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Town of Aurora

Attachment 1

# Community Partner Reserve Management Policy

Contact: Senior Financial Management Advisor, Finance

Approval Authority: Council

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Revised: November 26, 2027

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## Community Partner Reserve Management Policy

### Purpose

The purpose of the Community Partner 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 from the 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 Partner:** 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
- Sport Aurora

**Reserve Funds:** Funds that have been set aside for a specific 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 a Community Partner board of its own volition or “statutory” or “obligatory” requirement for a specific intent.

**Operating Stabilization/Contingency Reserve:** 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 different contingent or unknown liabilities.

**Capital Reserve Fund:** Dedicated funds in support of Community Partner capital expenditure needs such as capital asset rehabilitation and replacement or for future growth needs.

## **Policy**

Reserves play a vital role in maintaining financial sustainability for the Town’s Community Partner’s financial health. Reserves may be established in support of dedicated or specific organizational activities or used in support of broader financial needs. Reserves play a key role in the management of unexpected economic impacts to a Community Partner’s operating budget when required. Operating budget stabilization reserves are meant to pay for budget short-falls arising from unplanned reductions in planned revenues or unexpected expenses. 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. This policy outlines the following guidelines and appropriate controls for the administration of Community Partner reserves.

## **Types of Reserves**

### ***Operating Reserves***

Community Partner operating stabilization/contingency reserve are funds set aside to pay for the temporary revenue shortfalls or unforeseen expenditures. Reserves of this nature provide contingency funds for a range of different contingent or unknown liabilities. As a best practice, a Community Partner should set aside enough operating reserves to fund no more than 12 months of regular operations.

### ***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 equipment, vehicle or buildings etc.

A Community Partner 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 Partners and the 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.

### ***Program Specific Reserves***

Program specific reserves or specially directed or endowed funds are established for specific planned projects, program or initiatives. If a Community Partner receives restricted funding in the form of a grant or donations for specific purposes then those funds should be set aside and retained in such restricted reserve account as required. A Community Partner should assess the unique requirements of any such grant or donation when establishing program specific reserves.

### **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 additions to a Community Partner's reserve framework over the past 12 months as part of the annual budget process. 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, a Community Partner should strive to minimize the number of reserves.

### **Closing Reserves**

Should a Community Partner close a reserve, the Town should be notified of this decision as part of the annual budget process as well. 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, a Community Partner should include any planned contributions to reserves as part of its annual operating budget.

### **Annual Surplus/Deficit**

The primary funding source of an operating reserve are operating budget general surpluses. Should a Community Partner have an established operating/contingency reserve, any operating budget general surpluses 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 12 months.

Once the recommended operating/contingency 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 at the time of payment. In an instance where there are excess proceeds to be applied towards the next year's requisition, the Town pay the net applicable balance. 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.

## **Responsibilities**

### **Council**

Council shall:

- Receive an update of Community Partner reserve balance(s) continuity and framework decisions and offer feedback, if necessary
- Reserve the right to overrule a Community Partner board reserve creation or reserve management strategy.

### **Community Partner**

- Overall responsibility for the management of reserves.
- Accurate reporting of reserve continuity balances and recent reserve framework change decisions to the Town of Aurora.
- Comply with the guidelines as outlined in the Community Partner Reserve Management policy for the management of reserves.

- On an annual basis will provide an updated reserve balance continuity and record of reserve framework change decision summary to the Treasurer at the Town of Aurora.

### **Town of Aurora, Treasurer**

- On an annual basis will undertake a review of each community partner's updated reserve balance continuity and record of reserve framework change decision summary.
- Will determine if there are any excess proceeds within applicable Community Partner operating reserves to be applied toward the upcoming year's requisition.
- Provide a summary of Community Partner reserve balance continuities and record of reserve framework decisions to the Finance Advisory Committee annually.
- Ensure Community Partner overall compliance with this policy.

### **Monitoring and Compliance**

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

- Annual updates 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: A Community Partner with an 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 Finance Advisory Committee reviews of a Community Partner's financial health, the Finance Advisory Committee (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 4 years after the initial approval date.