

Municipal reserves and reserve funds in Ontario

Discussion paper

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Introduction

Reserves are one of the most important tools available to municipalities for achieving financial sustainability and flexibility. Reserves not only assist municipalities in managing risks, but they also play a role in the financing of capital costs and the provision of affordable and stable services to constituents. Notably, there is a lack of specific legal guidance on reserves and discretionary reserve funds. This has led to a wide variety of municipal approaches to the use of reserves.

MFOA has initiated an exploration on the role of reserves in the Ontario municipal sector to:

- Increase member knowledge of the role and uses of reserves and reserve funds,
- build municipal capacity for members to create and manage reserves and reserve funds,
- increase understanding on their place in a long-term financial plan and how to follow “best practices” with respect to reserve and reserve fund policies,
- encourage discussion, including with the province, to determine if any changes should be recommended with respect to legislation pertaining to reserves and reserve funds or with respect to the financial reporting of them in Financial Information Returns.

As the first step of this initiative, MFOA is releasing this discussion paper which provides an overview of why and how municipalities in the province use reserves and reserve funds. This paper will increase member knowledge about the management of reserves and reserve funds and will stimulate discussion and debate about future avenues of research with respect to reserves and reserve funds.

With these purposes in mind, the paper has four parts. Part 1 defines reserves and reserve funds as well as the roles that they have in long-term financial management. Part 2 discusses the main types of reserves that municipalities are required to establish or might establish at their discretion as part of their long-term financial strategy. Part 3 outlines how the Financial Information Return (FIR) data was analyzed in the report. Part 4 presents the current status of reserves and reserve funds based on the analysis of FIR data. Finally, the conclusion and recommendations sections discuss the main findings of the report as well as the implications and recommendations for future research.

Part 1: What are reserves and reserve funds and why do municipalities use them?

This part defines reserves and reserve funds as well as the roles that they have in long-term financial management.

A reserve or reserve fund is money set aside by municipalities for a specific purpose or use.¹ While Ontario legislation requires municipalities to establish certain reserve funds in certain circumstances, municipal councils have the discretion to establish reserves and reserve funds for any purpose for which they have the authority to spend money.² Such reserves and reserve funds are intended to smooth levy requirements for large and/or one-time purchases, mitigate credit market risk by saving for future capital needs and reducing dependency on debt, as well as provide self-insurance for uncertainties such as extreme events, events of magnitude, cyber-crime, etc.

Municipalities establish reserves and reserve funds with the intention of using the funds for a variety of purposes that can include:

- Paying for future operating expenses required to provide stable municipal services in the event of revenue short-falls, higher-than-expected expenses or short-term cash flow requirements (e.g., water rate stabilization fund, snow removal stabilization fund)
- settling known, anticipated or contingent liabilities such as those incurred with employees (e.g., post-employment benefits, sick leave) and creditors (e.g., long-term debt)
- addressing single purpose items such as community donations or legal agreement requirements
- financing of
 - capital projects³
 - special projects or initiatives that involve major expenses, including land purchases
- maintaining a certain level of liquidity and cash availability needed to demonstrate sound financial planning to third parties such as credit-rating agencies or constituents through the establishment of working funds reserves

Given these diverse uses, reserves and reserve funds assist municipalities in achieving a number of important goals such as long-term financial sustainability and flexibility. Financial sustainability can be defined as the degree to which the municipality is able to meet its service commitments to the public and financial commitment to others while not imposing an undue burden on its constituents.⁴ Financial flexibility is the degree to which the municipality has the capacity to respond to changes in financial

¹ (Municipal Finance Officers' Association of Ontario (MFOA), 2018)

² This authority is based on the broad powers conferred to municipalities on sections 8, 10 and 11 of the *Municipal Act* to pass by-laws respecting the financial management of the municipality, which might include the establishment of reserves and reserve funds. Refer to (Watson & Associates, 2019, pp. 18-39) for a discussion on the legislation governing municipal reserves in Ontario.

³ A capital project is defined by (City of Toronto, 2021, p. 3) as “Any undertaking in respect of which an expenditure is incurred to acquire, improve and maintain land, buildings, engineering structures, machinery and equipment, including installation of computer software (...).”

⁴ (AMO & York Region, 2018, p. 7) one of the characteristics of a financially sustainable position is that it “It offers a level of service commensurate with willingness to tax and ability to pay”

circumstances such as unexpected expenses or revenue shortfalls while meeting its service and financial commitments.

Specifically, reserves and reserve funds are a cornerstone of financial sustainability and flexibility because, in conjunction with other financial strategies, they can assist municipalities in achieving the following goals:^{5,6}

- maintain municipal capital assets in a state of good repair and thus maximize the benefits of public infrastructure⁷
- ensure the sustainable financing of the capital assets required to accommodate growth and to address the strategic challenges growth creates
- maintain stability and affordability of tax rates and user fees in the face of changes in financial circumstances or of the need to incur large expenses either periodically (e.g., municipal elections) or sporadically (e.g., modernization project)
- ensure ongoing service provision (e.g., the non-disruption or reduction of service levels), in the face of changes in financial circumstances
- maintain adequate liquidity that signals sound financial planning to third parties such as credit-rating agencies that in turn provide access to external financing at an affordable cost

Reserves are also a tool to help municipalities mitigate risks.^{8,9} Some examples of risks that municipalities consider and hope to mitigate by maintaining reserves and reserves are:

- downturn in the economy resulting in lower-than-expected property tax collections
- extreme events or events of magnitude such as variations in the weather affecting costs (e.g., snowy winter increases snow removal costs) or revenues (e.g., wet summer reducing water use and water revenue).
- lower-than-expected growth of the community resulting in less-than-expected property tax levy
- natural or other type of disasters causing unexpected major one-time health and safety expenses (e.g., flooding, forest fires, pandemics)
- infrastructure failure resulting in the requirement to make a major urgent capital cost
- higher-than expected costs of goods and services such as insurance or fuel
- unforeseen major legal costs as result of a lawsuit

Reserves and reserve funds are thus a key consideration in municipal budgets and an integral component of the budget, asset management plan and long-term financial plan. New reserves and

⁵ Refer to (Kavanagh, 2012, p. 54) for a discussion on the benefits of reserves

⁶ Refer to (AMO & York Region, 2018) for a discussion of the elements of the fiscal strategy other than the reserves that are key to the achieving of financial sustainability such as capital management and debt management.

⁷ Refer to (Financial Accountability Office of Ontario, 2021, p. 1) for discussion about the importance of maintaining infrastructure in a state of good repair, "Keeping assets in a state of good repair helps to maximize the benefits of public infrastructure, and ensures assets are delivering their intended services in a condition that is considered acceptable from both an engineering and a cost management perspective."

⁸ A risk can be defined as the probability of an undesirable event

⁹ Refer to (Kavanagh, 2012, pp. 56-60) for a discussion the role of reserves as a risk mitigation tool and the types of risks that local governments can consider when establishing reserves policies.

reserve funds are normally established through the budget process. Further, existing reserves and reserve funds are frequently reviewed during the budget process for intended use, relevancy, appropriateness, and target annual allocations or balances. Following review, reserves and reserve funds may be amended, eliminated or consolidated to ensure the future needs and goals of the municipality will be met. Municipalities must make decisions about:

- The types of reserves and their intended purposes,
- The number of reserves, namely, the degree of segregation into different funds,
- The adequate level of balances for reserves they have created,
- The contributions to and withdrawals from reserves in a given year, and
- The policies that should be established for each reserve/reserve fund including the integration of reserve management policies with debt management strategies, asset management plans and other key strategic financing strategies.

In Ontario, with the exception of obligatory reserve funds, there are few legislative restrictions regarding reserves and reserve funds policies. Given the many differences among Ontario's 444 municipalities, there is considerable variance in the management of their reserves and reserve funds as municipalities strive to adopt an approach that best suits their specific circumstances.

Summary

Municipalities set up reserves for specific purposes and uses to pay for operating and capital expenditures. Municipalities maintain reserves, in conjunction with other financial strategies, to achieve broader long-term goals such as financial sustainability and flexibility. Reserves are also an important risk mitigation tool to protect constituents from the effects of unanticipated events either economic or natural. Municipalities face the challenge of making a variety of decisions regarding reserves and reserve funds, considering their specific circumstances and goals.

Part 2: What are the types of reserves and reserve funds maintained by municipalities?

This second part explores the types of reserves and reserve funds set up by Ontario municipalities. The analysis largely relies on the review of seven reserve and reserve fund policies adopted by municipalities in the province.¹⁰ These policies typically set out the different categories of reserves as well as provide a full list of the reserves and reserve funds that they have established.

This part starts by discussing the distinctions between reserves, discretionary reserves funds and obligatory reserve funds. Subsequently, it summarizes the obligatory reserve funds that all municipalities must maintain. Finally, it provides an overview of the types of reserves and discretionary reserve funds that are established by municipalities.

¹⁰ The seven reserve and reserve fund policies reviewed were: (City of Chatham-Kent), (City of Toronto, 2021), (City of Waterloo, 2018), (Municipality of Middlesex Centre, 2021), (Town of Parry Sound, 2014), (Regional Municipality of York, 2019), (Municipality of South Dundas, 2018). In addition, the reserves and reserve funds 2020–2023 Business Plan & 2020 Budget of the City of Mississauga was reviewed (City of Mississauga, 2019).

Distinctions among reserves, discretionary reserve funds and obligatory reserve funds

The Financial Information Return, completed annually by Ontario municipalities, classifies reserves or reserve funds as:¹¹

- reserves,
- discretionary reserve funds, and
- obligatory reserve funds.

These distinctions are based on the way the reserves are set and the level of discretion that municipalities have to use the funds. For this reason, each type of reserve is reported separately in the Financial Information Return of each municipality.

Obligatory reserve funds are reserves that the municipality is required to set up to meet the requirements of a provincial statute or agreement with other entities such as the Federal or Provincial governments. To set an obligatory reserve fund, municipalities must collect and segregate specified revenues. The municipality can use the available funds solely for the purposes prescribed for them by statute or agreement.¹²

Discretionary reserve funds are established by municipal council by-law for a specific purpose.¹³ While a municipality has discretion in the establishment of this type of reserve fund, they can only use the funds to meet the purposes established in the by-law.¹⁴

Finally, the term ‘reserves’ refers to funds that have been set aside by Council resolution or allocation for an intended purpose, but not restricted by provincial or municipal legislation.¹⁵ To establish a reserve, municipalities do not require the physical segregation of money as in the case of an obligatory or discretionary reserve fund. Municipalities have the most flexibility in the use of these funds, as no passing of a by-law or legislation would be required for its reallocation.¹⁶

In respect to their management, there some key distinction among reserves, discretionary reserve funds and obligatory reserve funds:

- Both reserves and discretionary reserve funds are funded through budget allocation approved by council.
- In contrast, obligatory reserve funds are funded from specific revenues sources which municipalities must segregate, such as development charges.

¹¹ Refer to page 11 of the 2019 FIR instructions for the specific guidance provided to municipalities Ministry of Municipal Affairs and Housing Municipal Finance Policy Branch regarding the differences among reserves, discretionary reserve funds and obligatory reserve funds (Ministry of Municipal Affairs and Housing Municipal Finance Policy Branch, 2020, p. 11)

¹² In other contexts, obligatory reserve funds are referred as “restricted reserves”, see (Kavanagh, 2012, p. 55).

¹³ See 2019 FIR instructions for the definition of “discretionary reserves funds” that municipalities should consider when completing their FIRS (Ontario, 2020, p. 11)

¹⁴ In other contexts, discretionary reserve funds would be referred as “committed reserves”, see (Kavanagh, 2012, p. 55).

¹⁵ See 2019 FIR instructions where reserves are defined as “*Monies set aside by approval of Council and not restricted by legislation.*” (Ministry of Municipal Affairs and Housing Municipal Finance Policy Branch, 2020, p. 11)

¹⁶ In other contexts, reserves are referred as “assigned reserves”, see (Kavanagh, 2012, p. 55)

- When collected, the revenue of obligatory reserve funds is considered deferred revenue, and thus a liability, until they are used when they are accounted for in operating revenue as deferred revenue earned.
- Transfers between reserves and discretionary reserve funds are allowed while no transfers could technically be made from obligatory reserve funds to reserves or discretionary reserve funds.

There are generally some distinctions that municipalities make regarding the role of investment income between reserves and reserve funds. The *Municipal Act* explicitly authorizes municipalities to invest in prescribed securities the money that they do not require immediately, including money in reserves and reserve funds.¹⁷ Municipalities generally establish in their policies to invest and generate income from the money segregated in obligatory and discretionary reserve funds as a strategy to diversify revenue and augment available reserve resources. In contrast, money from reserves is often not segregated and thus investment income may not be a strategy to generate additional resources in reserves.

Main types of obligatory municipal reserve funds

As noted above, obligatory reserves are established by a municipality to comply with provincial legislative requirements or with an agreement with other entities, notably, the Federal and Provincial governments.

As shown in Table 1, while obligatory reserves can serve multiple purposes, they are usually named after the revenue source of the funds. Currently, multiple statutes have stipulations governing the obligatory reserve funds to be established by Ontario municipalities. Notably the *Municipal Act*, *Development Charges Act*, *Planning Act* and the *Building Code Act* contain such stipulations.

Table 1: Authorized uses of funds and sources of funds of the main obligatory reserve funds set up by Ontario municipalities to adhere to statutory or contractual requirements as of October 2021

Reserve Fund	Authorized uses of funds	Sources of funds
Building Code Administration ¹⁸	<ul style="list-style-type: none"> ○ Cover the operating cost of administration and enforcement of the Building Code when fee revenues are not sufficient ○ Purchase capital items required for the building department such as vehicles and equipment 	<ul style="list-style-type: none"> ○ Year-end surplus of the Building and Inspection services of the municipality in accordance with subsection 7(2) of the <i>Building Code Act</i>

¹⁷ Section 418 of the *Municipal Act*

¹⁸ Subsection 7(2) of the *Building Code Act* prescribes that the total amount of fees required on application for and on issuance of permits, for maintenance of inspections and orders must not exceed the anticipated reasonable costs of the municipality to administer and enforce the Act. Municipalities can establish a reserve fund to segregate the funds resulting from a surplus building code administration fees (Building Code Act, 1992).

Reserve Fund	Authorized uses of funds	Sources of funds
Canada Community-Building Fund (former Federal Gas Tax Fund) ¹⁹	<ul style="list-style-type: none"> Finance local infrastructure priorities 	<ul style="list-style-type: none"> Grants from the Federal Government awarded in accordance with the program objectives and the agreement signed by the municipality with the Government of Ontario and the Association of Municipalities of Ontario
Development Charges ²⁰	<ul style="list-style-type: none"> Finance capital costs required to provide municipal services and infrastructure to new developments (growth-related capital costs) Funds can only be used to meet the growth-related capital costs for which the development charge was imposed 	<ul style="list-style-type: none"> Development charges, i.e., fees collected from developers of residential, commercial, and industrial properties in accordance with the <i>Development Charges Act</i> and each municipality's by-laws
Payment-in-lieu of Parking	<ul style="list-style-type: none"> Cover the costs of maintaining parking for properties with which the municipality has signed an agreement to received payments in lieu of parking facilities 	<ul style="list-style-type: none"> Payments made by property owners after agreement in lieu of maintaining parking facilities Municipalities are not required, but have the option to establish this reserve fund in accordance to the <i>Planning Act</i>
Parkland (Recreational Land) ²¹	<ul style="list-style-type: none"> Fund the purchase and development of parkland in developing or redeveloping areas as well as the upgrading of existing parks and facilities needed as a result of the intensification of an area 	<ul style="list-style-type: none"> Payments made by developers in lieu of conveying parkland as a condition of development in accordance to the <i>Planning Act</i> including amendments to the Act under the <i>More Homes, More Choice Act, 2019</i>
Provincial Gas Tax Fund ²²	<ul style="list-style-type: none"> Fund the operation and expansion of public transit 	<ul style="list-style-type: none"> Grants from the Provincial Government awarded in accordance with the Ontario Gas Tax Program

Sources: MFOA, based on the review of (Development Charges Act, 1997), (Planning Act, 1990), (Building Code Act, 1992), (Canada, 2021) and (Ontario, 2021)

¹⁹ See (Canada, 2021) for more information

²⁰ Refer to sections 33 to 37 of the *Development Charges Act* (Development Charges Act, 1997)

²¹ Refer to section 42 of the *Planning Act* ("Conveyance of land for park purposes") (Planning Act, 1990)

²² See (Ontario, 2021)

Types of reserves and discretionary reserve funds that municipalities establish at their discretion

Contrary to obligatory reserve funds, municipalities in Ontario have discretion regarding which reserves and discretionary reserve funds they may establish. There is a wide diversity of practices regarding which funds municipalities decide to establish and maintain. While some municipalities have a few funds some may set up dozens or hundreds of different reserves and reserve funds. It should be noted that maintaining numerous reserves de-diversifies risk. This has led municipalities to initiate efforts to rationalize and amalgamate the different funds.

There is no standard approach to categorizing reserves and reserve funds used by municipalities in Ontario. A common approach is to consider three broad categories based on the intended use of the funds:²³

- Working funds: funds established to help the municipality cover expenses when cash balances are low during the fiscal year before tax collections or other revenues become available.
- Operating: funds used to mitigate or stabilize the impact on service levels, tax rates and user fees of revenues short-falls, higher-than-expected expenses and large periodic or one-time expenses.
- Capital: funds accumulated with the intended purpose of financing capital projects either to rehabilitate or replace existing capital assets or expand the infrastructure and capital asset stock of the municipality.

Beyond the categories used to classify reserves, municipalities do not adopt a common approach to establish the different reserves and reserve funds. In the reserves and reserve funds policies reviewed, the reserves and reserve funds are defined using one or more of the following criteria:²⁴

- Purpose: the intended use or purpose of the fund, e.g., tax rate stabilization, rehabilitation and replacement of assets, among others.
- Asset class: the asset class that the funds can be used to acquire, rehabilitate or replace, e.g., land, equipment, or vehicles.
- Municipal Function or Service: the municipal function that the funds will assist by helping cover operating or capital costs, e.g., police, water, wastewater
- Project or initiative: the specific project or initiative that the reserves will help fund, e.g., municipal elections or a specific major capital project (for instance, “water-front development”).

Some of the reserves and reserve funds established by municipalities are defined broadly, such as a general tax stabilization reserve. Others are more narrowly defined using more than one criterion such as reserve funds established only for the replacement of police vehicles.

²³ This is also the approach recommended by subject matter experts such as (Watson & Associates, 2019, p. 3)

²⁴ Based on the listing of reserves and reserve funds found in six reserves and reserve funds policies: (Municipality of Middlesex Centre, 2021, pp. 10-30), (Town of Parry Sound, 2014, pp. 6-14), (Municipality of South Dundas, 2018, pp. 7-25), (City of Waterloo, 2018, pp. 20-27), (City of Toronto, 2021, pp. 10-51) and (Regional Municipality of York, 2019, pp. 18-21)

Table 2: Examples of reserves and discretionary reserve funds established by municipalities by category

Working Funds reserves		
Examples	Common stated purposes	Observations
Working Funds	<ul style="list-style-type: none"> ○ Cover payments and expenses required for day-to-day operations when cash balances are low prior to the receipt of tax collections and other revenues ○ Reduce the reliance on short-term borrowing to meet obligations 	They can be general in nature or defined to assist specific municipal functions
Operating reserves and discretionary reserve funds		
Examples	Common stated purposes	Observations
Economic Stability	<ul style="list-style-type: none"> ○ Fund temporary revenue shortfalls or unforeseen expenditures caused by significant fluctuations in the economy 	
Tax Rate Stabilization	<ul style="list-style-type: none"> ○ Prevent property tax rates fluctuations as a result of unforeseeable non-recurring expenditures or revenue short-falls 	<ul style="list-style-type: none"> ○ Funds used to cover for eventualities such as higher-than expected tax write offs
Rate stabilization	<ul style="list-style-type: none"> ○ Prevent fluctuations in user fees / rates as a result of unforeseen expenditures or revenue short-falls 	<ul style="list-style-type: none"> ○ These reserves are often established for specific municipal services that are largely or fully funded by user fees such as water and solid waste
Winter Maintenance	<ul style="list-style-type: none"> ○ Fund winter maintenance operating expenses such as those for snow removal in the event of a higher-than-expected expenses requirements due to extreme weather conditions 	
Municipal Elections	<ul style="list-style-type: none"> ○ Fund the expected expenses related to the organization of elections and avoid an excessive burden on the levy in an election year 	

Examples	Common stated purposes	Observations
Repairs and Maintenance of equipment	<ul style="list-style-type: none"> ○ Fund operating and capital expenditures for the repair and maintenance of existing equipment 	<ul style="list-style-type: none"> ○ Often dedicated to fund expenses related to equipment used for the delivery of specific municipal services
Employees Benefits	<ul style="list-style-type: none"> ○ Fund benefits costs of employees and former employees 	
Contingencies	<ul style="list-style-type: none"> ○ Provide contingency funds for a range of contingent or unknown liabilities 	
Insurance	<ul style="list-style-type: none"> ○ Provide contingency funds for losses, damages, costs and expenses as incurred through insurance claims ○ Provide funds to offset unforeseen variation in insurance premiums 	
Legal Costs	<ul style="list-style-type: none"> ○ Provide contingency funds to cover annual fluctuations in cost of legal invoices and claims 	
Long-term disability	<ul style="list-style-type: none"> ○ Pay for all long-term disability benefits of employees and associated administration expenses 	
Sick leave	<ul style="list-style-type: none"> ○ Fund accumulated sick time credits to employees 	
Workers Compensation	<ul style="list-style-type: none"> ○ To fund workers' compensation claims made through the Workplace Safety and Insurance Board (WSIB) 	
Sinking Fund	<ul style="list-style-type: none"> ○ Centralize the accumulated retirement contributions and related interest income of outstanding sinking fund debentures 	
Debenture repayment	<ul style="list-style-type: none"> ○ Fund the interest and principal payments on outstanding debentures 	
Brownfields	<ul style="list-style-type: none"> ○ Fund direct operating or capital project expenses related to the cleaning and redevelopment of brownfields 	

Innovation Projects	<ul style="list-style-type: none"> ○ Fund projects that will result in more efficient systems and/or ongoing operational savings 	
Capital reserves and discretionary reserve funds		
Examples	Common stated purposes	Observations
Capital Assets Rehabilitation and Replacement	<ul style="list-style-type: none"> ○ Fund mayor rehabilitation or replacement of existing assets and ensure municipally owned assets do not deteriorate over time ○ Support the asset management plan by providing predictable financing of the capital assets lifecycle expenses requirements ○ Reduce or eliminate the reliance on long-term to finance capital works 	<ul style="list-style-type: none"> ○ These reserves are established to fund major costs of rehabilitation and replacement of capital assets used to provide specific municipal services such as water, wastewater, roadways, social housing and transit
New capital assets projects	<ul style="list-style-type: none"> ○ Fund major capital projects for the construction, purchase or development of new capital assets ○ Reduce or eliminate the reliance on long-term to finance capital works 	
Capital costs	<ul style="list-style-type: none"> ○ Fund all capital expenditures associated with a municipal function including the rehabilitation, replacement of existing assets and the acquisition new assets. 	<ul style="list-style-type: none"> ○ Generally established to provide for capital costs of the most capital-intensive municipal functions such as water, wastewater and social housing
Debt Management	<ul style="list-style-type: none"> ○ Fund capital projects ○ Reduce or eliminate the need to incur in long-term debt to finance capital 	

Source: MFOA, based on analysis of the listing of reserves and reserve funds included in the following six reserves and reserve funds policies: (Municipality of Middlesex Centre, 2021, pp. 10-30), (Town of Parry Sound, 2014, pp. 6-14), (Municipality of South Dundas, 2018, pp. 7-25), (City of Waterloo, 2018, pp. 20-27), (City of Toronto, 2021, pp. 10-51) and (Regional Municipality of York, 2019, pp. 18-21)

Summary

The distinctions among reserves, discretionary reserves funds and obligatory reserve funds are related to the degree of discretion that municipalities have in determining the origin and uses of the funds.

Obligatory reserves are established by a municipality to comply with provincial legislative requirements or with an agreement with other entities, notably, the Federal and Provincial governments. The sources and authorized uses of the funds are determined by statutes or agreements. Currently, the main obligatory reserve funds set up by municipalities in Ontario are: Building Code Administration; Canada Community-Building Fund (former Federal Gas Tax Fund); Development Charges; Payment-in-lieu of Parking; Parkland (Recreational Land) and Provincial Gas Tax Fund.

In respect to reserves and discretionary reserve funds, there is a wide diversity of practices among Ontario municipalities. Many decide to classify their funds in three categories: working funds, capital reserves and operations reserves. There is even more diversity in the degree of disaggregation and total number of funds that municipalities choose to establish. Some of the reserves and reserve funds established by municipalities are defined broadly, such as a general tax stabilization fund reserve. Others are more narrowly defined using more than one criterion such as reserve funds established only for the replacement of police vehicles.

Part 3: What was the approach adopted for the analysis of FIR reserve data?

This third part describes the approach taken in this report to analyze the Financial Information Return data about reserves and reserve funds.

Reporting of reserves and reserve funds in the financial information returns

The Financial Information Return (FIR) is the main tool used by the Ontario Government to gather financial and statistical information on municipalities.²⁵ The FIR requires municipalities to submit financial information annually about their reserves and reserves funds. Two schedules of the FIR deal specifically with reserves and reserve funds: Schedule 60 – Continuity of Reserve and Reserve Funds and Schedule 61 – Development Charges Reserve Funds

In schedule 60, municipalities provide a continuity report considering all types of reserves, including development charges. The report requires municipalities to specify the opening and end of year balances of their reserves and reserve funds as well as inflows (revenues) into the funds and outflows (utilization) from the funds. In addition, municipalities must provide an analysis of their end-of-year reserve balances either by municipal service purpose or by other classification criteria such as the sources of the funds or the general type of reserve.

In schedule 61, municipalities provide more details of the continuity of development charges reserve funds. The report requires municipalities to specify the development charges proceeds (deferred revenue) and the development charges disbursements (deferred revenue earned). All amounts in this schedule are disaggregated by municipal service purpose. The end of year balance is reported as the net

²⁵ (Ontario, 2020)

result of opening balance, inflows (proceeds) and outflows (disbursements) from the development charges reserve funds.

Classification of reserves and reserve funds used in the analysis

The following analysis of reserves and reserve funds relies on the FIR information reported by municipalities for 2019. For the purposes of the analysis, reserve and reserve fund balances were classified using two approaches: the general purpose of the funds and the municipal service purpose.

The general-purpose approach classifies reserve and reserve fund balances according to the intended use of the funds in the financial management of the municipality. Four uses for reserves and reserve funds were defined to analyze the reserves and reserve funds balances reported by municipalities in their FIRs:

1. **Finance capital costs:** funds to finance the capital works of the municipality. Three subcategories are defined. The first is growth-related reserves which includes development charges and other funds to finance growth-related capital costs. The second subcategory is replacement of equipment. The third subcategory is a general one that includes the funds set aside to finance all other types of capital costs.
2. **Fund operations:** includes funds to support the uninterrupted delivery of municipal services and stability of tax and user rates. Four subcategories were defined for this purpose: tax/user rate stabilization, working funds, Building Code administration and contingencies.
3. **Settle future liabilities:** includes the funds set aside by the municipality to settle, in the future, known or anticipated liabilities to its creditors, employees or other parties. Among the subcategories included in this category are: post-employment benefits, debenture repayment and sick leave.
4. **Non-specified:** includes funds set aside that are only classified according to the municipal service purpose. It includes all the reserve balances presented on the analysis by service purpose of schedule 60 of the FIR.

The municipal service purpose approach analyzes reserve and reserve fund balances according to the municipal service for which the funds have been set aside. To analyze the reserves according to their municipal service purpose, 13 categories were defined:

1. **General Government:** includes reserves and reserve funds set aside to support the operations or capital costs of the general government.
2. **Planning & Development:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of planning and development. It includes the development charges collections for development studies.
3. **Health and Social Services:** includes all reserves and reserve funds set aside to support the operations or capital costs of social and family services including daycare, homes for the aged, emergency medical services and health services.
4. **Housing:** includes all reserves and reserve funds, including development charges, set aside to support the funding of operations or financing of capital costs of social housing.
5. **Recreation and Culture:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of parks, recreation facilities, libraries,

museums and other cultural services. Notably, the deferred revenue from cash-in-lieu of parkland reserve fund (recreational land) was classified as recreation and culture reserves.

6. **Protection:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of the building code administration, fire protection, police protection and other protection services. It includes the deferred revenue from the Building Code reserve fund.
7. **Roadways:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of roadways and structures.
8. **Transit:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of transit systems. It includes the deferred revenue from the Canada transit funding reserve fund, Provincial Gas Tax Fund and development charges for GO transit.
9. **Other transportation services:** includes all transportation services reserves and reserve funds not included in the roadways and transit categories. Notably, it includes parking, air transportation, street lighting and winter control reserves.
10. **Water and Sewer:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of water and sewer (wastewater) systems.
11. **Other environmental services:** includes all other environmental services reserves and reserve funds not included in the water and sewer category. Notably, it includes all funds set aside to support the operations or capital projects of solid waste and stormwater services.
12. **Other:** includes all reserves and reserve funds, including development charges, set aside to support the operations or capital costs of other municipal services.
13. **Non-specified municipal service:** includes all reserves and reserve funds to support all or non-specified municipal services. This category includes Building Canada Fund (Federal Gas Tax Fund) deferred revenue.

Limitations of the analysis

The manner in which reserve and reserve fund financial information is reported in the FIR poses certain challenges for the analysis of the management of reserves by municipalities:

- Obligatory reserve funds, other than development charges, are exclusively reported according to their funding sources with no information provided about the intended purposes of the funds.
- In the analysis of balances in schedule 60, municipalities must choose between reporting reserve and discretionary reserve fund balances by either municipal service purpose or other classification criteria. This does not pose any issues when the reserves are corporate categories that are not related to a specific service, such as sick leave reserves. However, the data as reported in the FIR does not identify reserves that were established by municipalities to support

simultaneously a municipal service and a general purpose, such as water rate stabilization reserve funds or transit services working funds.

- In addition, there are some discrepancies in the categories of municipal services utilized in schedules 60 and 61 with the ones employed in schedules 10 and 40 of the FIR.
- The data about the inflows (revenue/deferred revenue) and outflows (utilization/deferred revenue earned) of reserves and reserve funds is not disaggregated by municipal service. It is hence only possible to analyse the total amounts received and whether they were utilized for operations or capital purposes.

Profiles of the four groups of municipalities analyzed

The analysis considers financial information return (FIR) data from 436 of the 444 Ontario municipalities from the period between 2009 and 2019 (11 years in total).^{26, 27} No imputations or adjustments were made for the missing data of the eight municipalities excluded from the analysis as the impact on overall trends is not likely to be significant.²⁸

The 436 municipalities included were divided into four groups for the analysis according to their population size, defined as the population of residents reported in the 2019 FIR:²⁹

- 37 large municipalities with populations of 100,000 or more
- 69 midsize municipalities with populations ranging from 20,000 to below 100,000
- 141 small municipalities with populations ranging from 5,000 to below 20,000
- 189 very small municipalities with populations below 5,000

While these thresholds are arbitrary, the groups of municipalities defined share commonalities beyond the size of their populations. These commonalities are related to their type of governance structure, the rate of change of their population and their location in Ontario.

The group of 37 large municipalities has the fewest members, but altogether they manage most municipal revenues and expenditures in the province. For instance, six of the eight regional municipalities belong to this group.³⁰ In addition to the regions, this group is mainly composed of single

²⁶ The data used was obtained on October 1st, 2021 from the “FIR Data by year” webpage available on the Ontario (Ontario, 2021).

²⁷ Eight municipalities were not considered in the analysis for the following reasons:

Seven municipalities were excluded from the analysis because the data from their 2019 FIRs were not available in the FIR database that was available on the Ontario Government website as of October 1st, 2021

One additional municipality, the Township of Cockburn, was excluded from the analysis because it had a population of only two residents in 2019. Because of its small population, the indicators calculated for the township had often extreme values which inclusion would limit the representativeness of the descriptive statistics considered in the analysis. For instance, in 2019, the per capita total municipal reserves for the township were \$91,511 per resident which was about 49 times the mean for all municipalities.

²⁸ In 2018, the combined reserves of the eight municipalities excluded from the analysis amounted to about \$200M or 0.6% of all reserves and reserve fund balances held by Ontario municipalities that year.

²⁹ Overall, no large municipalities were excluded from the analysis while only four out of 193 very small municipalities, two of the 143 small municipalities and two of the 71 midsize municipalities were excluded.

³⁰ In 2019, the eight existing regional municipalities altogether provided municipal services to about 37% of the provincial population and controlled about 19% of all municipal revenues and expenses.

tier cities (12, 32%) or lower tier cities within a regional structure (16, 43%). The overwhelming majority of large municipalities are growing municipalities (34, 92%) located in either Central (22, 59%) or Western Ontario (11, 30%).

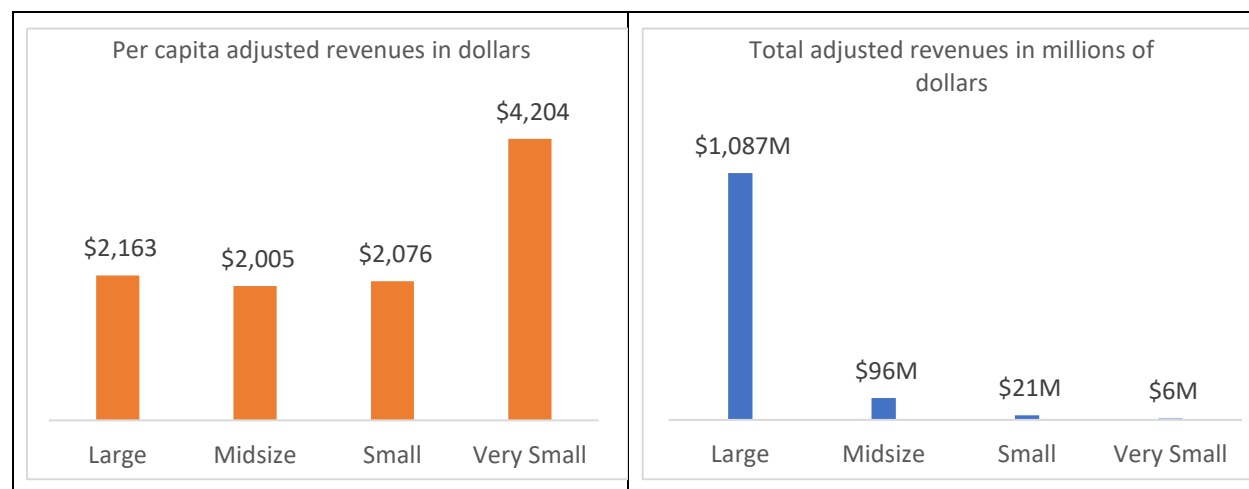
The 69 midsize municipalities group is the most diverse regarding its governance structure and geographical location. This group is composed in almost equal shares by upper-tier counties (18, 26%), lower tiers within counties (17, 25%), lower tiers within regions (15, 22%) and single tiers (15, 22%). They are also relatively equally distributed among Central (23, 33%), Eastern (18, 26%) and Western Ontario (25, 36%). As with large municipalities, the overwhelming majority are growing municipalities but at a lower rate (54, 78%).

The 141 small municipalities are mostly lower tier municipalities within counties (104, 74%), while the rest are lower tier within regions (20, 14%) and single tiers (16, 11%). While most are growing (59%) there is a significant share of municipalities with stable or declining populations (41%). They are mostly located in Eastern (52, 37%) and Western Ontario (57, 40%).

Regarding the 189 very small municipalities, two thirds of the municipalities in this group are single tier municipalities in Northern Ontario (124, 65%). About a third are lower tiers within counties in Eastern and Western Ontario (62, 33%). As opposed to the other groups, most very small municipalities have declining or stable populations (109, 57%).

Another important distinction among the groups of municipalities is the absolute and relative size of their revenues and expenses. Total revenues and expenses of small and very small municipalities are significantly lower than those of mid-size and large municipalities. However, per capita revenues and expenses tend to be significantly higher among very small municipalities compared to the rest of groups. This is clearly illustrated in Figure 1 below showing that in 2019, while the mean per capita adjusted revenues for very small municipalities was \$4,204, the mean total adjusted revenues was only \$6M for the entire group of 189 municipalities.

Figure 1: Mean of the per capita and total annual adjusted revenues by group of municipalities, 2019



Notes: Adjusted revenues are approximation of the total revenues on a cash basis. It is calculated by subtracting the following amount from the total revenues (schedule 10, line 9910): deferred revenue earned (schedule 10, lines: 0830, 0831, 1812, 1813, 1814), donated tangible capital assets (schedule 10, line 1831) and increase/decrease in Government Business Enterprise Equity

Source: MFOA, based on FIR data

Summary

The analysis uses data reported by 436 of the 444 Ontario municipalities in schedules 60 and 61 of their FIRs in 2019.

The reserves balances are classified in four categories according to their general purpose of the funds: finance capital costs; fund operations; settle future liabilities and non-specified general purpose. The reserves balances are also analyzed according to the municipal service purpose in 13 categories.

The 436 municipalities were divided into four groups according to the size of their populations of residents in 2019:

- 37 large municipalities with populations of 100,000 or more,
- 69 midsize municipalities with populations ranging from 20,000 to below 100,000;
- 141 small municipalities with populations ranging from 5,000 to below 20,000
- 189 very small municipalities with populations below 5,000

While these thresholds are arbitrary, the groups of municipalities defined share commonalities beyond the size of their populations. These commonalities are related to their type of governance structure, the rate of change of their population and their location in Ontario

Part 4: What were the trends in municipal reserves and reserve fund management in 2019?

This part presents the findings of the analysis of the trends in reserves and reserve funds based on FIR data from 2019.

General trends in municipal reserves and reserve funds

This first section outlines the overall trends observed considering all of the 436 municipalities considered in the analysis.

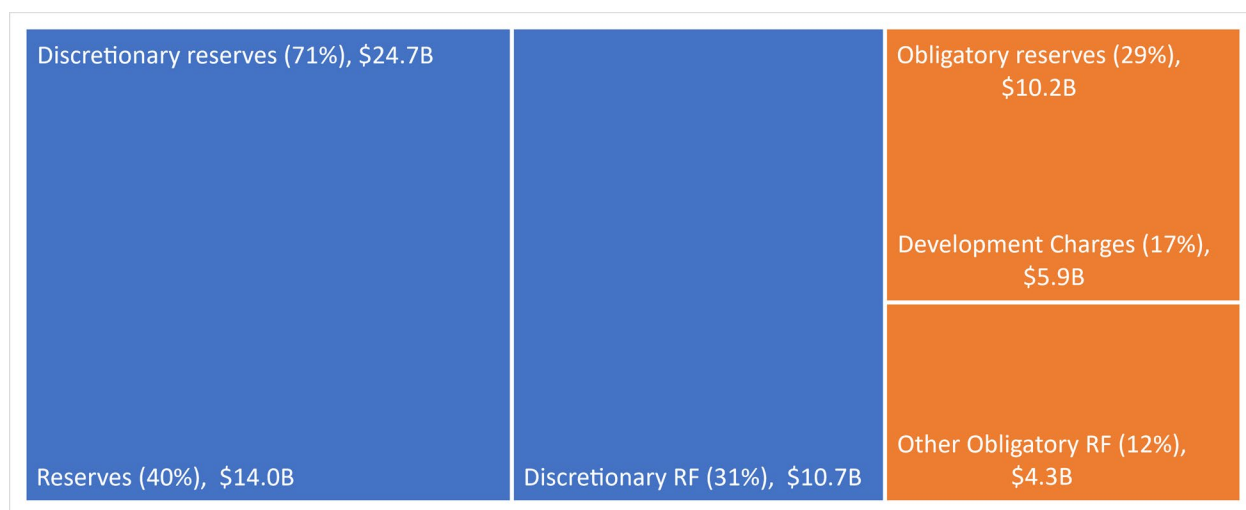
Size of reserve balances

In the following analysis, the term “total reserves” refers to all reserves and reserve funds of municipalities. The term “discretionary reserves” refers to the sum of reserves and discretionary reserve funds while “obligatory reserves” refers to obligatory reserve funds.

In 2019, total reserves held by Ontario municipalities totalled \$34.9B. As shown in Figure 2, discretionary reserves amounted to \$24.7B (71% of total) while obligatory reserves totalled \$10.2B (29%). Most of the obligatory reserves (Figure 3) were development charges with balances in 2019 of \$5.9B (58% of obligatory reserves and 17% of total reserves).

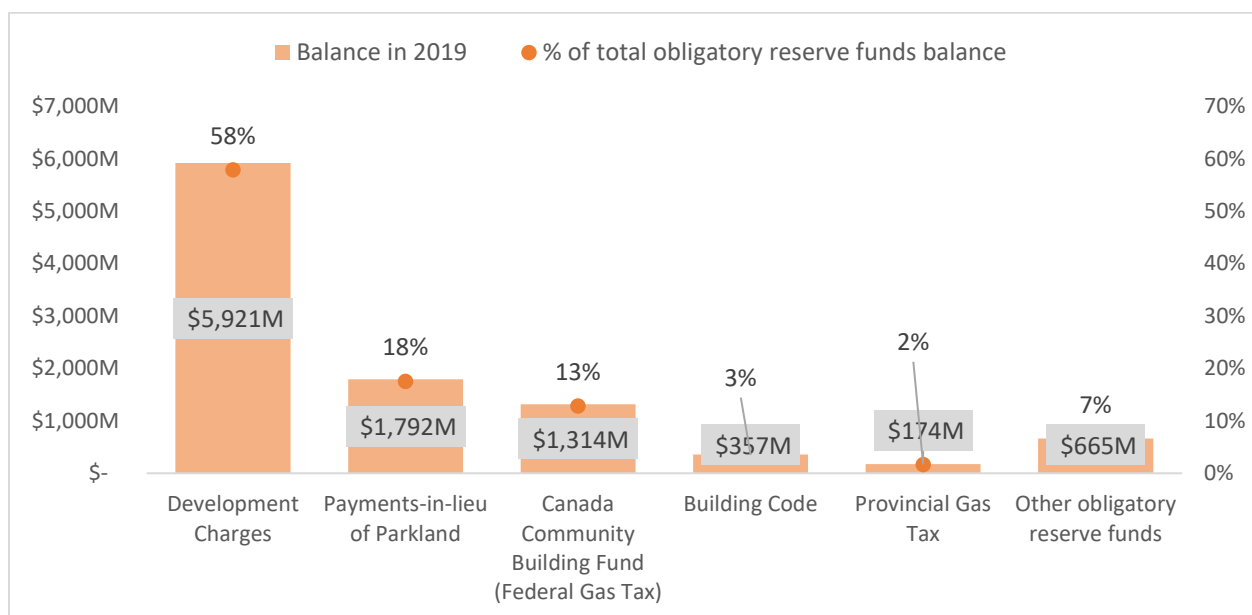
It is of note that year-end balances represent the net sum of positive and negative balances of total reserves maintained by municipalities. In 2019, 116 municipalities (about 25% of total) reported a negative balance in at least one of the reserve categories considered in schedules 60 and 61 of the FIR. In that year, negative reserve balances amounted to \$1,345M (\$1.4B) or about 4% of total reserves. Development charges negative balances summed up to \$942M, 70% of all negative balances and about 15% of the year-end balance of development charges.

Figure 2: Reserves and reserve funds balances by type, in billions of dollars, all municipalities, 2019



Source: MFOA, based on 2019 FIR data

Figure 3: Obligatory Reserve Funds balances by revenue source in millions of dollars and as a percentage of total obligatory reserve funds, all municipalities, 2019



Source: MFOA, based on 2019 FIR data

While the mean total reserve balance per municipality was \$80M in 2019 (see Appendix 1), about 80% of municipalities had total reserves in the \$2M to \$39M range, (values of 20th and 80th percentiles). The same percentage of municipalities had total discretionary reserves in the \$2M to \$31M range. The difference between the mean total reserves balance and the balances held by most municipalities clearly reflects the fact that about three quarters of Ontario municipalities are small or very small jurisdictions with populations below 20,000 residents.

In per capita terms,³¹ in aggregate, municipalities had \$2,485 per Ontario resident in total reserves in 2019.³² However, the average per capita total reserve balance by municipality was only \$1,871: \$1,611 for discretionary reserves and \$260 for obligatory reserves. In 2019, about 80% of municipalities had between \$865 (20th percentile) and \$2,486 (80th percentile) per capita total reserves.

Another way of assessing reserve levels is comparing the end of year balances with revenues, expenses and long-term debt of municipalities (refer to Appendix 1 to see the mean, 20th percentile and 80th of each ratio).

The reserves to adjusted revenues ratio shows how much municipalities have in reserves compared to their annual adjusted revenues.^{33, 34} In 2019, the mean value of this ratio was 69% for all municipalities; 57% only considering discretionary reserves and 12% only considering obligatory reserves. This suggests that at the end of 2019, municipalities had on average total reserves representing a little more than two thirds of the adjusted revenues generated in that year.³⁵ About 80% of municipalities had, in 2019, a total reserves to adjusted revenues ratio between 38% and 98%.

The reserves to property taxation ratio shows how much municipalities have in reserves compared to their total property taxation revenues including payments-in-lieu of taxes (PILS).³⁶ In 2019, the mean ratio of reserves and reserve fund balance to taxation revenues was 139%; 116% for discretionary reserves and 24% for obligatory reserves.³⁷ In 2019, 80% of municipalities had a total reserves to property taxation revenues ratio in the 78% to 190% range.

The ratio of municipal reserves to expenses indicates how much municipalities have in reserves compared with their total expenses without amortization.³⁸ In 2019, the average reserves to expenses ratio was 95%; 79% for discretionary reserves and 16% for obligatory reserves. When considering this

³¹ The per capita indicators are calculated using the population data reported by municipalities in their FIRS. The total population for the province is equal to the sum of the population of single tiers and upper tiers municipalities.

³² This is assuming that the population of the province was close to 14M by the end of 2019.

³³ It is calculated by dividing the reserves end of year balances over the total adjusted revenue generated by the municipality in the year.

³⁴ Adjusted revenues are approximation of the total revenues on a cash basis. It is calculated by subtracting the following amount from the total revenues: deferred revenue earned, donated tangible capital assets and increase/decrease in Government Business Enterprise Equity.

³⁵ All mean values calculated exclude the Township of Cockburn Island which had a population of only 2 residents as of 2019. The municipality is excluded because the per capita amounts often result in extreme values that limit the representativeness of the means. For instance, in 2019, the per capita total municipal reserves for the township were \$91,511 per resident which was about 49 times the mean for all municipalities.

³⁶ It is calculated by dividing the reserves end of year balances over the total property taxation revenue generated by the municipality in the year.

³⁷ This includes all property taxation revenues for own-purpose reporting in line 9940 of schedule 10 of the FIR which includes Payments-in-lieu-of-taxes (PILS) revenues.

³⁸ It is calculated by dividing the reserves end of year balances over the expenses without amortization incurred by the municipality in the year.

ratio, it should be borne in mind that the use of obligatory reserve funds is restricted to certain types of expenditures. This indicates that on average municipalities had in 2019 total reserves that could cover close to one year of expenses without amortization. About 80% of municipalities had a total reserves to expenses ratio between 49% and 140% in 2019.

The reserves to debt ratio compares reserve balances with the long-term debt outstanding.³⁹ In 2019, the mean reserves to debt ratio was 6, 5 for discretionary reserves and 1 for obligatory reserves. About 80% of municipalities had a total reserves to debt ratio between 1 and 9. This indicates that generally municipalities in Ontario have reserves representing six times their outstanding long-term debt.

Summary

In summary, in 2019, total municipal reserves in Ontario amounted to \$34.9B, 71% of this amount were discretionary reserves and 31% were obligatory reserves. Municipalities had on average \$80M total reserves and \$1,871 total reserves per resident. In addition, municipalities had on average total reserves balances representing about two thirds of their annual adjusted revenues, about one time their annual expenses without amortization, about 1.4 times their taxation revenues and 6 times their long-term debt outstanding.

Distribution of reserve balances by general purpose

This subsection analyzes the distribution of reserve balances that municipalities held in 2019 according to their general purpose.

It is important to note that, in 2019, approximately 49% (\$17B) of the total reserves were reported only by municipal service purpose without specifying whether the intended use of the funds (capital, operations or future liabilities). While in recent years about 80% of reserves have been utilized to finance capital costs, there is no indication in the FIR of the intended purpose of these reserves.

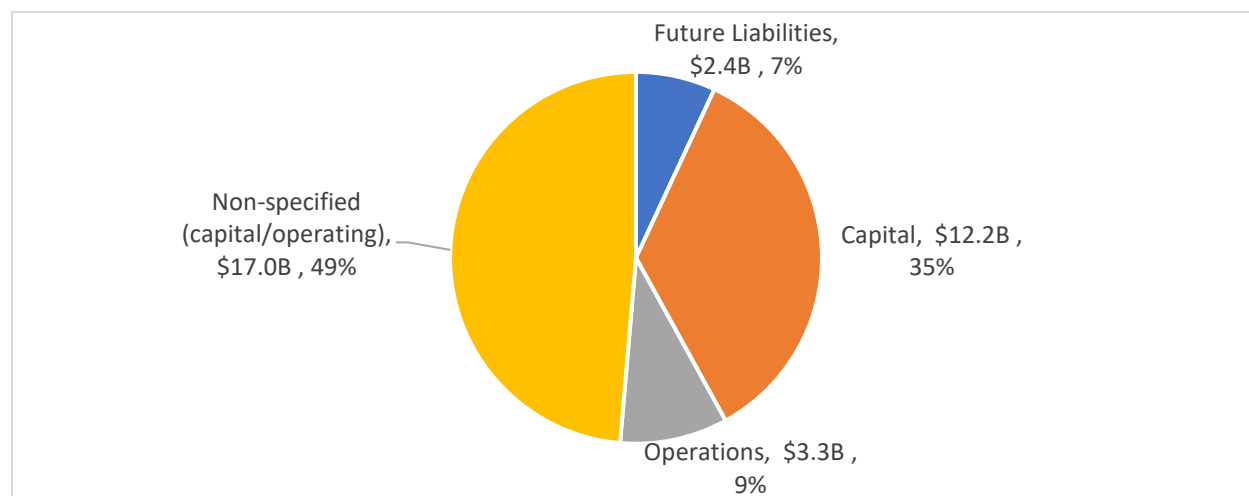
Capital financing reserves represented 35% (\$12.2B) of combined reserves in 2019. These reserves were mainly growth-related capital reserves (\$8B, 73% of total capital financing reserves), which includes development charges deferred revenue.

Virtually all municipalities (417 of 436, 96% of total) had some capital financing reserves in 2019. General capital reserves were reported by 386 municipalities (89%), capital growth reserves by 288 (66%) while replacement of equipment reserves was reported by only 218 municipalities (50%). On average, municipalities had a capital financing reserves balance representing 19% of their adjusted revenues in 2019.

Operations reserves amounted to \$3.3B or 9% of total municipal reserves in 2019. The two biggest items in this category were tax rate stabilization and working funds reserves which balances totalled \$1.1B and \$1.2B respectively. They were followed by contingencies (\$0.7B, 2% of total municipal reserves) and Building Code administration reserves (\$0.4B, 1%).

³⁹ It is calculated by dividing the reserves end of year balances over the total outstanding long-term debt of municipalities. The ratio was calculated only for municipalities with more than \$100,000 in long-term debt outstanding in 2019.

Figure 4: Distribution of reserves and reserve funds balances in billions of dollars by general purpose subcategories, all municipalities, 2019



In 2019, virtually all municipalities (424 municipalities or 97% of total) had operations reserves (see Table 3 below). The most common operations reserve was working funds which 376 (86% of all municipalities) reported in 2019. In that same year, only 153 (35%) municipalities had contingencies, 122 (28%) tax rate stabilization, and 81 (19%) building code administration reserves. On average, municipalities had in 2019 operations reserves balances representing 13% of their adjusted revenues. Only working funds reserves represented 11% of the adjusted revenues of municipalities in 2019 on average.

Table 3: Number of municipalities with reserves and average reserves to adjusted revenues ratios by general purpose category, 2019

General purpose	Number of municipalities	Mean reserves to adjusted revenues ratio
Capital General	386	6%
Capital Growth	288	13%
Replacement of equipment	217	9%
subtotal capital	417	19%
Building Code	79	2%
Contingencies	153	5%
Tax rate stabilization	122	4%
Working funds	375	11%
subtotal operations	424	13%
Debenture repayment	21	5%
Insurance	116	1%
Post-employment benefits	49	1%
Sick leave	78	1%
WSIB	81	1%
subtotal future liabilities	202	2%
Non-specified (operations or capital)	431	40%

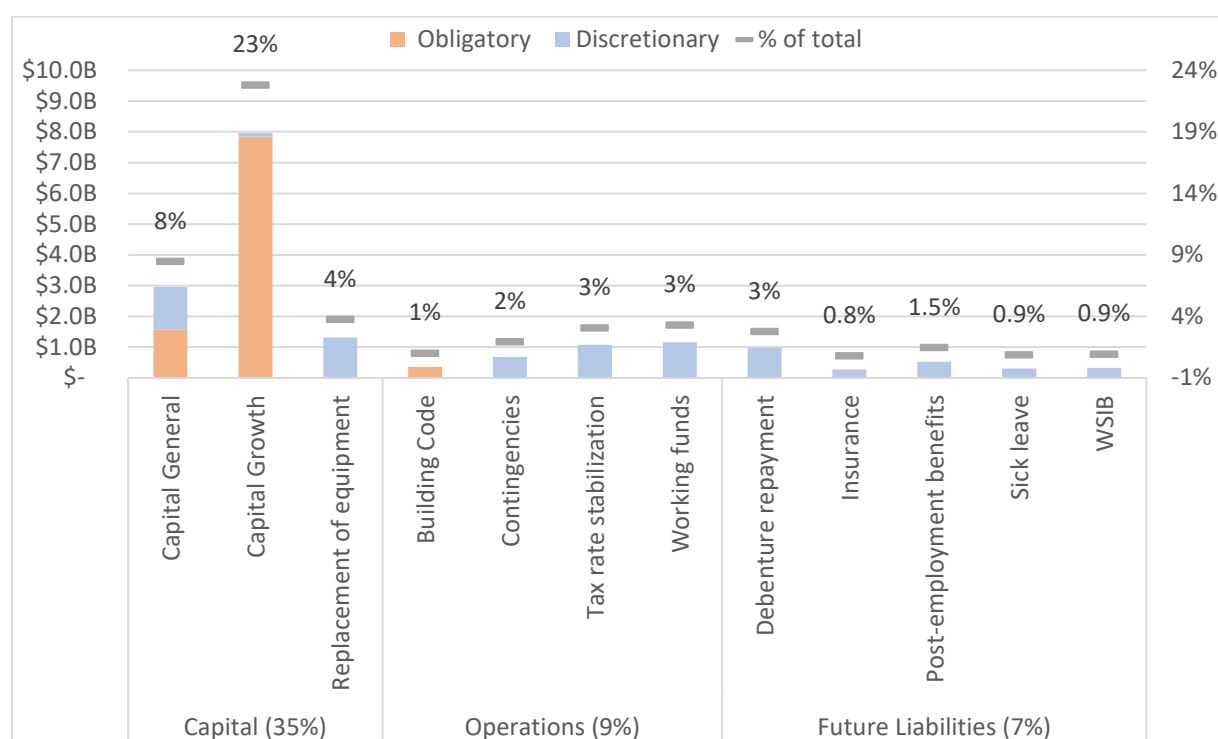
Notes: The non-specified category includes all balances that are reported in the FIR only by municipal service purpose.

Source: MFOA, based on FIR data

Future liabilities reserves totalled \$2.4B or 7% of all municipal reserves in 2019 (see **Figure 5**). The most important item in this category was debenture repayment reserves whose total balances amounted to \$1B or 3% of total municipal reserves in Ontario. Post-employment benefits combined balances amounted to \$0.5B or 1.5% of all municipal reserves followed by sick leave (\$0.3B, 0.9%), WSIB (\$0.3B, 0.9%) and insurance (\$0.3B, 0.8%).

Contrary to operations and capital reserves future liabilities reserves were only reported by 202 municipalities or 46% of total municipalities (see Table 3 below). Of this number, 116 municipalities (27% of total) reported insurance reserves, 82 (19%) WSIB, 79 (18%) sick leave, 50 (11%) post-employment benefits, and 21 (5%) debenture repayment. Overall, the mean balance that municipalities reported for future liabilities reserves was only 2% of their adjusted revenues in 2019.

Figure 5: Reserves and reserve funds balances in billions of dollars and as a percentage of total reserves by general purpose subcategories, all municipalities, 2019



Source: MFOA, based on FIR data

Summary

In summary, the analysis of 2019 FIR data indicate that of the reserves held by Ontario municipalities 49% were reported in a way that does not identify an intended service. Approximately 35% of balances

were held with the intended purpose of financing capital costs, 9% for the funding of operations and 7% for settling future liabilities.

The analysis classifies the general purpose subcategories of reserves into four groups (see Figure 6 below). The first group is composed of the four common subcategories (reported by at least 50% of municipalities) for which also municipalities reported large balances (at least 5% of their annual adjusted revenues on average):

- general capital reserves,
- growth capital reserves,
- working funds and
- reserves with a non-specified general purpose.

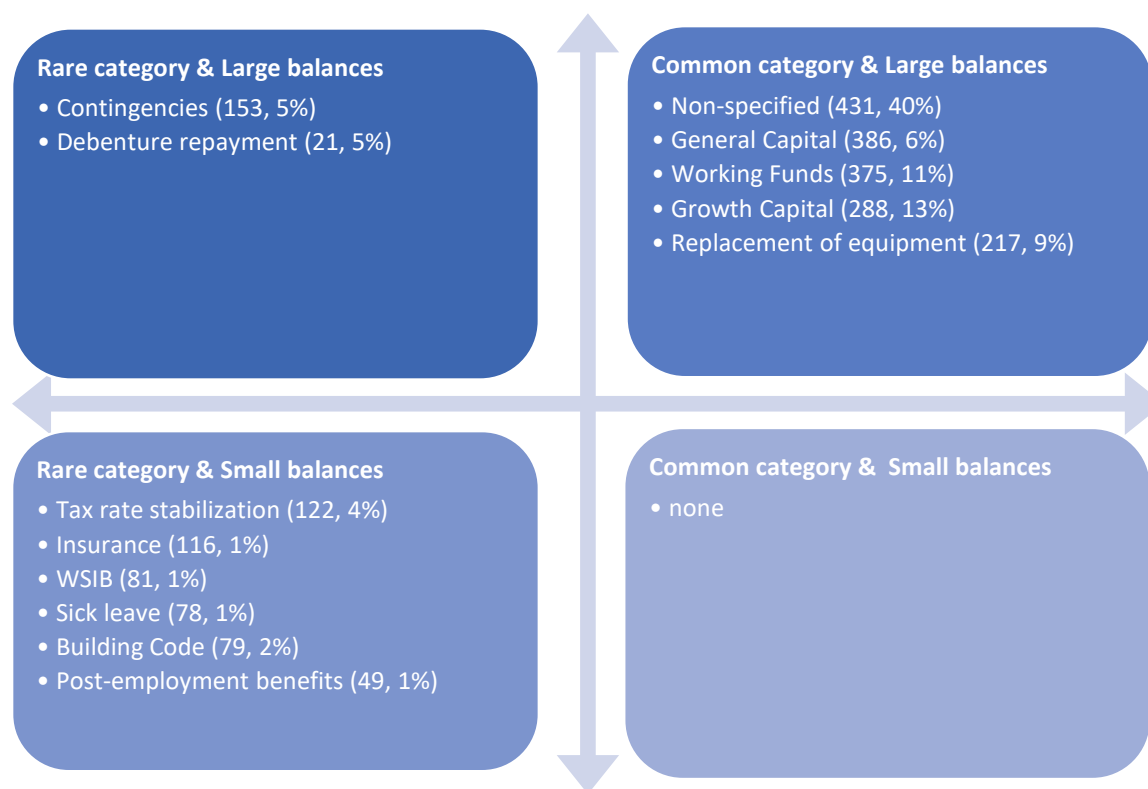
The second group is made of two subcategories that were rarely reported by municipalities, but in which municipalities held relatively large balances:

- contingencies and
- debenture repayment

The third group is composed of the six subcategories that were rarely reported and in which municipalities held relatively small balances on average:

- tax rate stabilization,
- insurance,
- WSIB,
- sick leave,
- Building Code administration and
- post-employment benefits reserves.

Figure 6: Purpose category of municipal reserves according to the number of municipalities with the reserve category and size of the reserve in 2019



Notes:

The numbers in brackets represent the number of municipalities that reported reserves balances in the categories and the mean reserves to annual adjusted revenues in percentage. For instance, contingencies reserves were reported by 153 municipalities and these municipalities reported having end of year balances representing 5% of their adjusted revenues on average.

Common categories are those that were reported by at least 50% of municipalities in 2019. Rare categories are those that were reported by less than 50% of municipalities in 2019.

Large balance categories are those for which the mean reserves balance to adjusted revenues ratio was above 5% in 2019. Small balance categories are those for which the mean reserves balance to adjusted revenues ratio was below 5% in 2019.

Source: MFOA, based on the analysis of FIR data

Distribution of reserves balances by municipal service purpose

This subsection analyzes the reserves that municipalities held in 2019 according to their municipal service purpose. Bear in mind that not all municipalities provide all services.

In 2019, 24% of municipal reserves balances reported by Ontario municipalities in their FIRs did not have an associated municipal service. As noted above, many of these balances are reserves which are corporate in nature and do not lend themselves to a municipal service analysis (e.g., sick leave, insurance, WSIB, post-employment benefits). However, others seem to be aligned with a specific service but are not included in the FIR's service analysis of reserve fund and reserve balances.

About 20% (\$7B) of municipal reserves in 2019 were held by municipalities for supporting the delivery of water and sewer services. The vast majority of these reserves (\$6B of \$7B) were discretionary while about \$1B were obligatory reserves, mostly development charges. While only two thirds of municipalities (66%) had water and sewer reserves, this group of municipalities held significant balances representing 18% of their adjusted revenues on average.

Roadways reserves represented about 13% (\$4.4B) of total municipal reserves in 2019. Reserves in this category were in almost equal shares obligatory (\$2.4B) and discretionary (\$1.9B). Holding reserves to support roadways services was the rule rather than the exception in 2019 as 86% of municipalities reported balances in this category in 2019. In addition, municipalities held significant balances for roadways reserves representing 12% of their adjusted revenues on average.

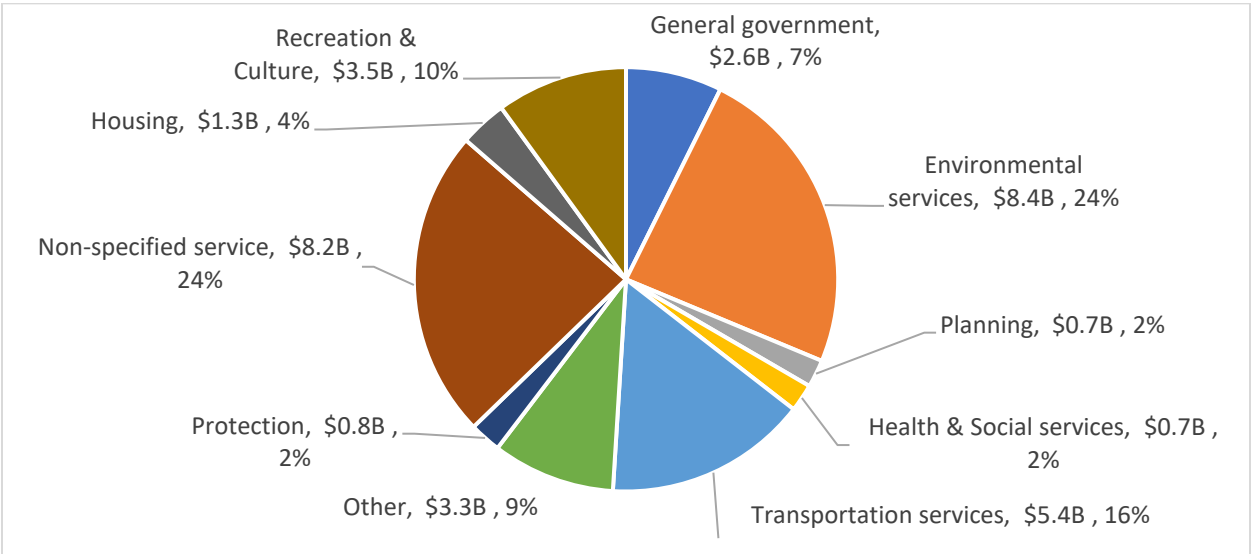
Recreation and culture reserves represented 10% (\$3.5B) of total municipal reserves in 2019. This category of reserves were mostly obligatory reserve funds: \$1.1B development charges deferred revenue and \$1.8B parkland in-lieu-of cash reserve funds. Nearly all municipalities (92%) had reserves earmarked for recreation and culture in 2019, the mean reserve to adjusted revenues ratio for this category was 6%.

General government reserves amounted to 7% (\$2.5B) of total reserves in 2019, virtually all discretionary reserves. The vast majority of municipalities (81%) had general government reserves in 2019 with the mean per capita balance by municipality amounting to 6% of their adjusted revenues.

The combined balances of the categories of planning and development, protection services, health and social services were 7% of all municipal reserves in 2019. However, it is important to note that these are among the most common reserves categories reported by municipalities in 2019: 365 municipalities (85% of total) had protection reserves, 303 (71%) had planning and development reserves and 58% had health and social services reserves. Despite being common, generally municipalities have relatively small balances for these categories ranging from 1% to 4% of their annual adjusted revenues.

The categories of transit and housing reserves amounted to 6% of all reserves in 2019. However, only a small share of municipalities held reserves in these categories due to the fact that only a small number of municipalities provide transit and housing services: only 12% had housing reserves and 25% had transit reserves. The balances held represented only 1% to 2% of the adjusted revenues of the municipalities with these types of reserves in 2019.

Figure 7: Reserves and reserve funds balances by municipal service purpose category, billions of dollars, all municipalities, 2019



Source: MFOA, based on FIR data

Figure 8: Reserves and reserve funds balances in billions of dollars and as a percentage of total reserves by municipal service purpose, all municipalities, 2019

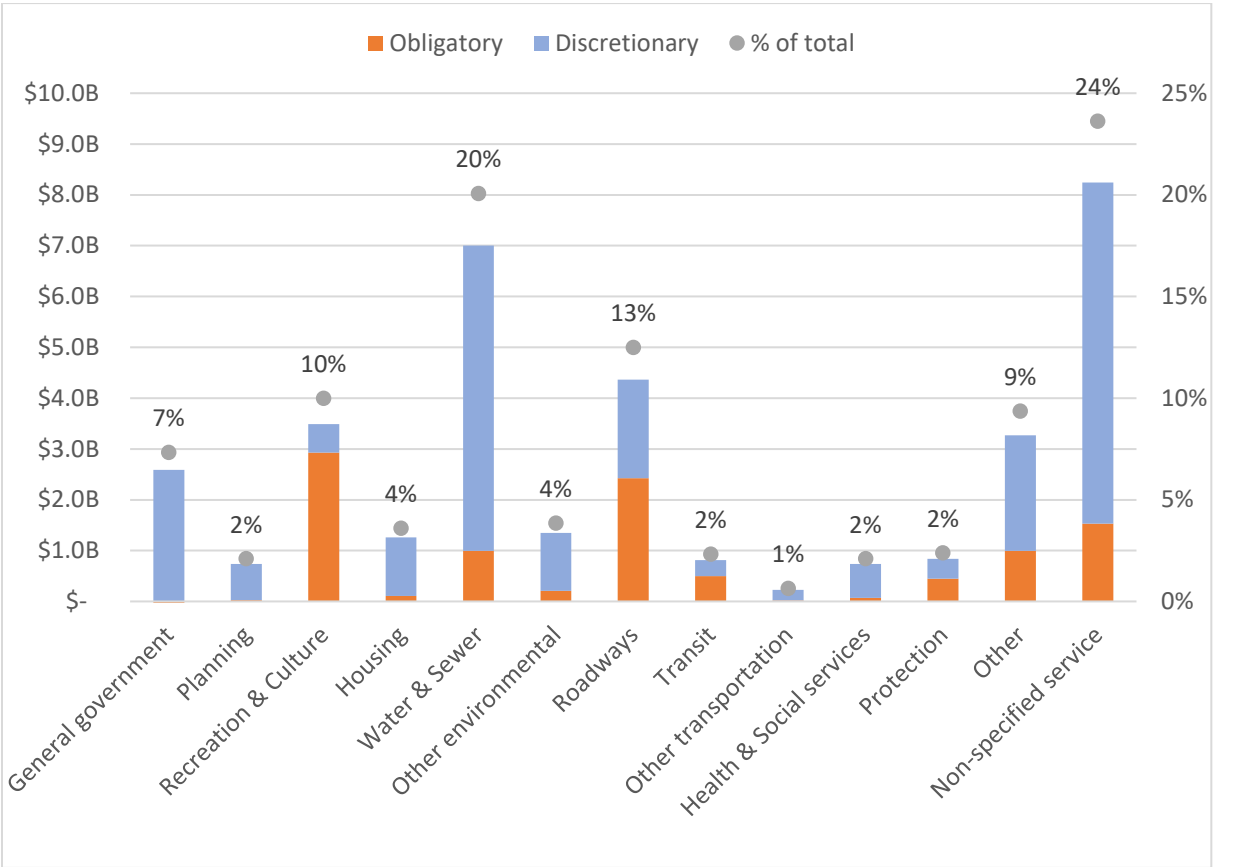


Table 4: Number of municipalities with reserves and average reserves to adjusted revenues ratios by municipal service purpose category, 2019

Municipal service	Number of municipalities	Mean reserves to adjusted revenues ratio
General government	360	6%
Planning	294	2%
Health & Social services	250	1%
Housing	49	3%
Recreation & Culture	406	6%
Protection	371	4%
Roadways	370	12%
Transit	107	1%
Other transportation	194	1%
Other services	324	9%
Water & Sewer	288	18%
Other environmental	293	4%
Non-specified service	435	21%

Source: MFOA, based on FIR data

Summary

In summary, in 2019, almost 74% of municipal reserves balances were in the following five categories: non-specified municipal service (24% of all reserves), water and sewer (20%), roadways (13%), recreation and culture (10%) and general government (7%). The combined categories of transit, housing, planning and development, protection services, health and social services amounted to 13% of all municipal reserves.

In addition, the analysis classifies the municipal service purpose categories of reserves into three groups (see Figure 6 below).

The first group is composed of the five common categories (reported by at least 50% of municipalities) for which municipalities held relatively large balances in 2019 (at least 5% of their annual adjusted revenues on average):

- general government,
- recreation and culture,
- roadways, water and sewer and
- non-specified services reserves.

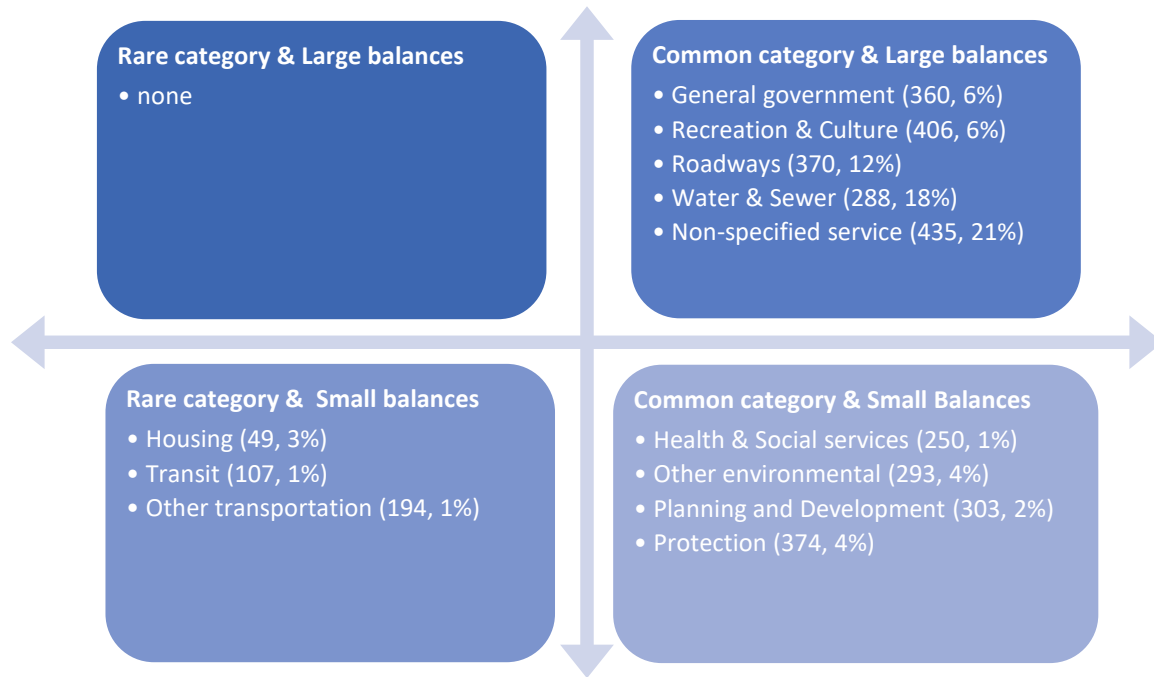
The second group is made of up of four categories that were also common but in which municipalities held relatively small balances:

- health and social services,
- other environmental services,
- planning and development and
- protection services.

The third group is composed of the three categories that were rarely reported by municipalities and in which they had relatively small balances on average:

- housing,
- transit and
- other transportation serves.

Figure 9: Purpose category of service-specific municipal reserves according to the number of municipalities with the reserve category and the size of the reserve in 2019



Notes:

The numbers in brackets represent the number of municipalities that reported reserves balances in the categories and the mean reserves to annual adjusted revenues in percentage. For instance, in 2019, general government reserves were reported by 360 municipalities who reported having a reserves balance in this category representing 6% of their adjusted revenues on average.

Common categories are those that were reported by at least 50% of municipalities in 2019. Rare categories were reported by less than 50% of municipalities in 2019.

Large balance categories are those for which the mean reserves balance to adjusted revenues ratio was above 5% in 2019. Small balance categories are those for which the mean reserves balance to adjusted revenues ratio was below 5% in 2019

Source: MFOA, based on 2019 FIR data

Conclusion

The report outlines the roles that reserves have in municipal long-term financial management as well as the main types of reserves that municipalities in Ontario establish.

The analysis found that municipalities set up reserves for specific purposes and uses to pay for operating and capital expenditures. Municipalities maintain reserves, in conjunction with other financial strategies, to achieve broader long-term goals such as financial sustainability and flexibility. Reserves are also an important risk mitigation tool to protect municipal services and finances from the effects of unanticipated events. Municipalities face the challenge of making a variety of decisions regarding reserves and reserve funds considering their specific circumstances and goals.

The distinctions among reserves, discretionary reserves funds and obligatory reserve funds are related to the degree of discretion that municipalities have in determining the origin and uses of the funds. Obligatory reserves are established by a municipality to comply with provincial legislative requirements or with an agreement with other entities, notably, the Federal and Provincial governments.

In respect to reserves and discretionary reserve funds, there is a wide diversity of practices among Ontario municipalities. Many municipalities classify their reserves into four categories: working funds, contingent liabilities, capital and operations. There is even more diversity in the degree of disaggregation and total number of funds that municipalities choose to establish. Some of the reserves and reserve funds established by municipalities are defined broadly while others are more narrowly defined using more than one criterion.

The analysis found that, in 2019, total municipal reserves in Ontario amounted to \$34.9B, 71% of this amount were discretionary reserves and 29% were obligatory reserves. Municipalities had on average \$80M total reserves and \$1,871 total reserves per resident. In addition, municipalities had on average total reserves balances representing about two thirds of their annual adjusted revenues, about one time their annual expenses without amortization, about 1.4 times their taxation revenues and 6 times their long-term debt outstanding.

Of the total reserves held by Ontario municipalities in 2019: 49% were reported in a way that does not permit to identify an intended purpose, 35% were held with the intended purpose of financing capital costs, 9% for the funding of operations and 7% for settling future liabilities.

The analysis classified the general purpose subcategories of reserves into four groups. The first group is composed of the four common subcategories (reported by at least 50% of municipalities) for which municipalities also reported large balances (at least 5% of their annual adjusted revenues on average): general capital reserves, growth capital reserves, working funds and reserves with a non-specified general purpose. The second group is made of two subcategories that were rarely reported by municipalities, but in which municipalities held relatively large balances: contingencies and debenture repayment. The third group is composed of the six subcategories that were rarely reported and in which municipalities held relatively small balances on average: tax rate stabilization, insurance, WSIB, sick leave, Building Code administration and post-employment benefits reserves.

The analysis of the reserves balances by municipal service purposes found that 74% of municipal reserves balances were in the following five categories: non-specified municipal service (24% of all reserves), water and sewer (20%), roadways (13%), recreation and culture (10%) and general government (7%). The combined categories of transit, housing, planning and development, protection services, health and social services amounted to 13% of all municipal reserves.

In addition, the analysis classified the municipal service purpose categories of reserves into three groups. The first group is composed of the five common categories (reported by at least 50% of municipalities) for which municipalities held relatively large balances in 2019 (at least 5% of their annual adjusted revenues on average): general government, recreation and culture, roadways, water and sewer and non-specified services reserves. The second group is made of up of four categories that were also common but in which municipalities held relatively small balances: health and social services, other environmental services, planning and development and protection services. The third group is composed of the three categories that were rarely reported by municipalities and in which they had relatively small balances on average: housing, transit and other transportation.

Considerations for future research

As noted previously, MFOA has undertaken work on municipal reserves and reserve funds to:

- Increase member knowledge of the role and uses of reserves and reserve funds,
- build municipal capacity for members to create and manage reserves and reserve funds,
- increase understanding on their place in a long-term financial plan and how to follow “best practices” with respect to reserve and reserve fund policies,
- encourage discussion, including with the province, to determine if any changes should be recommended with respect to the financial reporting of reserves and reserve funds in Financial Information Returns to better facilitate an understanding of how municipalities use reserve funds and reserves.

This initial report answers several questions on reserves and reserve funds, including:

- Which municipalities have reserves or reserve funds?
- What is the magnitude of reserve and reserve fund balances in the most recent year that data is available (2019)?
- What types of reserves and reserve funds have municipalities created? and
- For what purposes are reserves and reserve funds established?

Several suggestions for additional work came to light during the preparation of this report. Some of the suggestions for a subsequent phase of work arose during the analysis supporting this paper. Other suggestions arose in discussion with the Reserves and Reserve Funds Steering Committee as well as discussions with other MFOA members. Below is a summary of some of the suggestions that we heard. They are in no order of importance and are not necessarily mutually exclusive. Some suggestions might work very well in tandem with other suggestions. It will be the responsibility of MFOA’s Board of Directors to determine which, if any, of these suggestions for further work would best promote the goals for this project re-stated above.

Updating the Analysis

The most recent year for the analysis is 2019. The choice to use 2019 was made based on the number of completed FIRs available. However, an update of the analysis could begin to examine impacts on reserve fund and reserve balances resulting from the pandemic. As of early November, there are 74 FIRs still unavailable for 2020. As more FIRs become available for 2020, it would be useful to see the impact on trends in reserve fund and reserve balances identified in this report. Obviously, the pandemic has also extended into 2021 and additional impacts may well be observed. However, it will be some time before a province-wide analysis of reserves and reserve funds can be carried out that includes 2021 data. It might be possible to examine 2021 impacts on specific municipalities that file their FIRs early in 2022. This might provide some early indications of the impact of the pandemic on municipal reserve fund and reserve balances.

Trend Analysis for the Period Following Asset Management Requirements

It may be beneficial to delve into how reserves and reserve funds have changed over the past decade, investigating the influences of asset management, grant programs and the pursuit of financial sustainability.

Legal framework for Reserve Funds and Reserves

Recently completed work by MFOA on municipal debt included a comprehensive discussion of the statutory framework governing municipal debt in Ontario and even touched on elements of the framework in British Columbia and Nova Scotia. The statutory framework for reserves and reserve funds is quite varied. For example, detailed reporting is required for various obligatory reserve funds, including reserve funds established pursuant to the *Development Charges Act, 1997*. On the other hand, there are very few rules with respect to creating a wide range of discretionary reserves. Would MFOA membership benefit from a fulsome discussion of the statutory framework for different types of reserves and reserve funds in Ontario?

A Survey on Municipal Reserves and Reserve Funds in Ontario

The principal source of information on reserves and reserve funds in this report is FIR data during the study period. A secondary source of information that was more qualitative than quantitative was municipal reserve and reserve fund policies. However, notwithstanding these two important information sources, there are still a range of questions that these sources cannot answer. Consideration could be given to whether a well-crafted survey of MFOA members on reserves and reserve funds could augment existing information sources in useful and important ways.

Select Case Studies on Municipal Reserves and Reserve Funds

An obvious technique to understand how and why municipalities use reserves and reserve funds is to ask them. The survey approach, mentioned above, is one important way to gather information from a significant number of members. That work could be complimented by deep dive case studies with a handful of willing municipalities. Such case studies would yield a better understanding of the municipality's strategies and uses of reserve and reserve funds that could uncover recommended good practices for others. Case studies also have the benefit of being able to use current data versus the sometimes significant time lag in FIR data in a province-wide analysis.

Case studies could be broad and high level or narrow and more focused. A broad-based approach to case studies could include information about:

- How many reserves and reserve funds does a municipality have?
- What is the purpose of each of them?
- What strategies does the municipality use for calculating target balances?
- How are contributions to the reserves and reserve funds financed?
- What constitute eligible expenditures from the reserve funds or reserve?
- Which reserve funds and reserve have council approved policies and what are the key elements of a good policy?

- What are the most significant challenges the municipality faces with respect to reserve fund and reserve fund management? Are there recommended strategies for dealing with these challenges?

The Importance of Reserve and Reserve Fund Policies

Adopting financial policies is a best practice recommended by the Government Finance Officers' Association (GFOA). Policies are considered "central to a strategic, long-term approach to financial management."⁴⁰ GFOA's best practice offers guidance on the benefits of policies in key financial policy categories which includes general reserves as well as other types of reserves. Additional guidance on policies can be found in GFOA's 2012 publication *Financial Policies*.⁴¹ Finally, GFOA offers a downloadable reserve policy template to assist governments in crafting useful reserve policies.⁴² MFOA promotes the adoption of reserves and reserve fund policies by making sound policies created by Ontario municipalities easily accessible in the MFOA Virtual Library. MFOA, in conjunction with Watson and Associates Economists Ltd., also regularly hosts workshops on reserves and reserve funds which includes best practices and practical advice on drafting a reserves and reserve fund policy. These resources provide guidance to municipalities interested in adopting or revising their own policies.

Optimal Strategies for Contingency Reserves

All municipalities have some type of municipal insurance to protect themselves against property damage or liability. In addition, many municipalities may have reserves to deal with unforeseen events or future costs that are difficult to estimate. Stabilization reserves, for example, can offer protection against reductions in revenues or increased expenditures associated with such events as a wet summer (potentially lower water revenues), a snowy winter (higher snow removal costs) or an economic downturn or factory closing (lower tax revenues/higher tax arrears). In addition to these types of events, municipalities are considering significant contingencies such as costs associated with adapting to climate change and revenue losses. Work on best practices with respect to contingency planning, climate change adaptation and the role of reserves in these efforts might be welcomed by MFOA members.

Changes In Provincial Reserve and Reserve Fund Reporting

There are currently two schedules in the FIR that deal with reserves and reserve funds. Schedule 60, entitled "Continuity of Reserves and Reserve Funds" provides information on obligatory reserve funds, discretionary reserve funds and reserves. The following information is provided:

- Opening balances for each class of funds
- In year revenue to each class of funds

⁴⁰ <https://www.gfoa.org/materials/adopting-financial-policies>

⁴¹ Shayne Kavanagh, *Financial Policies*, GFOA, 2012

⁴² GFOA, Reserve Policy Template, September 2020, <https://www.gfoa.org/materials/reserve-policy-template>

- For reserves and discretionary reserve funds, the significant revenue source is “allocation of surplus” which is allocated either to capital or operations. Clearly this says very little about the financing of reserves and discretionary reserve funds.
- More information is provided for the financing sources for obligatory reserve funds. Such sources could include development charges, contributions under the Planning Act, and various transfers (e.g., Provincial gas tax, federal gas tax, Building Canada Fund)
- Utilization of each class of funds
 - With respect to reserves and discretionary reserve funds, the main categories are amounts used for acquisition of tangible capital assets, operations or inter-fund transfers
 - For obligatory reserve funds utilization is categorized by the funding source with break-outs for capital versus operations for some sources (e.g., Provincial gas tax, Planning Act).
 - It is difficult to determine utilization on a service basis for any of the classes of funds.
- Year end balances
- Year end balances by service or purpose is provided for:
 - Reserve or discretionary reserve fund balances are reported for several important purposes (e.g., working funds, asset replacement for sewer and water, contingencies, sick leave, insurance and several others)
 - Service level information on year end balances for reserves and discretionary reserve funds is presented using a service categorization that closely resembles that used in schedules 12 (Grants, User Fees and Service Charges) and 40 (Expenses)
 - Partial service information by service is provided for development charges in schedule 61. However, the service categories on schedule 61 do not map perfectly to the categories on schedule 60. Nevertheless, some level of detail is provided for development charges. It is not clear whether the FIR will be modified to provide a similar level of service information with respect to Community Benefit Charges.

While the FIR does indeed provide useful information on reserves and reserve funds, it can nevertheless be difficult to understand completely how municipalities use reserves and reserve funds and what services they finance or purposes for which they are used. Given that it is possible that new schedules may be introduced for Community Benefit Charges, it may be an opportune time to encourage provincial-municipal consultation about reserve and reserve fund reporting to promote better information on the uses for such funds. At the same time, MFOA is aware of member concerns expressed frequently in the past about reporting burdens for both provincial and federal programs. The goal of consultation should be to determine if there is better information that could be collected through FIRs without increasing reporting burdens on municipalities.

Reserve Ratios Tool

Recent MFOA work on debt identified several key fiscal health metrics related to debt used by the Province as well as debt rating agencies. Consideration could be given to developing reserve related metrics as well.

Best practices

As noted above, GFOA has said that establishing policies for reserves and reserve funds is a best practice. During our work on reserves and reserve funds, we have heard that there would also be an interest in guidance on best practices with respect to:

- Setting target balances (operating/contingency reserves) or target contributions (capital financing reserves)
- Forecasting reserve and reserve fund revenues, draws and balances
- Best practices with respect to contingency planning

Further consultation with members could potentially identify additional areas of member interest with respect to best practices.

Integrating Reserve and Reserve Fund Policies with Other Financing Approaches

MFOA members expressed an interest in understanding the role that reserves and reserve funds can play in budgeting and, in particular, capital budgeting. How should reserves and reserve funds be used to support a capital plan? How can reserves and reserve funds be integrated with growth strategies, asset management plans, or debt management strategies?

Reserve and Reserve Fund Training

Given that one of the goals of the work on reserves is to enhance member capacity, an obvious consideration for next steps is to offer online or in class training on reserves and reserve funds. This undertaking would build on MFOA's excellent work delivered in October of 2019 on reserves and reserve funds prepared and delivered by Watson and Associates Economists Ltd. This training consisted of a basic level introductory course that provided an overview of the pertinent legislation, creating reserves and reserve funds, establishing policies and reviewing a sample of such policies. The course focussed on reserves and reserve funds from a budgeting perspective. A more advanced course was provided by Watson and Associates in November of 2019. Consideration could be given to reviewing this work to determine if any updates are required and to modify it based on expressed member interests.

Appendices

Appendix 1: Reserve balance ratios, all municipalities, 2019

Metric	Mean	20th percentile	80th percentile
Total balances			
Discretionary reserves	\$57M	\$2M	\$31M
Obligatory reserves	\$23M	\$0M	\$7M
Total reserves	\$80M	\$2M	\$39M
Per capita balances			
Discretionary reserves	\$1,611	\$693	\$2,182
Obligatory reserves	\$260	\$64	\$401
Total reserves	\$1,871	\$865	\$2,486
Reserves to adjusted revenues ratio			
Discretionary reserves	57%	31%	78%
Obligatory reserves	12%	2%	17%
Total reserves	69%	38%	98%
Reserves to property taxation revenues ratio			
Discretionary reserves	116%	65%	159%
Obligatory reserves	24%	5%	33%
Total reserves	139%	78%	190%
Reserves to expenses without amortization ratio			
Discretionary reserves	79%	41%	112%
Obligatory reserves	16%	3%	23%
Total reserves	95%	49%	140%
Reserves to long-term debt outstanding ratio			
Discretionary reserves	5	1	7
Obligatory reserves	1	0	1
Total reserves	6	1	9

Appendix 2: Mean reserve ratios by group of municipalities, 2019

Metric	Large	Midsize	Small	Very Small	All
Total balances					
Discretionary reserves	\$515M	\$47M	\$13M	\$3.1M	\$57M
Obligatory reserves	\$236M	\$16M	\$3M	\$0.3M	\$23M
Total reserves	\$751M	\$62M	\$16M	\$3.4M	\$80M
Per capita balances					
Discretionary reserves	\$1,063	\$1,036	\$1,305	\$2,156	\$1,611
Obligatory reserves	\$484	\$366	\$235	\$195	\$260
Total reserves	\$1,547	\$1,402	\$1,541	\$2,351	\$1,871
Reserves to adjusted revenues ratio					
Discretionary reserves	56%	54%	65%	52%	57%
Obligatory reserves	28%	21%	12%	6%	12%
Total reserves	84%	76%	77%	57%	69%
Reserves to property taxation revenues ratio					
Discretionary reserves	112%	109%	125%	112%	116%
Obligatory reserves	55%	39%	23%	12%	24%
Total reserves	167%	148%	148%	124%	139%
Reserves to expenses without amortization ratio					
Discretionary reserves	68%	70%	90%	75%	79%
Obligatory reserves	33%	28%	17%	8%	16%
Total reserves	101%	99%	107%	84%	95%
Reserves to long-term debt outstanding ratio					
Discretionary reserves	4	4	8	4	5
Obligatory reserves	3	1	1	0	1
Total reserves	6	5	9	5	6
Source: MFOA, based on 2019 FIR data					

Appendix 3: Indicators calculation

Indicator	Calculation from FIR data
Total reserves balance Sum of the end of year of obligatory reserve funds, reserves and obligatory reserve fund	SLC 60 L2099 C01 + SLC 60 L2099 C02 + SLC 60 L2099 C03
Discretionary reserves balance Sum of the end of year of reserves and discretionary reserve funds	SLC 60 L 2099 C 02 + SLC 60 L 2099 C03
Obligatory reserves balance Sum of the end of year of obligatory reserve funds	SLC 60 L 2099 C01
Population Sum of total population of residents	SLC 60 L0041 C01
Adjusted revenues: approximation of the total revenues on a cash basis by excluding deferred revenue earned, donated tangible capital assets and increase/decrease in Government Business Enterprise Equity	SLC 10 L9910 C01 – SLC 10 L0830 C01 – SLC 10 L0831 C01 – SLC 10 L1812 C 01 – SLC 10 L1813 C01 – SLC 10 L1814 C01 – SLC 10 L1831 C 01 – SLC 10 L1905 C01
Property taxation revenue: sum of own-purpose taxation revenue and payments-in-lieu of taxes	SLC 10 L0299 C01 + SLC 10 L0499 C01
Expenses without amortization: total municipal expenses excluding amortization expenses	SLC 40 L9910 C11 – SLC 40 L9910 C16
Long-term debt outstanding: total net long term liabilities of the municipality	SLC 74 L9910 C01
Per capita reserves	Total reserves balance ÷ Population
Reserves to adjusted revenues ratio	Total reserves balance ÷ Adjusted revenues
Reserves to property taxation revenues ratio	Total reserves balance ÷ Total taxation revenues
Reserves to expenses without amortization ratio	Total reserves balance ÷ Expenses without amortization
Reserves to long-term debt outstanding ratio	Total reserves balance ÷ Long-term debt outstanding

Appendix 4: Classification of reserve balances by general purpose

Category	Lines included	FIR reference
Capital reserves		
Capital General	Asset Replacement funds for: Sewer & Water – Sewer	SLC 60 L5030 SLC 60 L5040
	Building Canada Fund (BCF)	SLC 60 L5693
	Canada transit funding (Bill C-48)	SLC 60 L5692
	Gasoline Tax - Federal	SLC 60 L5691
	Gasoline Tax - Province	SLC 60 L5690
	Ontario Clean Water Agency (OCWA) fund for renewals, etc. : Sewer	SLC 60 L5030
	Ontario Clean Water Agency (OCWA) fund for renewals, etc. : Water	SLC 60 L5040
Capital Growth	Development Charges Act - Discounted services	SLC 60 L5620
	Development Charges Act - Non-discounted services	SLC 60 L5610
	Parking revenues	SLC 60 L5660
	Subdivider contributions	SLC 60 L5640
Future liabilities reserves		
Debenture repayment	Debenture repayment	SLC 60 L5670
Insurance	Insurance	SLC 60 L5070
Post-employment benefits	Post-employment benefits	SLC 60 L5090
Sick leave	Sick leave	SLC 60 L5060
WSIB	Workplace Safety and Insurance Board (WSIB)	SLC 60 L5080
Operations reserves		
Building Code Administration	Building Code Act 1992	SLC 60 L5661
Exchange rate stabilization	Exchange rate stabilization	SLC 60 L5680
Replacement of equipment	Replacement of equipment	SLC 60 L5050
Tax rate stabilization	Tax rate stabilization	SLC 60 L5091
Working funds	Working funds	SLC 60 L5010
Contingencies	Contingencies	SLC 60 L5020
Non-specified general purpose (operations or capital)		
Non-specified general purpose (operations or capital)	Balances analysed per service purpose	SLC 60 lines 5205 to 5290
	Other deferred revenue	SLC 60 L5695 SLC 60 L5696 to 5699

Appendix 5: Classification of reserve balances by municipal service purpose

Municipal services	Lines included	FIR references
General government	General government	SLC 60 L5205 SLC 61 L0205
Health & Social services	Daycare	SLC 61 L0255
	Emergency medical services	SLC 61 L0245
	Health services	SLC 60 L5250
	Homes for the aged	SLC 61 L0250
	Social and family services	SLC 60 L5255
Housing	Housing	SLC 61 L0260
	Social Housing	SLC 60 L5260
Other environmental services	Environmental services : Solid waste collection	SLC 60 L5240
	Environmental services : Solid waste disposal	SLC 60 L5245
	Environmental services : Storm water system	SLC 60 L5230
	Environmental services : Waste diversion	SLC 60 L5246
	Stormwater	SLC 61 L0235
Other transportation services	Parking	SLC 61 L0286
	Parking revenues	SLC 60 L5660
	Transportation services : Air transportation	SLC 60 L5223
	Transportation services : Parking	SLC 60 L5221
	Transportation services : Street lighting	SLC 60 L5222
	Transportation services : Winter control	SLC 60 L5216
Planning and Development	Building Code Act 1992	SLC 60 L5661
	Development studies	SLC 61 L0285
	Planning and development	SLC 60 L5280
Protection	Fire protection	SLC 61 L0210
	Police protection	SLC 61 L0215
	Protection services	SLC 60 L5210
Recreation and Culture	Library	SLC 61 L0275
	Parkland development	SLC 61 L0265
	Recreation	SLC 61 L0280
	Recreation and cultural services : Culture services	SLC 60 L5277
	Recreation and cultural services : Libraries	SLC 60 L5275
	Recreation and cultural services : Museums	SLC 60 L5276
	Recreation and cultural services : Parks	SLC 60 L5265
	Recreation and cultural services : Recreation facilities - Golf C	SLC 60 L5271
	Recreation and cultural services : Recreation facilities - Other	SLC 60 L5274
	Recreation and cultural services : Recreation programs	SLC 60 L5266
	Recreational land (the Planning Act)	SLC 60 L5650
Roadways	Roads and structures	SLC 61 L0220

Municipal services	Lines included	FIR references
	Transportation services : Roadways	SLC 60 L5215
Transit	Canada transit funding (Bill C-48)	SLC 60 L5692
	Gasoline Tax - Province	SLC 60 L5690
	GO transit	SLC 61 L0270
	Transit	SLC 61 L0225
	Transportation services : Transit	SLC 60 L5220
Water and Sewer	Asset Replacement funds for: Sewer & Water - Sewer	SLC 60 L5030
	Asset Replacement funds for: Sewer & Water - Water	SLC 60 L5040
	Environmental services : Wastewater system	SLC 60 L5225
	Environmental services : Waterworks system	SLC 60 L5235
	Ontario Clean Water Agency (OCWA) fund for renewals, etc. : Sewer	SLC 60 L5030
	Ontario Clean Water Agency (OCWA) fund for renewals, etc. : Water	SLC 60 L5040
	Wastewater	SLC 61 L0230
	Water	SLC 61 L0240
Non-specified service	Building Canada Fund (BCF)	SLC 60 L5693
	Contingencies	SLC 60 L5020
	Debenture repayment	SLC 60 L5670
	Exchange rate stabilization	SLC 60 L5680
	Gasoline Tax - Federal	SLC 60 L5691
	Insurance	SLC 60 L5070
	Lot levies	SLC 60 L5630
	Post-employment benefits	SLC 60 L5090
	Replacement of equipment	SLC 60 L5050
	Sick leave	SLC 60 L5060
	Subdivider contributions	SLC 60 L5640
	Tax rate stabilization	SLC 60 L5091
	Working funds	SLC 60 L5010
	Workplace Safety and Insurance Board (WSIB)	SLC 60 L5080
Other Services	Animal control	SLC 61 L0287
	Municipal cemeteries	SLC 61 L0288
	Other	SLC 60 L5290
		SLC 60 L5695
		SLC 60 L5696
		SLC 60 L5697
		SLC 60 L5698
		SLC 60 L5699
		SLC 61 L0290
		SLC 61 L0295
		SLC 61 L0296
		SLC 61 L0297

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