



100 John West Way  
Aurora, Ontario  
L4G 6J1  
(905) 727-3123  
aurora.ca

Town of Aurora

## Community Partner Reserve Management Policy

Contact: Senior Financial Management Advisor, Finance

Approval Authority: Council

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Revised: July 3, 2027

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## Community Partner Reserve Management Policy

### Purpose

The purpose of the Community Partners Reserve Management Policy is to establish financial guidelines and appropriate controls for the administration of Town of Aurora Community Partner reserves.

This policy provides regulations and guidelines for appropriate reserve balances that ensure financial stability, reporting requirements and for the management of any excess reserve balance of the Town's community partners reserves.

### Scope

The scope of this policy applies to Town's community partners which receive a budget allocation (i.e. excludes community grants and other grant opportunities as they have their own process) from Town with the exception to the Central York Fire Services and Aurora Public Library as this relationship is already governed by an existing comprehensive agreement with The Town of Aurora.

### Definitions

**Annual Surplus:** The excess of revenues over expenses in a given year.

**Community Partners:** Aurora's community partners which are provided Operating Budget funding, include:

- Aurora Business Improvement Area
- Aurora Cultural Centre
- Aurora Historical Society
- Aurora Sport Hall of Fame
- Aurora Economic Development Corporation

**Reserve Funds:** Funds that have been set aside for a future event either pursuant to a by-law of the municipality, a decision by a community partner board, a contractual obligation, or a requirement of provincial legislation. Reserve funds are either “discretionary” being those set aside by Council or a community partner board of its own volition or “statutory” or “obligatory” being those required to be set aside by Council or a community partner board by virtue of a requirement of provincial or federal statute.

**Operating Stabilization/Contingency Reserve:** Operating Stabilization/contingency Reserve are funds set aside to pay for the temporary revenue shortfalls or unforeseen expenditures caused by significant fluctuations in the economy and provide contingency funds for a range of contingent or unknown liabilities.

**Capital Reserve Fund:** Funds set aside in support of community partner capital expenditure needs such as capital asset rehabilitation and replacement.

## **Policy**

Reserves play a vital role in maintaining financial sustainability for the Town’s community partner’s financial health. Reserves also play a key role in the management of unexpected economic impacts to Community Partner operating budget when required. Reserves are meant to pay for emergencies when expected income falls or when unexpected expenses occur. By taking a long-term view of reserves, community partners are able to determine their necessary annual reserve contributions to ensure future asset management capital plan needs are met, while minimizing the annual operating impact. The policy outlines the following guidelines and appropriate controls for the administration of Community Partners reserves such as:

### **Types of Reserves**

#### ***Operating Reserves***

Operating reserves are funds intended to keep Community Partners monthly operations going (payment of overhead like payroll, program costs, and other normal monthly expenses) in an instance of a revenue shortfall or other emergency challenge. As a best practice, Community Partners should set aside enough operating reserves to fund no more than six months of regular operations.

Operating reserves may take other forms as well serving more specific purposes such as holding other dedicated revenues collected by a community partner for specific intent.

#### ***Capital Reserves***

Capital reserves are funds set aside to pay for the future capital needs of a Community Partner for physical assets, such as a vehicle or buildings etc.

Community Partners should assess their unique needs and plan for both expected and unexpected replacement costs. This strategic financial stewardship brings stability and decreases stress on both Community Partner's and Town of Aurora.

A community partner's need for a capital reserve will be determined by the nature and extent of their capital asset holdings.

### **Establishing Reserves**

A new reserve should only be established if it cannot be accommodated within an existing community partner reserve and/or all other possible alternatives have already been considered.

All community partner reserves need to be approved by their respective board. The Town should be notified of all existing and new reserve creations. The reserve notification should include the reserve name, the board's resolution to create the reserve, and include a financial plan which identifies the target funding level (if applicable), funding sources and projected disbursements (when practicable) to meet planned future obligations, and other relevant information where applicable. In consideration of the administrative workload the Community Partners will strive to minimize the number of reserves.

### **Closing Reserves**

Should a community partner close a reserve, the Town should be notified of this decision. The notification should include the name of the reserve closed, the board's resolution, the reason for closure, as well as how any remaining reserve balance was dissolved.

### **Inter-fund lending**

Community partner temporary inter-fund lending between reserves is permitted to temporarily finance capital expenditures or operating cash flow deficiencies to avoid external temporary borrowing costs. However, the following conditions must be met:

- Borrowing will not adversely affect the intended purpose of the reserve;
- A plan to repay the reserve within a reasonable timeframe, based on the nature of the loan and ability to repay is required;

### **Contributions to/withdrawals from Reserves**

All contributions to and/or withdrawals from reserves shall be approved by each applicable community partner board. A record of all reserve transfers should be maintained by each community partner.

If applicable, community partners should include any planned contributions to reserves as part of their annual operating budget.

## **Annual Surplus/Deficit**

The primary funding source of an operating reserve is net operating budget surpluses. Should a community partner have an established operating reserve, any net operating budget surplus should be contributed to this reserve until such point its balance reaches the recommended target balance equivalent to cost of its operations for a period of six months.

Once the recommended reserve ceiling has been met, any excess proceeds over and above this amount should be applied against the community partner's identified operating requisition amount from the town for the following year. An exception to this would be if the Community Partner has future unfunded asset management obligations. However, a record of this board decision should be maintained.

The Library Board's surplus will continue to be governed by the Town's surplus/deficit management by-law.

## **Responsibilities**

### **Council**

Council shall:

- Receive an update of all community partner board reserve decisions and offer feedback
- Reserve the right to overrule a community partner board reserve creation or reserve management strategy.

### **Community Partners**

- Overall responsibility for the management of reserves.
- Accurate reporting of reserve balances to the Council and Town of Aurora Director of Finance through the budget process.
- To comply with the guidelines outlined in the Community Partners Reserve Management policy for the management of reserves.
- Each year as part of annual budget presentation provide a reserve continuity summary to Council that clearly outlines all reserve activity for the past year.

## **Monitoring and Compliance**

The implementation of the Community Partners Reserve Management Policy should be monitored through:

- Annual updates as part of the budget to Council of each community partner's reserve structure; as well as annual updates on each reserve's activity over the course of the past year.
- Annual Financial Statements: Community Partners with annual revenue exceeding \$250,000 must provide audited Financial Statements and those where

it is required by legislation. Those not required to provide audited statement may be subject to further reviews by Town staff.

- As part of FAC reviews of community partner financial health, the FAC will have the opportunity to discuss in detail established board reserve strategies, and other best practices as they align with this policy and its regulations.
- Staff will monitor community partner compliance with this policy on an ongoing basis.

## **References**

- [Fiscal Strategy](#)

## **Review Timeline**

This policy will be reviewed 2 years after the initial approval date.