

## Township has healthy reserve funds

By Mark PavilonsEditor

King Township has a cushion of almost \$30-million in reserves. The current balance of all reserve funds (including library) is \$52.1 million, with \$22.5 million earmarked for various projects. That leaves a balance of \$29.6 million. The purpose of reserves funds is to set aside funds for planned future expenditures, unexpected events or extraordinary expenditures that may cause fluctuations in the operating or capital budget. Reserves funds are key elements of the Corporation's long-term fiscal strategy. Reserve funds are established for a variety of purposes, such as ensuring the financial stability of the municipality; protecting against financial impacts of risks and unforeseen events and to provide funds for future capital replacements. They are also grouped into specific categories. Reserve Funds for Existing Infrastructure Sustainability (Replacement & Rehabilitation) are funds set aside by Council, to provide funding for future major repairs, rehabilitation, or replacement of the Town's infrastructure. This includes all roads, street lighting, underground water and sewer pipes, pumping stations, sidewalks, trails, parks and park amenities, buildings and facilities, fleet and equipment, furniture and fixtures, as well as computer equipment, business systems, and software. All assets must be replaced at end of life to maintain reliable services and are managed through the Town's Asset Management Plan. These reserve funds help protect the annual tax rate or utility rates from significant shocks due to periodic, but expensive replacement projects. New Infrastructure Reserve Funds are not related to development and can include reserves from Municipal Capital Facility Agreements (MCFA) or Cash-in-Lieu of Parkland or Parking. Funds in this category will be used for capital expenditures that enhance existing assets or introduce new assets or new services. Development Charge Reserve Funds are included in the Reserve Funds for New Infrastructure grouping and are specifically established in accordance with the Development Charges Act. They serve to fund community growth and development-related expansion of municipal infrastructure and services. These reserve funds, and the projects to which they are allocated, are closely monitored by the development community to ensure compliance with the requirements and restrictions of the Act. Stabilization and Contingency Purposes Reserve Funds are funds set aside by Council, to be used to reduce the sudden impact to tax or utility rates from unexpected costs in budgets, or unexpected costs arising mid-year. These can be used over a couple of years if necessary to soften the otherwise large pressures on the rates. For example, a significant successful lawsuit against the municipality would be funded from the Insurance Reserve Fund, with the Reserve fund, then slowly replenished over several years. Special Purpose Reserve Funds are set aside by Council, or by legislation to provide financial resources for specific purposes or programs. These include required funds to settle future debt payments of the municipality. Staff stressed the use of all reserve funds is approved either through the annual budget process or by a report to Council, for approval.