

## REPORT TO COUNTY COUNCIL

# Reserves Year End Allocations and Policy Review

**To:** Warden and Members of County Council

**From:** Director of Corporate Services

## RECOMMENDATIONS

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1. That County Council hereby affirms policy provisions contained in Reserves Policy 6.20 as set out in Attachment 1 to Report CS 2023-36 entitled “Reserves Year End Allocations and Policy Review”;
2. And further, that County Council hereby approves reserve year end allocations to the respective reserve and reserve fund accounts for future use as identified in Attachment 2 to Report CS 2023-36.

## REPORT HIGHLIGHTS

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- Reserves Policy 6.20 is subject to an annual review to ensure appropriate reserve balances are maintained to fund specified operations and capital projects in accordance with the County’s Long Term Financial Sustainability Plan
- Year end allocations to and from reserves are based on the status of projects previously approved for funding from reserves or from taxation; year end surpluses; and variance from target balances

## IMPLEMENTATION POINTS

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Subject to Council’s approval of the recommendations contained in this report, the year end reserve allocations as described and set out in Attachment 2 to this Report will be reflected in 2023 year end financial reports.

### Financial Impact

There is no impact to the County’s 2023 budget as a result of carrying over funds collected for capital and/or special projects not completed during the year as they are reserved for future use as reflected in the 2023 forecast. At the time these projects are completed the reserves will

provide a source of funding that effectively reduces the annual levy to be collected through tax rates and user fees.

The 2024 Business Plan and Budget was prepared in anticipation of the modifications identified throughout this report and Attachment 1 - Reserves Policy 6.20 being approved.

**Communications**

The policy as amended will be updated in the County’s General Policy Manual and staff will be appropriately informed.



**2023-2026 STRATEGIC PLAN**

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Oxford County Council approved the **2023-2026 Strategic Plan** on September 13, 2023. The Plan outlines 39 goals across three strategic pillars that advance Council’s vision of “Working together for a healthy, vibrant, and sustainable future.” These pillars are: (1) *Promoting community vitality*, (2) *Enhancing environmental sustainability*, and (3) *Fostering progressive government*.

The recommendations in this report supports the following strategic goals.

**Strategic Plan Pillars and Goals**

PILLAR 1	PILLAR 2	PILLAR 3
		
<b>Promoting community vitality</b>	<b>Enhancing environmental sustainability</b>	<b>Fostering progressive government</b>
Goal 1.2 – Sustainable infrastructure and development		Goal 3.4 – Financial sustainability

See: [Oxford County 2023-2026 Strategic Plan](#)

## DISCUSSION

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### Background

Each year department managers are requested to review special project and capital spending which could not be completed in the current year. Under spending related to ongoing operational items is generally not reserved, however where special projects cannot be completed due to lack of time or other uncontrollable circumstances the practice has been to reserve those funds for future use.

An annual review of the Reserves Policy ensures the County maintains the appropriate combination of revenue sources to fund ongoing and future projects without imposing significant tax and user fee fluctuations.

In accordance with Reserves Policy 6.20, transfers to and from reserves and reserve funds not specifically approved in the annual operating and capital budgets require Council's approval. Without Council's approval, any funds generated in the year that are not used as a result of incomplete projects will become part of the County's year end surplus and allocated as outlined in the Reserves Policy 6.20.

### Comments

The Reserves Policy has been reviewed in accordance with the Long Term Financial Sustainability Plan designed to ensure that sufficient funding and resources are provided to meet required service level and infrastructure needs over the long term.

In response, the following proposed Reserves Policy 6.20 amendments as described below are clearly marked by tracked changes in Attachment 1 – Reserves Policy 6.20.

#### Section 3.3 – Program Specific Reserves

Addition of the Long-Term Care Future Capital reserve as approved through Report CS 2023-17 2022 Audited Financial Statements.

#### Section 3.4 – Capital Reserves

Modifications to wording to add clarity that the capital reserves are built for lifecycle needs of existing assets.

The Paramedic Services Stations and Vehicles and Equipment reserves are combined to increase flexibility in capital needs and to facilitate financial analysis. County staff reached out to Ministry of Health staff to confirm there are no funding implications as a result of combining the two reserves.

Addition of a Stormwater reserve to facilitate financial planning for lifecycle needs as part of the Asset Management Plan process.

## Section 4.2 – Annual Allocations of Operating Surpluses

Based on anticipated lifecycle needs over the 10-year horizon, staff do not currently anticipate funding challenges for the bridges and structural culvert assets. However, funding challenges are experienced with the lifecycle needs of the County’s owned social housing facilities. As a result, it is proposed that the surplus allocation to the Bridges and Structural Culverts Reserve decrease from 20% to 5%, and the surplus allocation to the Social Housing Reserve increase from 5% to 20%.

## General Updates

Updates to reserve names to encompass all asset classes related to the service area. This includes moving Woodingford Lodge contributions to, and funding from reserves, for the lifecycle needs related to their facilities, from the general facilities reserve to their program specific capital reserve beginning in 2024.

## Appendix “A” – Reserve Policy

Amendments within Appendix “A” to the Reserves Policy are proposed based on the above noted changes. Uses of funding wording related to capital reserves is updated to align with the lifecycle needs of assets as identified in the Asset Management Plan.

## CONCLUSIONS

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Capital reserves are built based on the lifecycle needs of existing assets in the Asset Management Plan. Prioritizing the focus on the use of funds from capital reserves on existing asset lifecycle needs, helps ensure that the County has the ability to maintain existing assets in a state of good repair and continue to deliver on the levels of service that residents depend on. Use of these reserves to expand the County’s asset base, or on non-asset related activities, adds risk to the County’s ability to maintain assets in a state of good repair, which in turn could lead to a reduced level of service being provided.

This report fulfills the requirements of the County’s Reserves Policy for an annual review and authorizes carryover of funds generated for projects and/or special programs not completed in 2023 to the appropriate reserve or reserve fund for future use.

## SIGNATURES

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### Report author:

Original signed by \_\_\_\_\_

Jennifer Lavallee, CPA, CGA  
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**Departmental approval:**

Original signed by

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Lynn S. Buchner, CPA, CGA  
Director of Corporate Services

**Approved for submission:**

Original signed by

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Benjamin R. Addley  
Chief Administrative Officer

**ATTACHMENTS**

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Attachment 1 – Reserve Policy 6.20  
Attachment 2 – 2023 Year End Reserve Continuity Report