

King's reserve funds top \$50 million

By Mark PavilonsEditor

King Township has the use of some pretty healthy reserve funds. In a report to council recently staff noted the current balance of all the reserve funds (including library) is \$50.1 million and the encumbrances/commitments are \$18.7 million, with an uncommitted balance of \$32.2 million. The reserve funds were reviewed in 2021 to consolidate them and provide clarity on the use and purpose of each reserve fund while giving updates each year as part of the audit. A financial reserve fund is a provision for an amount that is designated for a future purpose that extends beyond the current year. Reserve funds are established for a variety of purposes:

- To ensure the financial stability of the Corporation.
- To protect against financial impacts of risks and unforeseen events.
- To provide a funding source for future life cycle replacement of capital assets.
- To assist with the fluctuations of the operating and capital budget.
- To provide an internal financing source.

To provide for expenditures. Reserve funds for existing infrastructure 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. Staff noted that some reserve funds are tax rate sourced, while others are sourced from the water and wastewater utility rates. Most development activity requires the payment of development charges, as well as dedication of parklands. In some circumstances, the Township will accept payment in lieu of the parkland dedication. While most growth-related Township infrastructure is funded by development charges, not all of it is. This requires some allocation of tax dollars to these New Infrastructure reserve funds to fund the portions that are not covered by the development charges. Development Charge reserve funds are included in the Reserve Funds for New Infrastructure grouping and are specifically established as required and controlled by 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. These funds may not be used for repair, rehabilitation or replacement of existing infrastructure and may not be used for any other purpose by council. Stabilization 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, staff said that 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.