Council Policy

Council Policy No.:	CP2026-063
Council Policy Name:	Reserve and Reserve Fund Policy
Date Approved by Council:	June 23, 2026 CR2026-210
Date revision approved by Council:	
Related SOP, Management Directive, Council Policy, Forms	Replacement of Council Policy CP2021-018 (Financial Management Policy)

Policy Statement and Rationale:

The Municipal Act, Section 290, permits municipalities to establish reserves and reserve funds for any purpose for which it has the authority to spend money.

The City of Kawartha Lakes is committed to lawful, prudent and sustainable use of reserves and reserve funds to meet obligations under law, by-law or contract, build savings to meet planned, unplanned and budgeted expenditures, manage surpluses and deficits, stabilize tax levies and user fees, facilitate investment and internal borrowing activities, maintain liquidity, and regulate cash flow. To that end, and with a view toward ratepayer affordability, this policy guides the City's usage of reserves and reserve funds.

The Municipal Act, Section 18, permits Municipalities to invest in prescribed securities, in accordance with prescribed rules, money that it does not require immediately.

Scope:

This policy applies to all reserves and reserve funds and their usage, whether planned, budgeted or actual, by or on behalf of the City or any of its agencies, boards or commissions. It also establishes how investments shall be made.

Policy:

1 Definitions

In this policy,

“City” means the City of Kawartha Lakes together will all of its agencies, boards and commissions;

“discretionary reserve fund” means a reserve fund that is restricted only by by-law;

“flow-through reserve” means a reserve whose contributions and commitments for any given year are approximately equal by design or standard practice;

“internal borrowing” means borrowing by one reserve or reserve fund from another reserve or reserve fund;

“obligatory reserve fund” means a reserve fund that is not discretionary (i.e. is restricted by legislation or contract);

“reserve” means a fund reserved for a specified purpose and that is not restricted by legislation, by-law or contract. Reserves do not receive an annual interest allocation; and

“reserve fund” means a fund reserved for a specified purpose and that is restricted by legislation, by-law or contract. Reserve funds receive an annual interest allocation.

2 Reserves

2.1 Reserves shall be established, modified or dissolved only by Council through resolution or budget adoption.

2.2 A resolution or budget by which a reserve is established shall set out the following respecting the reserve: (i) purpose and structure; (ii) expected sources of funding and manners in which commitments are made; and (iii) target balance or rate of contribution, whichever may apply.

2.3 A resolution or budget by which a reserve is modified shall set out the nature of and reasons for the modification.

2.4 A resolution or budget by which a reserve is dissolved shall set out the reasons for dissolution and the disposition of any remaining surplus or deficit in the reserve.

2.5 Contributions to, commitments of, and withdrawals from reserves shall be in accordance with direction provided or authority delegated by Council.

3 Reserve Funds

3.1 Discretionary reserve funds shall be established, modified or dissolved only by Council through by-law.

3.2 Obligatory reserve funds shall be established, modified or dissolved only by Council through resolution or by-law, whichever may apply or be required, in accordance with legislation or contracts.

3.3 A resolution or by-law by which a reserve fund is established shall set out the following respecting the reserve fund: (i) purpose and structure; (ii) expected sources of funding and manners in which commitments are made; and (iii) target balance or rate of contribution, whichever may apply.

3.4 A resolution or by-law by which a reserve fund is modified shall set out the nature of and reasons for the modification.

3.5 A resolution or by-law by which a reserve fund is dissolved shall set out the reasons for dissolution and the disposition of any remaining surplus or deficit in the reserve fund.

3.6 Standard practice will be to establish or maintain a reserve fund for a given purpose if that purpose pertains to: (i) a legal obligation arising from legislation, by-laws or contracts; (ii) purpose-specific monetary donations made to the City; or (iii) meeting a future liability, such as an asset retirement obligation.

3.7 Contributions to, commitments of, and withdrawals from reserve funds shall be in accordance with legislation, by-laws or contracts, whichever may apply, and with direction provided or authority delegated by Council.

4 Organization of and Targets for Reserves and Reserve Funds

4.1 The initial organization of reserves and reserve funds shall be in accordance with Appendix A to this policy, after which such organization may be modified by Council, subject to any restrictions arising from legislation, by-laws or contracts.

4.2 The initial targets for balances and rates of contribution for reserves and reserve funds, where applicable and assigned, shall be in accordance with Appendix A to this policy, after which such targets may be modified by Council.

4.3 The determination of a target balance or a target rate of contribution for a reserve or reserve fund shall consider the following factors respecting the reserve or reserve fund: (i) purpose and structure; (ii) predictability of contributions; (iii) volatility of its commitments and withdrawals; (iv) expected future liabilities; (v) economic climate (e.g. inflation, interest rates, cyclical pressures, etc.); and (vi) accounting standards and best practices.

4.4 Depending upon the factors outlined in subsection 4.3, a reserve or reserve fund may not warrant a target balance or a target rate of contribution.

4.5 Where warranted, each reserve should have a target balance if it is not flow-through and should have a target rate of contribution if it is flow-through, and either target may be formula-based.

4.6 It is recognized that target balances and target rates of contribution are aspirational and may be realistically attained only through multiyear phase-in.

4.7 The City Treasurer and the Chief Financial Officer shall regularly review the organization, target balances and target rates of contribution of reserves and reserve funds and shall make to Council any recommendations stemming from such reviews.

5 Investment, Interest Charges and Internal Borrowing

5.1 The City Treasurer and the Chief Financial Officer may prudently invest balances of reserves or reserve funds, subject to maintaining adequate liquidity and to any applicable legislation, by-laws or contracts.

5.2 Investments relating to reserves and reserve funds shall be made in accordance with the Municipal Act.

5.3 Investment income earned by reserves shall be recognized as revenue in operating budgets.

5.4 Reserves with negative balances shall be charged interest on behalf of reserves with positive balances, with interest payments allocated to the latter reserves on a pro-rata basis.

5.5 Investment income earned or interest charges incurred by a reserve fund shall be allocated to only that reserve fund according to its proportionate allocation, and such allocations need not be included in operating budgets.

5.6 The City Treasurer and the Chief Financial Officer may, subject to applicable legislation, by-laws or contracts, conduct internal borrowing if the following conditions are met: (i) the ability of the lending reserve or reserve fund to fulfill its purpose is not compromised; (ii) a credible plan of repayment over a reasonable term is documented and committed to; (iii) interest charges are fair, substantiated and consistent with accounting standards and any applicable restrictions; and (iv) the internal borrowing arrangement is to the City’s financial advantage compared to alternative arrangements.

6.0 Reporting and Responsibilities

6.1 Annual Audited Financial Statements: A statement of financial position, financial activities and changes in fund balances for reserves and reserve funds will be prepared in accordance with Public Sector Accounting Standards.

6.2 Reserve and Reserve Fund Balances: The City Treasurer will prepare and present a report to Council that outlines the annual activities of reserve and reserve funds in conjunction with the presentation of the annual financial statements.

6.3 Budgets: A forecast of reserves and reserve funds will be included in annual budgets.

6.4 Long-Term Financial Plan: An outline for the projected contributions and planned withdrawals relating to reserves and reserves funds shall be outlined in long-term financial plans.

6.5 City Treasurer and the Chief Financial Officer are jointly responsible for the application of this policy

Revision History:

Proposed Date of Review: 2027-2028

Revision	Date	Description of Changes	Requested By
0.0	June 23, 2026	Initial Release	Director of Corporate Services

Appendix A: Organization, Target Balances, and Target Rates of Contribution for Reserves and Reserve Funds

Appendix A to
Reserve and Reserve

Category / Name	Purpose	Typical Budget Funded	Typical Funding Source	Target Balance or Target Rate of Contribution	
				Standard	Current Target
Stabilization Reserves					
Election Reserve	To smooth the budget impacts of municipal elections.	Operating	General Tax Levy	Divide expected expense of next election by 4.	$20,000/year
Area Rate Stabilization Reserve	To dispose of surpluses and deficits for area-rated services and to smooth area-rated tax increases.	Operating	Area-Rated Operating Surpluses	No established standard.	N/A
Property Development Reserve	To support property acquisition needs.	Capital	Property Sales	No established standard.	N/A
Heritage Reserve	To support heritage-related activities and purchases of public art.	Operating	General Tax Levy	No established standard.	N/A
Environmental Disaster Recovery Reserve	To support recovery from unforeseen disasters, such as those stemmng from spills and extreme weather.	Operating	General Tax Levy	3% of general tax levy.	$3,700,000
Primary Care Reserve	To support community initiatives to attract and retain primary care physicians.	Operating	General Tax Levy	Based on historical usage.	$500,000
Short-Term Rental Reserve	To support initiatives relating to the Short-Term Rental Program.	Operating	Short-Term Rental Program Revenues	Program operates self-sufficiently.	N/A
Special Projects Reserve	To support special projects and smooth their budget impacts.	Operating	General Tax Levy	5-year average annual draw.	$4,000,000/year
General Tax Rate Stabilization Reserve	To dispose of surpluses and deficits for City-wide services and to smooth general tax increases.	Operating	General Tax Levy; Operating Surpluses	5% of general tax levy.	$6,160,000
General Contingency Reserves					
General Contingency Reserve	To manage unplanned tax-supported expenditures.	Operating	General Tax Levy	5% of general tax levy.	$6,160,000
Infrastructure Renewal Reserves					
Fleet Reserve	To support Public Works and Fire Service fleet capital projects.	Capital	Fleet Charges; General Tax Levy	As per Asset Management Plan.	$9,980,000/year
Sewer Infrastructure Reserve	To support wastewater capital projects and dispose of their surpluses and deficits.	Capital	Wastewater User Fees	As per Water-Wastewater Rate Study.	$2,560,000/year
Water Infrastructure Reserve	To support water capital projects and dispose of their surpluses and deficits.	Capital	Water User Fees	As per Water-Wastewater Rate Study.	$3,620,000/year
Asset Management Reserve	To support tax-supported capital projects.	Capital	Dedicated Capital Levy; General Tax Levy	80% of annual state-of-good-repair capital needs, as per Asset Management Plan.	$65,000,000/year
Capital Contingency Reserve	To dispose of surpluses and deficits of tax-supported capital projects.	Capital	Capital Project Surpluses	5-year average annual draw.	$4,500,000
Other Reserves					
Fenelon Falls Powerlink Reserve	To support the physical improvement, enhancement and beautification of the community of Fenelon Falls.	Operating	Power Plant Revenues	No established standard.	N/A
Norland Dam Reserve	To support the physical improvement, enhancement and beautification of the community of Norland.	Operating	Power Plant Revenues	No established standard.	N/A

Category / Name	Purpose	Typical Budget Funded	Typical Funding Source	Target Balance or Target Rate of Contribution	
				Standard	Current Target
KLH Capital Reserve (CKL/COH)	To support Kawartha Lakes-Haliburton Housing Corporation (KLH) capital projects for the City and the County of Haliburton.	Capital	KLH Capital Project Surpluses	Target determination in progress.	N/A
KLH Capital Reserve (CKL)	To support Kawartha Lakes-Haliburton Housing Corporation (KLH) capital projects for the City only.	Capital	KLH Capital Project Surpluses	Target determination in progress.	N/A
KLH Operating Reserve	To dispose of surpluses and deficits for housing services and smooth their budget impacts.	Operating	KLH Operating Surpluses	Target determination in progress.	N/A
Reserve Funds					
Build Communities Strong Reserve Fund	To support eligible capital projects as per Administrative Agreement on the Build Communities Strong Fund Community Stream - Ontario.	Capital	Government of Canada Grant	Obligatory; no established standard.	N/A
Transit Gas Tax Reserve Fund	To support eligible transit expenditures as per Transfer Payment Agreement for Provincial Gas Tax Program.	Operating; Capital	Government of Ontario Grant	Obligatory; no established standard.	N/A
Cash-in-Lieu of Parkland Reserve Fund	To manage cash-in-lieu of parkland funds pursuant to section 42 of the Planning Act.	Capital	Cash-in-Lieu of Parkland Fees	Obligatory; no established standard.	N/A
Development Charges Reserve Fund	To manage development charges funds pursuant to sections 33-37 of the Development Charges Act.	Operating; Capital	Development Charges	Obligatory; no established standard.	N/A
Building Reserve Fund	To support the Building Division, including disposition of its surpluses and deficits, pursuant to O. Reg. 305/03 of the Building Code Act.	Operating; Capital	Building Division Surpluses	Obligatory; one year of Building Division expenses.	$3,640,000
Tree Canopy Reserve Fund	To support tree canopy and hedgerow enhancement and preservation as per By-Law 2024-001.	Operating	As per By-Law 2024-001	Discretionary; no established standard.	N/A