCI (Centre Wellington Communications Inc.) Loan Reserve which are no longer required as security for the outstanding loan balance from Centre Wellington Communications Inc., to the General Capital Reserve.

The Township is an employer under Schedule 2 of the Workplace Safety and Insurance Act. This means the Township must insure itself against the risk of its own WSIB claims and must pay all costs assessed by the WSIB. In common with many other municipalities in Ontario, the Township was unable to secure Excess Loss Insurance coverage for Firefighter claims in 2021. To assist in assessing the implications of this lost coverage, staff engaged Nexus Actuarial Consultants Ltd. to provide various recommendations related to WSIB including: Reserve funding targets, insurance coverage for Schedule 2 WSIB employers, and whether or not to continue as a Schedule 2 employer under the WSIB Act. A copy of Nexus' recommendations are included as Attachment B to this report. The suggested WSIB ABO Reserve funding target of \$1,552,000, and a new WSIB Excess Loss Reserve with a funding target of \$2,500,000 have been incorporated into the by-law provided in Attachment A.

A copy of the Township's current Reserve and Reserve Fund Policy, last approved by Council in December 2015, is included as Attachment C.

### **Corporate Strategic Plan:**

#### **Good Financial Management**

- Review financial management practices

### **Financial Implications:**

Reserves and Reserve Funds are critical tools to the budgeting process and the overall financial management of the Township.

**Consultation:**

This report was prepared in consultation with:

- Mark Bradey, Manager of Finance & Deputy Treasurer
- CAO / Managing Directors

**Attachments:**

- [Attachment A - Reserve and Reserve Fund Policy Bylaw 2021](#)
- [Attachment B - 2021 Centre Wellington WSIB Reserves and Funding Report](#)
- [Attachment C - Township 2015 Reserves and Reserve Funds Policy](#)

**The Corporation of the Township of Centre Wellington**

**By-law 2021-XX**

A By-law to establish a reserve and reserve fund policy

**Whereas** the Municipal Act, 2001, (hereinafter referred to as “the Act”) and other applicable legislation authorizes a municipality to establish reserves.

**And Whereas** section 417 of the Act allows a municipality to provide for Reserve Funds for any purpose for which it has authority to spend money.

**And Whereas** the Township of Centre Wellington is maintaining various Obligatory Reserve Funds, required by various legislation for specific uses.

**And Whereas** the Township of Centre Wellington is maintaining various Discretionary Reserve Funds, established by Council for specific uses.

**Now Therefore the Council of the Corporation of the Township of Centre Wellington enacts as follows:**

1. The policy attached hereto as Schedule 'A', entitled 'Reserve and Reserve Fund Policy' is hereby adopted.
2. This by-law comes into force and effect on the day it is passed.

**Read a first, second and third time and finally passed** this 30<sup>th</sup> day of August 2021.

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Mayor – Kelly Linton

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Clerk – Kerri O’Kane

Schedule 'A' to By-Law 2021-XX  
Township of Centre Wellington  
Reserve and Reserve Fund Policy

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
<b><u>Reserves</u></b>								
<b><u>General - Capital Reserves</u></b>								
General Capital Reserve	\$ 2,627,602	<p><u>Inflows:</u></p> <p>\$150,000 transfer from the Winter Maintenance Reserve.</p> <p>\$27,300 transfer from the St. George St W Drainage Reserve.</p> <p>\$9,528 transfer from the WR7 &amp; WR21 Sidewalk Reserve.</p> <p>\$225,000 transfer from the CWCi Loan Reserve.</p> <p><u>Outflows:</u></p> <p>\$77,803 transfer to the Contingency Reserve.</p> <p>\$500,000 transfer to the WSIB ABO Reserve.</p> <p>\$52,411 transfer to the Insurance Reserve.</p> <p>\$23,378 transfer to the Legal Matters Reserve.</p> <p><b>(2020 Surplus: \$921,676, not included in 2020 balance).</b></p>	Stabilization & Capital	To provide a source of funding for planned and unplanned tax supported capital projects.		Transfer from general operating fund, year-end operating budget surplus or deficit and closed capital projects.	<p>\$1.1M for unplanned or emergency capital projects and to fund tenders exceeding budget allocations.</p> <p>Funding for the annual capital budget based on asset management recommendations.</p>	<p>Used for internal debt financing.</p> <p>Used to top up various reserve funding to manage risk.</p>
Capital Levy Structures Loan from Reserve	\$ (514,972)		Capital	Internal loan to finance bridge 27-WG in 2017		Transfer from the Capital Levy (DCL) Reserve Fund		

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
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Fire - Capital Reserves

Fire Safety Trailer Reserve	\$ 8,569		Operating and Capital	To fund repairs, maintenance, and education materials.		Donations		
Structural Fire Revenue Reserve	\$ 43,330		Capital	Used to fund Fire Services capital related projects to augment current level of reserve funding.	Considered annually through capital budget process	Recoverable municipal costs and expenses incurred for structural fires through Fire Marque Inc.	No target set because actual revenue is dependent on a number of variables.	Variables include actual fire incidents and the number of policies that pay for reasonable fees or charges against fire protection for services received.

Public Works - Capital Reserves

Street Lights Reserve	\$ 248,443	Specific reserves for Fergus, Elora and Rural Streetlights were consolidated when the Streetlights Taxation Levy was eliminated in 2020.	Capital	Provide a source of funding for street light capital works.		Transfer from tax supported operations.	Funding for the annual capital budget based on asset management recommendations.	
Ground Water Collection Reserves	\$ 44,370		Capital	To fund major repairs and maintenance, and replacement of ground water collection systems.	Township's Treasurer may draw on the reserve for major repairs and maintenance, and replacement.	Charge on the property tax bill of affected properties.	Rate determined by consulting engineer.	Is pursuant to the following sub-division agreements: - Elora Meadows - Summerfields Phase 1 and 2 - Storybrook Phase 1  Additional sub-divisions can be added based on agreements in each area.
Winter Maintenance Reserve	\$ 150,000	Consolidate with the General Capital Reserve.						
St George St W Drainage Reserve	\$ 27,300	Consolidate with the General Capital Reserve.						
WR7 & WR21 Sidewalk Reserve	\$ 9,528	Consolidate with the General Capital Reserve.						

Waterworks - Capital Reserves

Water Capital Reserve	\$ 8,141,884	All water related capital reserves were consolidated based on recommendations in the Township's 2020 Water & Wastewater Rate Study.	Stabilization & Capital	To provide a source of funding for user-pay (water) planned and unplanned capital projects.		Transfer from Waterworks operating fund, closed capital projects, and waterworks operating fund surplus or deficit.	Based on Water and Wastewater Rate Study and Asset Management Plan recommendations.	New study required by regulation every five years. Current study approved in 2020.  Used for internal debt financing.
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Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
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**Wastewater - Capital Reserves**

Wastewater Capital Reserve	\$ 8,269,722	All wastewater related capital reserves were consolidated based on recommendations in the Township's 2020 Water & Wastewater Rate Study.	Stabilization & Capital	To provide a source of funding for user-pay (wastewater) planned and unplanned capital projects.		Transfer from wastewater operating fund, closed capital projects, and wastewater operating fund surplus or deficit.	Based on Water and Wastewater Rate Study and Asset Management Plan recommendations.	New study required by regulation every five years. Current study approved in 2020.  Used for internal debt financing.
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**Parks & Recreation - Capital Reserves**

P&R: Facilities Repairs and Maintenance Reserve	\$ -		Capital	To provide financing for facility component replacement.		5.3% of Parks and Recreation user fees and charges.		Balance of the reserve is zero at year end as funds are transferred to the facility replacement reserve annually.
Cash in Lieu of Trees Reserve	\$ 14,100	New reserve in 2020.	Capital	Tracking monetary compensation for trees removed and not replaced in development areas.	Funding used to replace trees that are removed due to development.  Trees to be planted in the same vicinity as the trees that were removed, and in a timely manner.	Contributions from developers.		



Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
<b>Asset Replacement Reserves</b>								
Vehicle Replacement Reserve (Tax Supported)	\$ 1,535,037	All tax supported vehicle replacement reserves were consolidated in the 2020 Budget.	Capital	To provide financing for the replacement of vehicles.	Funds will be expended in accordance with the capital budget vehicle replacement forecasts.	Annual transfer from the operating budget.  Proceeds from the sale of vehicles.	Funding based on asset management recommendations.	
Vehicle Replacement Reserve (Environmental Supported)	\$ 752,457		Capital	To provide financing for the replacement of vehicles.	Funds will be expended in accordance with the capital budget vehicle replacement forecasts.	Annual transfer from the operating budget.  Proceeds from the sale of vehicles.	Funding based on asset management recommendations.	
Vehicle Replacement Reserves (County Funded)	\$ 54,720		Capital	To provide financing for the replacement of vehicles.	Funds will be expended in accordance with the capital budget vehicle replacement forecasts.	Annual transfer from the operating budget.  Proceeds from the sale of vehicles.	Funding based on asset management recommendations.	County funded Vehicle Replacement Reserves exist for:  - Municipal RMO: Vehicle Replacement Reserve - Municipal FD Training Officer: Vehicle Replacement Reserve
Equipment Replacement Reserve (Tax Supported)	\$ 1,071,246	All tax supported equipment replacement reserves were consolidated in the 2020 Budget.	Capital	To provide financing for the replacement of equipment.	Funds will be expended in accordance with the capital budget equipment replacement forecasts.	Annual transfer from the operating budget.  Proceeds from the sale of equipment.	Funding based on asset management recommendations.	Staff have the ability to accelerate and/or defer projects in a budget year due to unplanned events, as long as the total funding approved for the year is not exceeded.
Equipment Replacement Reserve (Environmental Supported)	\$ 718,700		Capital	To provide financing for the replacement of equipment.	Funds will be expended in accordance with the capital budget equipment replacement forecasts.	Annual transfer from the operating budget.  Proceeds from the sale of equipment.	Funding based on asset management recommendations.	Staff have the ability to accelerate and/or defer projects in a budget year due to unplanned events, as long as the total funding approved for the year is not exceeded.
Facility Replacement Reserve (Tax Supported)	\$ -	New Reserve in 2021.  \$16,531 transfer from the Fergus Theatre Reserve.	Capital	To provide financing for the replacement of facility components.	Funds will be expended in accordance with the capital budget facility replacement forecasts.	Annual transfer from the operating budget.  Annual transfer from the Parks & Recreation Facilities Repairs and Maintenance Reserve.	Funding based on asset management recommendations.	Staff have the ability to accelerate and/or defer projects in a budget year due to unplanned events, as long as the total funding approved for the year is not exceeded.

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
<b>Other Reserves</b>								
Working Capital	\$ 1,109,662		Operating and Capital	To ensure adequate funding of the Township's working capital.		Current fund balance carried forward from amalgamating municipalities.		Used for internal debt financing.
Photocopiers Loan from Reserve	\$ (3,598)		Capital	To provide a low cost source of internal debt funding for Township photocopiers.		Repaid from the operating budget with interest.		
VPSC Expansion Loan from Reserve	\$ (655,122)		Capital	Internal loan to finance the growth related cost of the 2015 VPSC expansion.		Transfer from Development Charge Reserve Funds.		
Contingency Reserve	\$ 172,197	\$77,803 transfer from the General Capital Reserve.	Operating	To provide a source of funding for unforeseen events/requirements.		Transfer from the General Capital Reserve through the annual budget process.	Target balance of \$250,000.	
Heritage Reserve	\$ 7,500		Operating and Capital	To provide funding for heritage related studies and plaque purchases.		Transfer from the operating fund.		
Election Reserve	\$ 61,152		Operating	To amortize the cost of municipal election held every four years.	Funds expended only on election related costs.	Annual allocation from the operating fund equal to 25% of estimated cost of the next election.	Balance must be sufficient to fund the estimated cost of municipal election every four years.	
Health Care Professionals Recruitment and Retention Reserve	\$ 43,457		Operating	To provide funding for the recruitment of health care professionals to Centre Wellington.	Disbursements determined by the Health Professionals Recruitment and Retention Stakeholder's Group.	None		Costs paid by GMCH through the year, and billed to Centre Wellington annually.
WSIB ABO Reserve	\$ 633,497	\$500,000 transfer from the General Capital Reserve.	Operating and Stabilization	To fund claims associated with accidents in the workplace.	Claims are adjudicated by Ontario WSIB.	Annual allocation from the operating fund.	Minimum balance of \$1,552,000 based on recommendation of Township's actuarial consultant.	

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
WSIB Excess Loss Reserve	\$ -	New Reserve in 2021.	Operating and Stabilization	To fund catastrophic claims in excess of \$500,000.	Claims are adjudicated by Ontario WSIB.	Savings from not purchasing Excess Loss Insurance annually.	Target balance of \$2,500,000 based on recommendation of Township's actuarial consultant.	
Insurance Claim Reserve	\$ 147,589	\$52,411 transfer from the General Capital Reserve.	Operating and Stabilization	To finance the deductible portion of insurance claims.	Claims as adjudicated by the Township's adjustor, insurer, or staff.	Annual allocation from the operating fund.	Target balance of \$200,000 based on recommendation of Township's insurance broker.	
Employee Future Benefit Reserve	\$ 57,786		Operating and Stabilization	To fund the premiums for future employee benefits.		Annual allocation from the operating fund.	Target balance based on funding benefits for 10 unforeseen retirements.	2021 Target is \$65,000 (10 unforeseen retirements x \$6,500 each)
Land Sale Reserve	\$ 198,050	Transfer balance to the Economic Development Reserve Fund.	Capital	For transactions relating to the purchase and sale of all land except for business park lands.		Sale of Township land (except for business park land).	No target set as balance is a function of land sales activity.	
Fergus Theatre Reserve	\$ 16,531	Transfer funds to the Facility Replacement Reserve (Tax Supported) annually. \$16,531 transfer to the Facility Replacement Reserve (Tax Supported).	Capital	To provide financing for major repairs and maintenance at the Fergus Grand Theatre.		5.3% of Theatre user fees and charges.		
Reserve for Legal Matters	\$ 226,622	\$23,378 transfer from the General Capital Reserve.	Operating and Stabilization	Funding for unforeseen legal matters.		Transfer from the General Capital Reserve through the annual budget process.	Target balance of \$250,000.	Legal fees incurred for the Integrity Commissioner, LPAT, and By-law Enforcement are funded from the Legal Matters Reserve.  Unforeseen legal costs associated with operations.
Cemetery Reserve	\$ (182,682)	Make the Cemeteries' cost centre "self sustaining" with surpluses/deficits transferred to/from the Cemetery Reserve.	Capital and Stabilization	To provide funding for Township Cemetery capital projects.  Stabilization of the Cemeteries' operating budget.		Percentage of Cemetery fees and charges.  Transfer of surplus/deficit to/from operating fund.	Funding based on Master Plan and Asset Management Plan recommendations.	
GRCA Levy Stabilization Reserve	\$ 21,572		Stabilization	Stabilization of the GRCA Levy operating budget.		GRCA Levy surpluses (operating budget).		

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
CWCI Loan Reserve	\$ 1,000,000	Transfer \$225,000 to the General Capital Reserve.	Capital	To provide funding security for the loan from the Township to CW Communications Inc.		\$1.2M dividend payment from CW Energy Inc. to Township in 2012.	Target balance equal to the loan balance outstanding with CW Communications Inc.	The loan balance to CWCI at the end of 2021 is projected to be \$778,260
MacDonald Trust Reserve	\$ 878,195		Capital	Undistributed MacDonald Trust funds.		Payment from the MacDonald Trust Fund.		
CIP Reserve	\$ 46,854		Operating and Stabilization	To provide a source of funding for CIP grants, and stabilizes operating fund impacts due to fluctuating demand.	Governed by the Township's Community Improvement Plan.	Transfer from the General Capital Reserve through the annual budget process.	Target balance based on estimated funding required in the following year.	
wpd Reserve	\$ 134,479	Change name to "Wind Turbine Capital Reserve".	Capital	To fund Belwood area capital projects.	Specific capital projects to be determined through the capital budget process.	Annual \$22,000 payment pursuant to agreement with SWNS Wind LP.		Agreement to expire in 2034.
Service Delivery Modernization Grant Reserve	\$ 501,869		Capital	To fund capital costs associated with finding and implementing efficiencies in Township operations.	Specific capital projects to be determined through the capital budget process.	Funding provided by the Province of Ontario.		
COVID-19 Reserve	\$ 1,168,276	New reserve in 2020.	Operating and Capital	To fund operating and capital costs specific to the pandemic.	Staff report approved by Council.	Funding provided by the Province of Ontario.  2019 Township surplus.		Province of Ontario funds are restricted to operating impacts due to the pandemic.
Neighbourhood Wellness Reserve	\$ -	New reserve in 2021.	Operating	To fund costs specific to the Neighbourhood Wellness Committee.	Based on the authorized scope of the Committee.	Initial funding to come from unused 2021 grant funding.		New committee established in 2021, which will determine use of funding.

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
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***Reserve Funds***

Cash-In-Lieu Parkland Reserve Fund	\$ 799,643		Obligatory	To provide funding for the purchase of parkland or provision of park facilities.		Payments in lieu of parkland.	No target set as balance is a function of development activity.	
Cash-In-Lieu Parking Reserve Fund	\$ 37,919		Obligatory	Used to fund the construction of additional parking spaces.		Payments in lieu of parking.	No target set as balance is a function of development activity.	
Elora Clock Reserve Fund	\$ 20,613	Close reserve and transfer funds to the Arts, Culture and Heritage Reserve Fund.				Donations made to the former Village of Elora for the restoration and relocation of a historic clock.		
VPSC - Seniors Reserve Fund	\$ 281,139		Operating and Capital	To fund operating and capital costs associated with the Victoria Park Seniors Centre (VPSC).		Portion of net VPSC program revenues pursuant to agreement with VPSC Advisory Board.		
OLG Reserve Fund	\$ 748,672		Capital	Per Township policy, will be used only to fund capital projects.	Previous year's balance allocated to current year capital budget.	Township portion of OLG revenue.		Allocation of OLG Funds based on the Council approved Policy.
Arts, Culture and Heritage Reserve Fund	\$ 50,527	New reserve in 2020. \$20,613 transfer from the Elora Clock Reserve Fund.	Operating and Capital	Per Township policy, will be used to fund operating and capital costs related to arts, culture and heritage.	Previous year's balance allocated to current year capital budget.	Township portion of OLG revenue.		Allocation of OLG Funds based on the Council approved Policy.
Economic Development Reserve Fund	\$ 300,121	New reserve in 2020. \$198,050 transfer from the Land Sale Reserve.	Operating and Capital	Per Township policy, will be used to fund operating and capital costs related to economic development.	Previous year's balance allocated to current year capital budget.	Township portion of OLG revenue.  Sales of Business Park Lands	Funding target based on projected costs associated with business park lands.	Allocation of OLG Funds based on the Council approved Policy.
Gas Tax Reserve Fund	\$ 283,735	Change name to "Canada Community Building Reserve Fund".	Obligatory	To fund capital projects in accordance with agreement with AMO.	Governed by agreement with AMO (as trustee).	Federal Government through agreement with AMO.		
Newdon Industries Public Swim Reserve Fund	\$ 7,602		Operating	To sponsor free public swimming.		One time \$20,000 donation from Newdon Industries (Fergus).	Funds pool admission for first 40 children on the first Saturday of each month.	

Description	Balance at Dec. 31, 2020	Recommended Reserve Changes as at Dec. 31, 2020	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
Building Code Reserve Fund	\$ 2,648,693		Obligatory	Provides revenue stabilization for building permit activity due to downturns in the economy.		Building permit revenues in excess of direct/indirect costs of building permitting activities.	Funding target as determined by the Building Permit Study.	
Capital Levy Reserve Fund	\$ 1,129,129		Capital	To fund bridge and major culvert replacements and rehabilitations as per the Asset Management Plan.	Specific capital projects to be determined through the capital budget process.	Dedicated Capital Levy.	Funding based on asset management recommendations.	A combination of Capital Levy and OCIF funding is used for bridge and major culvert replacements and rehabilitations.
OCIF Reserve Fund	\$ 9,458		Capital	To fund bridge and major culvert replacements and rehabilitations as per the Asset Management Plan.	Specific capital projects to be determined through the capital budget process.	Province of Ontario annual allocation under the OCIF Formula based grant program.	Funding based on asset management recommendations.	A combination of Capital Levy and OCIF funding is used for bridge and major culvert replacements and rehabilitations.
<b><u>Development Charges Reserve Funds</u></b>								
Development Charges Reserve Fund	\$ 12,072,963		Obligatory	To provide for the financing of growth related capital costs as provided for in the Development Charges Background Study and By-law.	Used to fund services detailed in the Development Charges Background Study and By-law and as approved in the capital budget.  Used to fund growth related debt payments in the operating budget annually.	Developer contributions.	No maximum target set as balance is a function of development activity and transfers to capital.	Development Charge Reserve Funds exist for: - Roads - Public Works - Fire - Parks & Recreation - Corporate - Water - Wastewater

# NEXUS ACTUARIAL CONSULTANTS LTD.

July 28, 2021

Mark Bradey  
Deputy Treasurer  
Township of Centre Wellington  
1 MacDonald Square,  
Elora, Ontario N0B1S0

Dear Mr. Bradey:

## **RE: Actuarial Report on Reserves and Funding**

The Township of Centre Wellington (Township) retained Nexus Actuarial Consultants to recommend WSIB Reserve target balances and provide an opinion on purchasing WSIB insurance.

### **Background**

The Township of Centre Wellington is an employer included under Schedule 2 of the Workplace Safety and Insurance Act, and as a result it self-insures the risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' Schedule 2 WSIB claims.

The Public Sector Accounting Board (PSAB) recommendations, which the province of Ontario requires its local governments and their agencies to comply with, require that WSIB liabilities for self-insured employers be reported on their financial statements.

To comply with PSAB, the Township has full actuarial valuations of its WSIB claims performed every 3 years which include actuarial projections for the next 3 years. The most recent full actuarial valuation was performed at December 31, 2019 and provided actuarial projections to December 31, 2022. The Accrued Benefit Obligations for the Township was \$1.552 million at December 31, 2020 and are projected to be \$1.568 million at December 31, 2021. These results are summarized in Appendix B of this report.

The Township has a WSIB reserve fund which at the end of 2020 had about \$0.63 million.

### **Recommended Initial Level for the WSIB Reserve Fund**

We recommend that the initial target for the WSIB Reserve Fund of the Township be set at the Accrued Benefit Obligation (ABO) of \$1.552 million. The ABO is the Present Value of the future WSIB benefits for past WSIB claims.

The **Present Value** of the self-insured WSIB benefits at December 31, 2020 is the discounted projected future WSIB payments (including administration and other costs) for past WSIB claims at December 31, 2020. The Present Value can be thought of as the amount of money, which if deposited in a bank account at December 31, 2020 that earns interest at the valuation

interest (discount) rate, is sufficient to pay for all expected future WSIB payments (assuming that all of the valuation management assumptions are met) on WSIB claims occurring before December 31, 2020.

This amount grows each year with the cost of new WSIB claims and with interest, and reduces by the payments made for WSIB benefits.

Since \$1.552 million is the value of past claims, it seems appropriate to build the WSIB reserves to at least this level.

### **Recommended Next Level for the WSIB Reserve Fund**

Once the Township's WSIB reserves reach the level of \$1.5 million, we recommend that the Township continue to build its WSIB Reserves and establish a new target of \$3.0 million.

The Township currently has one significant WSIB firefighter claim. The Workplace Safety and Insurance Act include presumption clauses for Firefighters that die as a result of cancer. Specifically, if a Firefighter has sufficient years of service as a Firefighter, and then dies from cancer, the death from cancer is presumed to be caused by employment and if the Firefighter is married at the time of death, a surviving spousal pension will be paid.

The Township's current significant firefighter claim accounts for \$0.875 million of the \$1.552 million ABO at December 31, 2020. The Township also has 2 additional Firefighter cancer claims which have been allowed by the WSIB and which could result in surviving spousal pensions in the future, if the Firefighters have a surviving spouse at the time of their death. Based on the current ages of the two Firefighters, if they both died in 2021 leaving surviving spouses, we estimate the additional cost of these 2 pensions to be \$2.1 million. This additional \$2.1 million of Accrued Benefit Obligation would come onto the Township's financial statements in 2021, if both Firefighters die in 2021 leaving surviving spouses. The amounts reduce with each year after 2021 that the Firefighters survive.

We believe that it would be prudent for the Township to set a new target for its WSIB Reserve at \$3.0 million, once the Township has reached its initial target level of \$1.5 million.

### **Suggested Method for Building the Township's WSIB Reserve**

The Township is saving money annually by being in WSIB Schedule 2 rather than being in Schedule 1. The following table shows the annual savings.



## Centre Wellington

	Year	2021
2021 Gross Payroll Estimate	\$	11,500,000
2021 WSIB Insured Earnings Estimate (85%)	\$	9,775,000
2021 WSIB Schedule 1 Rate per \$100 insured earnings	\$	3.50
2021 Estimated WSIB Schedule 1 premium for 2021 New WSIB claims	\$	342,125
Less 2021 Estimated WSIB Schedule 2 costs for 2021 New WSIB claims	\$	(77,035)
Less 2021 Cost of Schedule 2 (Excess Loss) Insurance	\$	(72,000)
Estimated 2021 Schedule 2 savings	\$	<b>193,090</b>

The annual savings is just over \$0.19 million.

We suggest that the Township begin funding its WSIB Reserve by contributing this annual savings to the WSIB Reserve.

### **Purchase of WSIB Excess Loss Insurance**

The Township has been purchasing WSIB Excess Loss Insurance to cover the cost of a potential catastrophic WSIB claim. A catastrophic claim is defined as one which costs between \$2.5 million and \$5.0 million. WSIB catastrophic claims are rare but they can and do occur.

There are about 450 municipalities in Ontario. Only one out of these 450 municipalities is likely to have a catastrophic claim in the next 5 year period.

The Township's Excess Loss Insurance covers the cost of a claim up to \$15 million and has a Retention Level (deductible) of \$0.5 million. The Township pays about \$72,000 annually for the insurance.

Recently the Township was notified by the insurance company that the Excess Loss Insurance would no longer cover Firefighter claims. Firefighter claims was a significant part of the risk for the Township, and this risk will now not be covered by the insurance.

We recommend that the Township consider taking its premiums from the Excess Loss Insurance and depositing them into a separate WSIB Excess Loss Reserve Fund, which will accumulate over time. We are aware of one municipality that began doing this several years ago and now has a WSIB Excess Loss Reserve that is almost sufficient to cover a catastrophic claim, in addition to their regular WSIB Reserve Fund which covers their Accrued Benefit Obligation.

### **Establish a WSIB Excess Loss Reserve Fund**

Specifically, we recommend that the Township have 2 WSIB reserve funds.

The first WSIB reserve fund would be a **WSIB ABO Reserve Fund**. It would be funded to the target level of the WSIB Accrued Benefit Obligation, which is \$1.552 million at December 31, 2020, and which can increase or decrease with WSIB claims experience. It would be funded by the estimated Schedule 2 savings shown above, which currently is \$0.193 million per year.

The second WSIB reserve fund would be a **WSIB Excess Loss Reserve Fund**. It would be funded to the target level of \$2.5 million, the minimum cost of a catastrophic claim, by funding at the amount of \$72,000 annually, which is the current cost of the Excess Loss insurance.

In the event of a significant WSIB claim which significantly increases the WSIB ABO, monies from the WSIB Excess Loss Reserve Fund could be transferred to the WSIB ABO Reserve Fund to cover or partially cover the increase in the WSIB ABO.

In the event of a significant decrease in the WSIB ABO, caused by improved WSIB claims experience, any surplus in the WSIB ABO reserve fund could be transferred to the WSIB Excess loss Reserve Fund.

The Township has full WSIB actuarial valuations performed every 3 years. The recommended target levels and annual amount of funding of both WSIB Reserve Funds would be reset every 3 years, at the valuation dates.

We would be pleased to discuss this report at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Bruce L. Neville". The signature is written in a cursive, flowing style.

Bruce L. Neville  
Principal

## Appendix B - Centre Wellington Detail Accounting Results

Valuation @ December 31, 2019

WSIB - Centre Wellington							
	2022 Actuarial Update	2021 Actuarial Update	2020 Actuarial Update	2019 Actuarial Valuation	2018 Actuarial Update	2017 Actuarial Update	2016 Actuarial Valuation
Accrued Benefit Obligation January 01	\$ 1,568,495	\$ 1,551,986	\$ 1,537,197	\$ 75,137	\$ 71,058	\$ 65,799	\$ 106,732
Add: Increase due to 2015 Plan Amendment / 2019 Survivor Award	\$ -	\$ -	\$ -	\$ 903,556		\$ 497	
Benefit/Service Cost	\$ 79,380	\$ 77,035	\$ 74,762	\$ 10,077	\$ 9,751	\$ 9,437	\$ 13,596
Interest	\$ 54,254	\$ 53,669	\$ 53,131	\$ 2,841	\$ 2,691	\$ 2,528	\$ 4,795
Less: Expected Benefit Payments	\$ (116,116)	\$ (114,195)	\$ (113,104)	\$ (8,828)	\$ (8,363)	\$ (7,203)	\$ (13,959)
Expected Accrued Benefit Obligation at December 31st	\$ 1,586,013	\$ 1,568,495	\$ 1,551,986	\$ 982,783	\$ 75,137	\$ 71,058	\$ 111,164
Actual Accrued Benefit Obligation at December 31st	\$ 1,586,013	\$ 1,568,495	\$ 1,551,986	\$ 1,537,197	\$ 75,137	\$ 71,058	\$ 65,799
Unamortized actuarial gain / (loss) from Current Valuation				\$ (554,414)			\$ 45,365
Remaining Unamortized actuarial gain / (loss) from Prior Valuations	\$ (405,526)	\$ (436,271)	\$ (467,016)	\$ 60,714	\$ 73,629	\$ 86,544	\$ 49,132
<b>Liability at December 31st (to be reported on Balance Sheet)</b>	<b>\$ 1,180,487</b>	<b>\$ 1,132,224</b>	<b>\$ 1,084,970</b>	<b>\$ 1,043,497</b>	<b>\$ 148,766</b>	<b>\$ 157,602</b>	<b>\$ 160,296</b>
Claim Counts used for the Current Service Cost	1	1	1	1	1	1	1
Interest Rate	3.50%	3.50%	3.50%	3.75%	3.75%	3.75%	4.50%
WSIB Expenditures/Expense							
	2022 Actuarial Update	2021 Actuarial Update	2020 Actuarial Update	2019 Actuarial Valuation	2018 Actuarial Update	2017 Actuarial Update	2016 Actuarial Valuation
Plan Amendment	\$ -	\$ -	\$ -	\$ 903,556	\$ -	\$ 497	\$ -
Current Period Benefit Cost	\$ 79,380	\$ 77,035	\$ 74,762	\$ 10,077	\$ 9,751	\$ 9,437	\$ 13,596
Amortization of Gains / Losses	\$ 30,745	\$ 30,745	\$ 26,684	\$ (12,915)	\$ (12,915)	\$ (7,953)	\$ (3,827)
Post Employment Benefit Expense/Expenditures	\$ 110,125	\$ 107,780	\$ 101,446	\$ 900,718	\$ (3,164)	\$ 1,981	\$ 9,769
Interest	\$ 54,254	\$ 53,669	\$ 53,131	\$ 2,841	\$ 2,691	\$ 2,528	\$ 4,795
<b>Total Expenditures/Expenses</b>	<b>\$ 164,379</b>	<b>\$ 161,449</b>	<b>\$ 154,577</b>	<b>\$ 903,559</b>	<b>\$ (473)</b>	<b>\$ 4,509</b>	<b>\$ 14,564</b>
Estimated Payroll \$ millions	\$ 11.769	\$ 11.454	\$ 11.147	\$ 10.849	\$ 10.476	\$ 10.404	\$ 9.732
Total Expenditures as a % of Estimated Payroll	1.40%	1.41%	1.39%	8.33%	0.00%	0.04%	0.15%

Attachment C

Township of Centre Wellington  
2015 Reserve and Reserve Fund Policy (Approved by Council)

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
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Reserves

General - Capital Reserves

General Capital Res (Budget Transfer) General Capital Res (Closed Projects)	952,620 1,307,000	Merge these two into a single "General Capital Reserve".	Capital (Replacement and New)	To provide a source of funding for planned and unplanned tax supported capital projects.		Transfer from general operating fund, year-end operating budget surplus or deficit and closed capital projects.	\$2.4M, to provide (\$1M) for unplanned or emergency cap-ital projects and to fund tenders exceeding budget allocations, and (\$1.4M) for internal debt financing.	\$1.4M planned to debt finance Structures 27-WG (Sideroad 20 Bridget over Irvine Creek - \$1.3M) and Structure 9-WG (Seventh Line Bridge - \$100K) in 2017.
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Fire - Capital Reserves

Fire Safety Trailer Reserve	13,310		Other	To fund repairs, maintenance, and education materials.		Donation.		
Structural Fire Revenue Reserve	1,750		Capital	Used to fund Fire Services capital related projects to augment current level of reserve funding.	Considered annually through capital budget process	Recoverable municipal costs and expenses incurred for structural fires through Fire Marque Inc.	No target set because actual revenue is dependent on a number of variables.	Variables include actual fire incidents and the number of policies that pay for reasonable fees or charges against fire protection for services received.

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
<u>Public Works - Capital Reserves</u>								
Street Lights Reserve - Fergus Street Lights Reserve - Elora Street Lights Reserve - Rural	331,650 83,000 25,430		Stabilization & Capital	To ensure this service has adequate financial protection against unanticipated decreases in revenues or increases in expenditures, and to provide a source of funding for street light capital works.		Area rates for Fergus, Elora, and Rural (Hydro One) areas.	Will be reviewed as part of debt financing of new LED streetlights.	Will be impacted by savings from new LED streetlights, debt financing of new LED streetlights, and new developments coming on stream.
Elora Meadows Storm Sewer Reserve	20,950		Other	To fund repairs/maintenance/replacement of a ground water collection system in the Elora Meadows development.	Township's Treasurer may draw on the reserve for repairs/maintenance/replacement.	Charge on the property tax bill of affected properties.	Rate determined by consulting engineer.	Is pursuant to the Elora Meadows subdivision agreement.
Winter Maintenance Reserve	150,000		Stabilization	To provide additional funding for winter maintenance costs in the event of an operating budget deficit.	Would be triggered by an operating budget deficit.	Historically has been funded from year-end surplus.	25% of winter maintenance budget, or \$300,000.	
St George St W Drainage Reserve	27,300		Capital (New)	Pursuant to site plan agreement.	Developer required to contribute funds towards future drainage work on St. George St., Fergus.	Developer Contribution (2012).		
WR7 & WR21 Sidewalk Reserve	9,520		Capital (New)	Pursuant to site plan agreement.	Developer required to contribute funds towards future sidewalk on frontage of property adjacent to WR 7 @ WR21.	Developer Contribution (2012).		

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
<u>Environmental Services - Capital Reserves</u>								
Water Meter Repair/Replacement Reserve	2,724,540		Capital (Replacement)	To fund replacement of and repairs to water meters.		Transfer from Waterworks operating fund.	Rates set by Water and Wastewater rate and O.Reg 453/07 financial plan study.	New study required by regulation every five years. Current study will be presented to Council at the November 23 Committee of the Whole by Watson and Associates.
Education Reserve	8,330	Close to Water and Sanitary Sewer Capital Reserves.	Other					
<u>Waterworks - Capital Reserves</u>								
Capital Reserve (Budget Transfer) Capital Reserve (Closed Projects)	3,924,900 114,170	Merge these two into a single "Waterworks Capital Reserve".	Capital (Replacement and New)	To provide a source of funding for user-pay (water) planned and unplanned capital projects.		Transfer from Waterworks operating fund, closed capital projects, and waterworks operating fund surplus or deficit.	Based on Water and Wastewater rate and O.Reg 453/07 financial plan study.	New study required by regulation every five years. Current study will be presented to Council at the November 23 Committee of the Whole by Watson and Associates.
Hwy 6 to SR18 Servicing Reserve	(23,380)		Capital (New)	To fund growth component of extension of Water main on Highway #6 North.		Development Charge credits - Strathlea Development.	Growth related cost of the project.	Is pursuant to a service-finance agreement with the developer.
<u>Sanitary Sewer - Capital Reserves</u>								
Capital Reserve (Budget Transfer) Capital Reserve (Closed Projects)	4,042,400 517,550	Merge these two into a single "Sanitary Sewer Capital Reserve".	Capital (Replacement and New)	To provide a source of funding for user-pay (sanitary sewer) planned and unplanned capital projects.		Transfer from Sanitary Sewer operating fund, closed capital projects, and Sanitary Sewer operating fund surplus or deficit.	Based on Water and Wastewater rate and O.Reg 453/07 financial plan study.	New study required by regulation every five years. Current study will be presented to Council at the November 23 Committee of the Whole by Watson and Associates.

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
Grinder Pump Replacement Reserve	378,370		Capital (Replacement)	To fund Salem LPSS grinder pump and mains repairs and maintenance.		Transfer from Sanitary Sewer operating fund.	Rates set by Water and Wastewater rate and O.Reg 453/07 financial plan study.	New study required by regulation every five years. Current study will be presented to Council at the November 23 Committee of the Whole by Watson and Associates.
Hwy 6 to SR18 Servicing Reserve	(222,920)		Capital (New)	To fund growth component of extension of Sanitary Sewer main on Highway #6 North.		Development Charge credits - Strathlea Development.		Is pursuant to a service-finance agreement with the developer.

Parks & Recreation - Capital Reserves

P&R: Facilities Repairs and Maintenance Reserve	-		Capital (Replacement)	To provide financing for Parks and Recreation facilities repairs and maintenance.		5% of Parks and Recreation user fees and charges.		Balance of fund is zero because the contributions received are used each year.
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Vehicle Replacement Reserves

FIRE: Vehicle Replacement Reserve	430,400		Capital (Replacement)	To provide financing for the replacement of Township vehicles.	Applies to all rolling stock.	Annual transfer from the operating budget.	Balances must be sufficient to meet ten-year vehicle replacement forecasts.	Balances will fluctuate due to timing of contributions and transfers to finance expenditures.
Municipal FD Training Officer: Vehicle Replacement Reserve	22,000							
BLDG: Vehicle Replacement Reserve	6,300							
PW: Vehicle Replacement Reserve	379,100							
ENV: Vehicle Replacement Reserve	275,200							
Municipal RMO: Vehicle Replacement Reserve	11,000							
P&R: Vehicle Replacement Reserve	3,250				Funds will be expended in accordance with the capital budget vehicle replacement forecasts.	Sale of vehicles.		

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
Equipment Replacement Reserves								
IT&S: Equipment Replacement Reserve	190,990		Capital (Replacement)	To provide financing for the replacement of equipment.	Applies to all equipment.	Annual transfer from the operating budget.	Balances must be sufficient to meet ten-year equipment replacement forecasts.	Balances will fluctuate due to timing of contributions and transfers to finance expenditures.
IT&S: Software Replacement Reserve	62,700				Funds will be expended in accordance with the capital budget			
FIRE: Equipment Replacement Reserve	41,460				equipment replacement forecasts.			
PW: Equipment Replacement Reserve	91,960							
ENV: Equipment Replacement Reserve	341,540							
P&R: Facilities Equipment Replacement Reserve	55,480							
P&R: Parks Equipment Replacement Reserve	70,090							
Other Reserves								
Working Capital	1,109,660		Other	To ensure adequate funding of the Township's working capital.		Current fund balance carried forward from amalgamating municipalities.		Used for internal debt financing.
Contingency Reserve	127,320		Other	To provide a source of funding for unforeseen events/requirements.		Transfer from the operating fund.	Target balance of \$200,000.	Closure of deposit allowance (\$62,850) will bring Contingency reserve close to target balance (\$190,170).
Photocopiers Loan from Reserve	(11,730)		Other	To provide a low cost source of debt funding for the Township copiers.	Repaid from the operating budget with interest over 5 years.	Interfund loan is lower than the cost of leasing and has no impact on the Township's debt capacity.		
2012 CIBC Debt Repayment Loan from Reserve	(44,620)		Other	Debt from former Town of Fergus restructured in 2012 to achieve lowest cost of borrowing.		Interfund loan replaced external debt to achieve lowest cost of borrowing.		Balance will be fully amortized in 2016.



Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
VPSC Expansion Loan from Reserve	(1,048,500)		Other	Interfund loan to finance the growth relegated cost of the VPSC expansion.		Township reserves, principal payments to reserves and interest are funded from the Development Charges Fund.		Interfund loan will be fully repaid by 2027.
Civic Centre Accessibility Loan from Reserve	(137,250)		Other	Interfund loan to finance the Civic Centre accessibility upgrades (elevator and public washrooms).		Annual transfer from the Mac-Donald Trust Reserve.		Interfund loan will be fully repaid by 2021.
Building: Dispute Resolution Reserve	35,000	Close to new Legal Reserve						
Heritage Reserve	12,500		Other	To provide funding for heritage related studies and plaque purchases (formerly studies only).		Transfer from the operating fund.		Balance of reserve will be \$18,500 after transfer from heritage plaque reserve.
Election Reserve	25,000		Other	To amortize the cost of municipal election held every four years.	Funds expended only on election related costs.	Annual allocation from the Operating Fund equal to 25% of estimated cost of election.	Balance must be sufficient to fund the estimated cost of municipal election every four years.	
Heritage Plaque Reserve	6,000	Close to Heritage Reserve	Other	To provide funding for the purchase of heritage plaque's.		Transfer from the operating fund.		
Health Care Professionals Recruitment Reserve	44,360		Other	To provide funding for the Recruitment of Physicians to Centre Wellington.	Disbursement by the Health Care Professionals Recruitment Stakeholder's Group.	Transfer of the unexpended budget (annually)	\$20,000 funded annually for several years.	Costs paid by GMCH through the year, and billed to Centre Wellington annually.
WSIB Reserve	544,810	Transfer year-end balance in excess of \$500,000 to the insurance claim reserve (to maximum target balance of \$100,000).	Stabilization	To fund claims associated with accidents in the workplace.	Claims are adjudicated by Ontario WSIB.	Annual allocation from the Operating Fund.	Target balance of \$500,000 based on recommendation of Township's actuarial consultant.	Based on year-end projections, the WSIB reserve will be fully funded after transfer to the insurance claim reserve.

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
Insurance Claim Reserve	53,990		Stabilization	To finance the deductible portion of insurance claims.	Claims as adjudicated by the Township's adjustor, insurer, or staff.	Annual allocation from the Operating Fund.	Target balance of \$100,000 based on recommendation of Township's insurance broker.	Based on year-end projections, the transfer from the WSIB reserve will make the insurance claim reserve fully funded.
Employee Future Benefit Reserve	62,370		Stabilization	To fund the premiums for future employee benefits.		Annual allocation from the Operating Fund.	Target balance based on the annual actuarial evaluation.	
Cenotaph R&M Reserve	7,000	Close to General Capital Reserve.	To provide funding for the repair and maintenance of Township Cenotaphs.			\$1,000 transfer from operating fund annually.		Future cenotaph capital requirements will be identified in the ten year capital forecast.
Planning OMB Reserve	58,600	Close to new Legal Reserve.						
DC OMB Hearing Reserve	21,870	Close to new Legal Reserve.						
Deposit Allowance Reserve	62,850	Close to Contingency Reserve.	Other	Remaining consolidated balance of deposits carried forward from amalgamating municipalities.				
Land Sale Reserve	172,540		Capital			Sale of Township land.	No target set as balance is a function of land sales activity.	Funded the construction of Gregson Court (approximately \$650,000).
Fergus Theatre Reserve	3,890		Capital (Replacement)	To provide financing for Theatre major repairs and maintenance.		5% of Theatre user fees and charges.		
Irvine Street DC Credits Reserve	84,500	Close reserve to, and direct future credits to the General Capital Reserve.	Capital			% of DC's collected annually per service-finance agreement.	Part of Irvine Street reconstruction project funding (2013).	

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
Water Street DC Credits Reserve	110,700	After Water Street project is completed and reserve returns to positive balance, close reserve to, and direct future credits to the General Capital Reserve.	Capital			% of DC's collected annually per service-finance agreement.	Part of current Water Street reconstruction project, and (previous) traffic circle project funding.	
Columbarium Reserve	18,340		Capital	To fund construction of new columbarium.		Niche purchases.	Included in fee for sale of columbarium niches; sufficient to fund another columbarium.	Reviewed as part of Belsyde Cemetery Master Plan.
Heritage CRB Hearing Reserve	2,500	Close to new Legal Reserve.	Other					
Reserve for Legal Matters		*** NEW ***	Other	Ensure that a contingency is available for legal matters that may arise from time to time.		Various reserves closed out to this one as noted under "Recommended Reserve Changes".	Target balance of \$200,000.	Estimated opening balance after transfer from other reserves is \$180,820.
Corporate Operations Facilities Reserve	348,000		Capital	To provide funding for the study, design and construction of corporate facilities.				Study currently underway to identify future capital constructing costs - report to be presented to Council in 2016.
Cemetery Expansion Reserve	410			To provide funding for the expansion of the Belsyde Cemetery.				Expected to change following approval of new cemetery by-law and approval of 2016 fees and charges.
GRCA Levy Stabilization Reserve	600		Stabilization	To stabilize the GRCA Levy due to annual tax write-off's and supplementary tax billings.			Should not exceed \$2,000.	

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
CWCI Loan Reserve	1,200,000		Other	To provide funding for loan from Township to CW Communications Inc.		\$1.2M dividend payment from CW Energy Inc. to Township in 2012.		Portion of reserve becomes available for other purposes as loan to CW Communications is repaid.
MacDonald Trust Reserve	3,000		Capital	Used to repay Civic Centre loan from reserve (see sixth item under 'Other Reserves' above).		Annual payment from the MacDonald Trust Fund (US Bank) approximately \$25,000 (US\$).		
CIP Reserve	-		Other	To provide a source of funding for CIP grants, and stabilizes operating fund impacts due to fluctuating demand.	Governed by the Township's community improvement plan.	Transfer from the operating budget.		
wpd Reserve	2,400		Other	To fund Belwood area capital projects.	Specific capital projects to be determined through the capital budget process.	Annual \$22,000 payment pursuant to agreement with wpd Springwood Wind Incorporated		Only funds received will be drawn into the current year capital budget. 'FIT' contract expires in 2034.

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
<b><i>Reserve Funds</i></b>								
Cash-In-Lieu Parkland	272,250		Obligatory	To provide funding for the purchase of parkland or provision of park facilities.		Payments in lieu of Parkland.	No target set as balance is a function of development activity.	Treated as deferred revenue for accounting purposes.
Cash-In-Lieu Parking	55,960		Obligatory	Used to fund the construction of additional parking spaces.		Payments in lieu of Parking.	No target set as balance is a function of development activity.	Treated as deferred revenue for accounting purposes.
Elora Clock Fund	18,640		Other			Donations made to the former Village of Elora for the restoration and relocation of an historic clock.		
VPSC - Seniors Reserve	33,100		Other	To augment Township funding for the Victoria Park Seniors Centre (VPSC).		Portion of net VPSC revenues pursuant to agreement with VPSC Advisory Board.		
OLGC Slot Revenue	2,104,570		Capital (Replacement and new)	Per Township policy, will be used only to fund capital projects.	Previous year's balance allocated to current year capital budget.	Municipal portion OLG Slots revenue.		
Gas Tax Revenue	38,810		Obligatory	To fund capital projects in accordance with agreement with AMO (as trustee).	Governed by agreement with AMO (as Trustee).	Federal Government through agreement with AMO (as trustee).		Treated as deferred revenue for accounting purposes.
Waterworks Lifecycle Reserve Fund	1,267,030		Capital (Replacement)	To provide funding for lifecycle replacement of Water infrastructure.		Transfer from user fee operating budget (Waterworks).	Based on Water and Wastewater rate and O.Reg 453/07 financial plan study.	New study required by regulation every five years. Current study will be presented to Council at the November 23 Committee of the Whole by Watson and Associates.

Description	Projected Balance at Dec. 31/15	Recommended Reserve Changes	Type of Reserve	Objective of Fund	Rules of Usage	Source of Funding	Funding Targets	Other Considerations
Sanitary Sewer Lifecycle Reserve Fund	2,291,140		Capital (Replacement)	To provide funding for lifecycle replacement of Sanitary Sewer infrastructure..		Transfer from user fee operating budget (Sanitary Sewers).	Based on Water and Wastewater rate and O.Reg 453/07 financial plan study.	New study required by regulation every five years. Current study will be presented to Council at the November 23 Committee of the Whole by Watson and Associates.
Newdon Industries Public Swim Reserve Fund	11,920		Other	To sponsor free public swimming for children.		One time \$20K donation from Newdon Industries (Fergus).	Funds pool admission for first 40 children on the first Saturday of each month.	
Building Code Reserve Fund	127,890		Obligatory		Provides revenue stabilization as building permit activity can be highly cyclical.	Building Permit Revenues.	Approximately 1.25 years of operating costs per bill 124 study (\$600,000).	Treated as deferred revenue for accounting purposes.
Capital Levy Reserve Fund	-		Capital (Replacement)	To fund bridge replacements per ten year plan.		Capital Levy.	To provide funding, together with the OCIF grant, to enable the replacement of one large, or two smaller bridges annually.	
OCIF Reserve Fund	-		Capital (Replacement)		Must be used for 'eligible projects' as defined in agreement with Province.	Province of Ontario annual allocation under the OCIF - Formula based grant program.	\$293,039 provided annually for three years, 2015 to 2017.	Province has committed to reviewing the OCIF program in 2017.

