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| SECTION: | Finance | APPROVED BY: | County Council |
| NUMBER: | 6.20 | SIGNATURE: | Original signed by: Ben Addley, CAO |
| PAGE: | 1 of 12 | DATE: | August 10, 2011 |
| REFERENCE POLICY: | 6.07, 6.16, 6.19, Asset Management Plan | REVISED: | June 10, 2026 |

Reserves

POLICY

A financially sustainable County government provides an optimal mix and level of services to citizens within available means while proactively taking measures to preserve the ability to continue providing value in the long term. Reserves are established to accomplish this goal.

The objective of the reserves policy is to ensure adequate working capital is available for cash flow and contingency purposes, and as a source of funding the County’s long-term capital plan, while maintaining reasonable tax rates and user fees.

DEFINITIONS

Reserves A reserve is an allocation of accumulated net revenue. It has no reference to any specific assets and does not require the physical segregation of money or assets. Reserves are part of the revenue fund and, therefore, do not earn interest on their own, as is the case of reserve funds. Any earnings derived from investment of reserves’ money are reported as revenue fund earnings.

Reserve Funds A reserve fund differs from a reserve in that the reserve fund assets are segregated and restricted to meet the purpose of the reserve fund. All earnings derived from such investments must form part of the reserve fund. There are two types of reserve funds: obligatory reserve funds and discretionary reserve funds.

Obligatory Reserve Funds An obligatory reserve fund, as per statute or legislation requirements, is comprised of funds received for special purposes and are segregated from the general revenues of the County. Obligatory reserve funds are created solely for the purpose prescribed for them.

Discretionary Reserve Funds A discretionary reserve fund is not segregated from the general revenues of the County, based on Council direction, to finance a future expenditure or to provide for a specific contingent liability so that the funds are available as required.

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PROCEDURES

1.0 Authority

1.1 Municipal Act, 2001

- 1.1.1 Subsection 289(4) – in preparing the budget for a year, the upper-tier municipality, (f) may provide for such reserve funds as the municipality considers necessary.
- 1.1.2 Section 293 – The Minister may make regulations,
- (a) requiring a municipality to establish a reserve fund designated for prescribed liabilities of the municipality which are incurred but not payable until later years;
 - (b) defining “liabilities” of the municipality which are incurred for the purpose of clause (a);
 - (c) requiring a municipality to make payments into the reserve fund to fund all or part of a prescribed liability at the prescribed times and in the prescribed manner;
 - (d) prohibiting the municipality from changing the purpose for which the reserve fund is designated;
 - (e) prescribing the conditions under which and the purposes for which the municipality may,
 - (i) change the designation of all or any part of the reserve fund,
 and
 - (ii) borrow from the reserve fund.

2.0 Principles and Objectives

- 2.1 The County recognizes that the strategic use of reserves and reserve funds is an essential part of long term corporate financial planning (Policy 6.16 Long Term Financial Sustainability Plan). In addition, reserves and reserve funds shall receive priority consideration for the distribution of surplus funds and non-recurring revenues.
- 2.2 Reserves represent an important tool in debt management as it is a source of financing for larger projects. Capital budgets can vary from year-to-year, which can create a funding need that may be best financed over time (Policy 6.19 Debt Management Policy).
- 2.3 Reserves and reserve funds may be established for any purpose deemed

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necessary by resolution of County Council, or if required in accordance with provincial statute. Typical uses of reserves are for contingencies, stabilization purposes and capital financing.

- 2.4 Reserves and reserve funds may be closed only by resolution of Council.
- 2.4 The County Treasurer is authorized to process transfers to and from reserves and reserve funds in compliance with the sources and uses listed in Appendix "A", which forms an integral part of this policy, and in accordance with annual operating and capital budgets.
- 2.5 Reserve transfers not part of the annual operating or capital budget, approved under Section 5 of Policy 6.07 Purchasing Policy, or set out specifically in this policy must be approved by County Council.
- 2.6 Target balances, funding sources and uses of reserves and reserve funds are set out in Appendix "A".

3.0 Reserves and Reserve Fund Categories

Appropriate balances shall be maintained reflecting the nature of the accounts, such as:

- 3.1 **Stabilization Reserves** – used to offset extraordinary and unforeseen expense requirements, one-time expenses, revenue shortfalls, to avoid significant fluctuations on the general tax levy and to manage cash flows.

- 3.1.1 Corporate General
- 3.1.2 Water/Wastewater Community Servicing Assistance Program
- 3.1.3 Waste Collection
- 3.1.4 Legal
- 3.1.5 Insurance
- 3.1.6 WSIB
- 3.1.7 Pay Equity
- 3.1.8 Training
- 3.1.9 Working Funds
- 3.1.10 Growth - General
- 3.1.11 Growth - Library

- 3.2 **Government Funded Reserves** – established to track the revenues received from the Provincial and Federal Governments for specific services. Funding received from other levels of government will be used in future budgets as per the guidelines or requirements of each program.

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- 3.2.1 Canada Community-Building Fund
- 3.2.2 Ontario Community Infrastructure Fund
- 3.2.3 Safe Restart Agreement

3.3 **Program Specific Reserves** – established in response to specific programs or initiatives, or special funding that has been received.

- 3.3.1 Planning
- 3.3.2 Libraries
- 3.3.3 Child Care Mitigation Funding
- 3.3.4 Rural Trees
- 3.3.5 Landfill and Waste Diversion (reserve fund)
- 3.3.6 Housing For All
- 3.3.7 Broadband Expansion
- 3.3.8 Long-Term Care Future Capital

3.4 **Capital Reserves** – used to fund specific replacement or renewal of existing capital assets, and extraordinary and unforeseen expense requirements. As the assets of the County increase, so should the contribution from the Operating Budget to these reserves for the replacement and refurbishment needs of the underlying capital assets, based on lifecycle costing.

- 3.4.1 Corporate General Facilities
- 3.4.2 Roads
- 3.4.3 Bridges and Structural Culverts
- 3.4.4 Fleet
- 3.4.5 Water – Townships
- 3.4.6 Water – Ingersoll
- 3.4.7 Water – Tillsonburg
- 3.4.8 Water – Woodstock
- 3.4.9 Wastewater - Embro
- 3.4.10 Wastewater – Drumbo
- 3.4.11 Wastewater – Ingersoll
- 3.4.12 Wastewater - Innerkip
- 3.4.13 Wastewater – Mt. Elgin
- 3.4.14 Wastewater – Norwich
- 3.4.15 Wastewater – Plattsville
- 3.4.16 Wastewater – Tavistock
- 3.4.17 Wastewater – Thamesford
- 3.4.18 Wastewater – Tillsonburg
- 3.4.19 Wastewater – Woodstock
- 3.4.20 Information Systems
- 3.4.21 Social Housing

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- 3.4.22 Paramedic Services - Capital
- 3.4.23 Stormwater
- 3.4.24 Libraries - Capital
- 3.4.25 Woodingford Lodge – Capital

4.0 Reserves and Reserve Fund Sustainability Strategies

Reserve and reserve fund preservation and sustainability has become more prevalent over time with the reduction of transfer payments from other levels of government to support local services. Municipalities are facing financial challenges to meet service level expectations and must seek other means of sustaining an appropriate level of reserves through increased revenues. The following strategies are designed for specific revenue streams to reserves:

4.1 **Interest Allocations** – the following reserves, not represented by a reserve fund with segregated assets, shall receive, or be charged, an allocation of interest in the year, based on the quarterly average of the County’s monthly interest rate earned on its current bank deposit balances, to each of the reserves calculated on their average opening and ending balances for each quarter.

- 4.1.1 Insurance
- 4.1.2 Corporate General Facilities
- 4.1.3 Roads
- 4.1.4 Bridges and Structural Culverts
- 4.1.5 Fleet
- 4.1.6 Water – Townships
- 4.1.7 Water – Ingersoll
- 4.1.8 Water – Tillsonburg
- 4.1.9 Water – Woodstock
- 4.1.10 Wastewater - Embro
- 4.1.11 Wastewater – Drumbo
- 4.1.12 Wastewater – Ingersoll
- 4.1.13 Wastewater - Innerkip
- 4.1.14 Wastewater – Mt. Elgin
- 4.1.15 Wastewater – Norwich
- 4.1.16 Wastewater – Plattsville
- 4.1.17 Wastewater – Tavistock
- 4.1.18 Wastewater – Thamesford
- 4.1.19 Wastewater – Tillsonburg
- 4.1.20 Wastewater – Woodstock
- 4.1.21 Information Systems

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- 4.1.22 Social Housing
- 4.1.23 Paramedic Services - Capital
- 4.1.24 Stormwater
- 4.1.25 Libraries - Capital
- 4.1.26 Woodingford Lodge – Capital

4.2 Annual Allocation of Operating Surpluses

Annual year-end audited operating surpluses allocated as follows:

- 4.2.1 Waste collection surplus funded through user fees allocated to the Waste Collection reserve.
- 4.2.2 Legal expense surplus allocated to the Legal reserve.
- 4.2.3 Training expense surplus allocated to the Training reserve.
- 4.2.4 Library surplus allocated to the Libraries reserve.
- 4.2.5 Landfill surplus funded through user fees allocated to the Landfill and Waste Diversion reserve fund.
- 4.2.6 Housing surplus allocated to the Housing For All reserve.
- 4.2.7 Water and Wastewater Systems funded through user fees allocated to their respective systems' reserve.
- 4.2.8 Tree harvesting revenue surplus allocated to the rural trees reserve.
- 4.2.9 The resulting consolidated County operating surplus after all the above allocations have been accounted for allocated as follows:
 - i. 50% allocated to the Corporate General Reserve;
 - ii. 25% allocated to the Roads Reserve;
 - iii. 5% allocated to the Bridges and Structural Culverts Reserve;
 - iv. 20% allocated to the Social Housing Reserve.

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4.3 Annual Reporting and Monitoring

An annual review of cash flow requirements and appropriate fund balances shall be undertaken to determine whether modifications are appropriate for the reserve policy.

On the basis of the annual policy review, the following year's budget report will include a current year reserve continuity schedule and a five year projected reserve balance schedule reflecting the reserve provisions contained in the budget.

Appendix A
Reserve and Reserve Funds

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stabilization Reserves | | | |
| Corporate General | 15% of the County's current year's tax levy | Operating budget and 50% of year-end County operating surplus | Emergency and unplanned situations; and tax stabilization due to significant assessment appeals beyond operating budget provisions; as determined by resolution of Council; and current year end County deficits |
| Water/Wastewater Community Servicing Assistance Program | Balance projected through most recent regular water rate review that will meet the future requirements of the fund | No current funding sources | According to CSAP By-Law 5345-2012 |
| Waste Collection | 40% of estimated annual bag tags sales based on prior 3 year's sales | Year-end surplus from waste collection efforts (funded by bag tag user fees) | To fund deficits in waste collection program |
| Legal | Two times the average annual legal costs based on prior three years – no less than \$500,000 | Year-end surplus from legal expenses until target balance is met | Significant OMB or other unbudgeted or extraordinary legal matters |
| Insurance | Average costs to the County expended on claims below the deductible plus claims billed back by the insurer in the past five years – no less than \$1,750,000 | Operating budget; and interest earned based on average balance | Unbudgeted self insured claims, non-insurable claims and claims less than the County's insurance deductible; and to mitigate significant increases in insurance premiums. Computer and network infrastructure security and insurance/self-insurance not associated with regular and reoccurring expenditures. |
| WSIB | Based on 75% of triennial actuarial evaluation | Operating budget | To fund significant and/or unbudgeted WSIB claims and employee injury related costs |
| Pay Equity | 2% of payroll | Operating budget | Fund pay equity adjustments retroactive to prior years or unanticipated adjustments in current year |
| Training | \$250,000 | Year-end surplus from training expenses until reserve target has been met | Training programs having corporate significance as determined by the CAO |

Appendix A
Reserve and Reserve Funds

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|---------------------|-------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Working Funds | 10% of the County's current year's tax levy | Operating budget | To support corporate cash flow |
| Growth - General | Average 10-year annual amount required to fund exemptions based on the County's latest DC Background Study. | General Operating Budget | To provide funds to cover shortfalls in growth related capital funding exemptions, reductions and limitations mandated by the Development Charge Act, 1997 and exemptions prescribed by the County's DC By-law, and DC Exemption Policy. |
| Growth - Library | Average 10-year annual amount required to fund exemptions based on the County's latest DC Background Study. | Library Operating Budget | To provide funds to cover shortfalls in growth related capital funding exemptions, reductions and limitations mandated by the Development Charge Act, 1997 and exemptions prescribed by the County's DC By-law, and DC Exemption Policy. |

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|---------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Government Funded Reserves | | | |
| Canada Community-Building Fund | N/A | Federal Government – administered by AMO | New incremental capital spending on infrastructure including local roads, bridges and active transportation such as bike lanes that enhance sustainability outcomes in accordance with the Keeping Canada's Economy and Jobs Growing Act |
| Ontario Community Infrastructure Fund | N/A | Government of Ontario under Ontario Community Infrastructure Fund Agreement | Capital spending on renewal, rehabilitation and replacement of core infrastructure assets. The Agreement sets out the eligible projects/categories as well as the terms and conditions in further detail. |
| Safe Restart Agreement | N/A | Government of Ontario under Safe Restart Agreement (One-time funding) | Support any COVID-19 related operating need |
| Program Specific Reserves | | | |
| Planning | Average annual Official Plan and planning studies cost | Operating budget | Official Plan review, comprehensive amendments and planning related studies |

Appendix A
Reserve and Reserve Funds

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | requirements based on equal cost installment cycle | | (e.g. secondary plans etc.) |
| Libraries | 5% of Library's current year's tax levy | Operating budget, year-end Library operating surplus | Unbudgeted extraordinary operating expenses or new capital assets to provide sufficient flexibility and protection for unforeseen events in the Library system, tax stabilization |
| Child Care Mitigation Funding | N/A | Provincial funding | To offset child care service costs to support transition to Ontario's new child care funding formula |
| Rural Trees | N/A | Surplus tree revenues over budget | To fund additional tree plantings over base budget |
| Landfill and Waste Diversion (reserve fund) | Future landfill expansion costs and to meet lifecycle financing requirements based on Asset Management Plan | Annual surplus of the Landfill (generated exclusively from user fees); and interest revenue | Lifecycle requirements identified through the Asset Management Plan of existing assets, future expansion costs; and funding programs that would extend the life of the landfill by waste diversion and sustainability efforts |
| | | | |
| Housing For All | N/A | Operating budget, Disposal of Land/Housing First Policy, year-end surplus from Housing division | Housing incentives and projects to address needs across the housing continuum |
| Broadband Expansion | N/A | Operating budget | Fund future broadband expansion in underserved areas |
| Long-Term Care Future Capital | N/A | Operating budget | Future long-term care expansion capital projects |
| Capital Reserves | | | |
| Corporate General Facilities | To meet lifecycle financing requirements based on Asset Management Plan for all County buildings (except libraries, paramedic services, social housing, long-term care, water and wastewater | Operating budget; and annual net rental income from County-owned rural properties and facilities (excluding library, paramedic services, social housing, long-term care, water and wastewater | Lifecycle requirements identified through the Asset Management Plan of existing County-owned buildings and communication towers and replacement of furniture and fixtures (except libraries, paramedic services, social housing, long-term care, water and wastewater facilities) and extraordinary and |

Appendix A
Reserve and Reserve Funds

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|---------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | facilities) | facilities) ¹ | unforeseen expense requirements. |
| Roads | To meet lifecycle financing requirements based on Asset Management Plan | Operating budget ¹ ; 25% of year-end County operating surplus | Lifecycle requirements identified through the Asset Management Plan of existing County-owned transportation related assets (excluding bridges and structural culverts) and extraordinary and unforeseen expense requirements. |
| Bridges and Structural Culverts | To meet lifecycle financing requirements based on Asset Management Plan | Operating budget ¹ ; 5% of year-end County operating surplus | Lifecycle requirements identified through the Asset Management Plan of existing County-owned bridges and structural culverts and extraordinary and unforeseen expense requirements. |
| Fleet | Contributions to date for existing active fleet assets | Annual allocation based on internal charges to departments ² | Lifecycle requirements identified through the Asset Management Plan of existing rolling stock and equipment (excluding paramedic services vehicles and equipment) and extraordinary and unforeseen expense requirements. Fleet operating cost deficits when proceeds from equipment sales targets are not met. |
| Water – Townships | To meet lifecycle financing requirements based on Asset Management Plan | Annual surplus in operating system (funded by user fees) ² | Lifecycle requirements identified through the Asset Management Plan of existing assets; unplanned deficits of operating system; and emergency and unplanned expenditures in operating system |
| Water – Ingersoll | | | |
| Water – Tillsonburg | | | |
| Water – Woodstock | | | |
| Wastewater – Embro | | | |
| Wastewater – Drumbo | | | |
| Wastewater – Ingersoll | | | |
| Wastewater – Innerkip | | | |
| Wastewater – Mt. Elgin | | | |
| Wastewater – Norwich | | | |
| Wastewater – Plattsville | | | |
| Wastewater – Tavistock | | | |

¹ And interest earned based on average balance

Appendix A
Reserve and Reserve Funds

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wastewater – Thamesford | | | |
| Wastewater – Tillsonburg | | | |
| Wastewater – Woodstock | | | |
| Information Systems | Average annual replacement requirements for hardware in accordance with replacement policy for hardware; and shared municipal network infrastructure | Annual allocation based on internal charges to departments ² | Replacement or upgrades of computer hardware, including shared municipal network equipment. |
| Social Housing | To meet lifecycle financing requirements based on Asset Management Plan for all County-owned Housing buildings | Operating budget ³ ; 20% of year-end County operating surplus | Lifecycle requirements identified through the Asset Management Plan of existing County-owned Social Housing related assets including facilities, furniture, fixtures and equipment and extraordinary and unforeseen expense requirements. |
| Paramedic Services – Capital | To meet lifecycle financing requirements based on Asset Management Plan | Dedicated funding provided by the Ministry of Health and Long-Term Care, operating budget and proceeds from asset sales ³ | Lifecycle requirements identified through the Asset Management Plan of existing County-owned Paramedic Services related assets including facilities, furniture, fixtures, vehicles and equipment and extraordinary and unforeseen expense requirements. |
| Stormwater | To meet lifecycle financing requirements based on Asset Management Plan | Operating budget ³ | Lifecycle requirements identified through the Asset Management Plan of existing County-owned stormwater related assets, including County-owned assets part of a municipal drain and extraordinary and unforeseen expense requirements. |
| Libraries – Capital | To meet lifecycle financing requirements based on Asset Management Plan | Operating budget and proceeds from asset sales ³ | Lifecycle requirements identified through the Asset Management Plan of existing County-owned Library related assets including facilities, furniture, fixtures and equipment and extraordinary and unforeseen expense |

² And interest earned based on average balance

³ And interest earned based on average balance

Appendix A
Reserve and Reserve Funds

| Reserve Name | Target Balance | Sources of Funding | Uses of Funding |
|-----------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Woodingford Lodge - Capital | To meet lifecycle financing requirements based on Asset Management Plan | Operating budget and proceeds from asset sales ³ | requirements. Lifecycle requirements identified through the Asset Management Plan of existing County-owned long-term Care related assets including facilities, furniture, fixtures and equipment and extraordinary and unforeseen expense requirements. |