



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

Town of Aurora
Committee of the Whole Report
No. FIN24-055

Subject: Community Partner Reserve Management Policy

Prepared by: Sandeep Dhillon, Senior Advisor, Financial Management

Department: Finance

Date: November 5, 2024

Recommendation

1. That Report No. FIN24-055 be received; and
2. That the Town's Community Partner Reserve Management Policy be approved.

Executive Summary

This report highlights the significance of a Reserve Management Policy for the Town's Community Partners to maintain financial sustainability and proactive financial management. The policy outlines the financial guidelines and controls for the administration of Town's Community Partners reserves. The policy defines that through the management of Community partners reserves, Town can determine if grant recipients demonstrate the true need for Town's funds.

- The Community Partner Reserve Management Policy outlines the guidelines and controls for the creation and management of reserves
- Community Partners should set aside enough operating reserves to fund no more than 12 months of regular operations
- Audited financial statements must be provided by community partners with revenue exceeding \$250,000

Background

Currently, the Town's Community Partners manage their own reserves and provide an update to the Town on the reserve balance as part of the annual budget process.

However, a need to establish Reserve Management Policy for the Town's Community partners was identified during the 2024 Budget approval process. The policy was developed and was presented to Finance Advisory Committee as well as shared with the community partners for their respective review and feedback.

As per the feedback received from the Community Partners, the target balance for the general operating reserve should be equivalent to the cost of its operations for a period of 12 months instead of six months. Also, the definition of 'operating reserves' in the policy was updated so that it does not include 'program specific reserves' or 'specifically directed or endowed funds'.

Analysis

The Community Partner Reserve Management Policy outlines the guidelines and controls for the creation and management of reserves

The purpose of the reserve management policy is to establish financial guidelines and appropriate controls for the administration and management of reserves. This policy provides regulations and guidelines on the objectives, standards of care, reporting requirements and responsibilities for the creation and management of reserves.

The objectives of the reserves management policy are stated below:

- Classification of type of reserves maintained by a Community Partner
- Guidelines associated with the creation of reserves
- Recommended guidelines for the management of reserves such as:
 - Contributions to/withdrawal from reserves
 - Temporary interfund lending between reserves
 - Closing of reserves
 - Management of annual surplus/deficit
- Roles and responsibilities of Town staff, Community Partner and Council members
- Reporting and adherence to the guidelines of the reserve policy

Community Partners should set aside enough operating reserves to fund no more than 12 months of regular operations

Any applicable net operating budget surplus should be contributed to an operating reserve until its balance reaches the recommended target amount equivalent to the cost of the community partner's operations for a period of 12 months. The recommended

guideline for operating reserve target balance aligns with Ontario Trillium Foundation financial policies for their grant recipients.

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.

A Community Partner may request an exception to this requirement supported by sufficient detail. For example, a partner requires the reallocation of all or a portion of its excess revenue from operations in support of future unfunded asset management obligations.

Audited financial statements must be provided by community partners with revenue exceeding \$250,000

Community Partners with annual revenue exceeding \$250,000 must provide audited Financial Statements and where it is required by legislation. Community partners who are not required to provide audited statements may be subject to further reviews by Town staff. Annually, Town staff will review applicable community partner operating reserve balances to confirm if they exceed this policy's recommended target. Any identified excess amount would then be applied against the partner's approved following year operating requisition.

The financial statements must be provided by the Community Partners prior to submission and approval of upcoming budget

Advisory Committee Review

Finance Advisory Committee reviewed the draft Community Partner Reserve Policy at its June 11th, 2024, meeting.

Legal Considerations

A Community Partner Reserve Management Policy is an important element of managing risk by ensuring reserves are managed appropriately, mitigating potential financial and reputational risks. This policy has been reviewed by key staff, the Corporate Management and the Executive Leadership Teams in accordance with the Town's policy program.

Financial Implications

There are no direct financial implications from this report. However, when Community Partner's reserve balance exceeds the recommended operating reserve target only a net amount will be paid to the Community Partner. This will result in an operating budget variance and contribute to the Town's surplus for the fiscal year.

Communications Considerations

The Town will inform the public about the information contained in this report by posting it to the Town's website.

Climate Change Considerations

The recommendations from this report does not impact greenhouse gas emissions or impact climate change adaptation.

Link to Strategic Plan

The Community Partner Reserve Management Policy supports all aspects of the strategic plan. Specifically, this report supports the Plan principles of Leadership in Corporate and Financial Management, Leveraging Partnerships, and Progressive Corporate Excellence and Continuous Improvement.

Alternative(s) to the Recommendation

1. Council provide direction.

Conclusions

The Community Partner Reserve Management Policy provides the financial framework to ensure Town can assess the financial health and need of the Community Partner grant requested annually. If Community Partners operating reserve balance have funds, which are more than 12 months of operating expenses, then the payment of the grant to the Community Partners will consider this, and only the net amount will be paid.

Attachments

Attachment 1 - Community Partner Reserve Management Policy

Attachment 2 - Motion for the creation of Reserve Policy for Community Partners

Previous Reports

FAC Memorandum, Community Partner Reserve Management Policy, June 11, 2024

Pre-submission Review

Agenda Management Team review on October 10, 2024

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer