

Type of Decision									
Meeting Date	Friday, January 30, 2015				Report Date	Tuesday, January-27-15			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed

Reserve Funds and Asset Management Plan Review - Report #30/01/15/1201

Subject:

A review of the municipal reserves and required reserves for asset management purposes.

RECOMMENDATION:

That Council review the documents presented to determine adequate reserve totals and an ongoing plan to finance future capital purchases and replacement.

WHEREAS the provincial government has legislated Asset Management plans at the municipal level with the intent to force municipalities to save for future capital and infrastructure replacement;

AND WHEREAS the Asset Management Plan for the municipality is a living document which may be used to some extent, to plan for the financial future of the municipality;

AND WHEREAS HCM has a solid reserve program with substantial balances for needs recognized to date;

THEREFORE BE IT RESOLVED THAT the Council of the United Townships of Head, Clara & Maria does hereby direct staff to implement the suggested amendments to the Reserve fund Categories, Balances and Target Dates as discussed at this meeting today to adequately provide for the financial future of the municipality.

BACKGROUND/EXECUTIVE SUMMARY:

Regular review of the municipal asset management plan and the reserve categories and balances is required to partially satisfy Council’s duty to meet its obligations of controllership and financial oversight.

The reserve categories as presented have been arrived at over the past years, modified from time to time with only one formal review in the past 9 years. A review is required.

You have each been provided with a copy of:

1. The current reserve sheet
2. A reserve definition sheet

3. An asset management plan financial needs summary by year
4. An example sheet for the “building” category to explain how the summary numbers are calculated for each category in the Asset Management Plan
5. A reserve sheet with suggestions for Council consideration at today’s meeting

Reserve funds are used to save for future costs of any item for which Council has the authority to provide for and feels requires prudent planning. Reserves are a form of long term financial planning.

From the new MMAH Council Handbook 2014

<http://www.mah.gov.on.ca/AssetFactory.aspx?did=4965>

“Reserves and Reserve Funds

Reserves and reserve funds are included in the accumulated surplus of the municipality. Reserves and reserve funds are used, among other things, to account for transactions which, for legal or policy reasons, require that amounts specifically earmarked for a particular project or purpose be identified and spent on that project or activity. Usually, the use is specified when the reserve or reserve fund is established. Reserve fund uses generally are not converted to other uses without council’s approval.”

Cash held in reserves is invested in a Treasury account to earn a higher rate of interest than it would in the regular bank account. There are other options which might be considered such as GICs and other short term guaranteed investments.

The Treasurer has been tasked with providing a specific report on options and funds available for investment for periods of over one year. Often, between tax due dates, the municipality in effect borrows from itself, from these reserve funds to meet financial obligations. For this reason it is not as simple as just stating the total reserves and investing that total. This will come to Council in an upcoming meeting.

Options/Discussion:

1. The goal for today is to determine whether or not this Council feels that the reserve categories and target totals are sufficient to meet its goals.
2. The second issue is whether or not the suggested target dates should be accepted.
3. Any other issue Council wishes to discuss concerning reserves and reserve balances.

Financial Considerations/Budget Impact:

Provides direction to staff in preparing resolutions for council consideration such as allocations of surpluses and revenues not expected.

Policy Impact:

Asset management plans are required by the province. Failure to create and maintain a living document will result in a municipality not being eligible for provincial funding including the Ontario Municipal Partnership Fund. HCM has met its current obligations.

Reviewing the reserves considering both the asset management plan and the municipality's strategic plan are important to meet Council's legislated controllership and financial oversight responsibilities.

Others Consulted:

Noella LeBreton, Treasurer

Approved and Recommended by the Clerk

Melinda Reith,
Municipal Clerk