Staff Report

Report To: Corporate Services Committee

Report From: Kate Allan, Director of Corporate Services

Meeting Date: September 10, 2026

Report Code: CR-26-070

Subject: AF016 Reserves and Reserve Fund Policy Update

Recommendations:

THAT in consideration of Staff Report CR-26-070 respecting the AF016 Reserves and Reserve Fund Policy Update, the Corporate Services Committee recommends that City Council:

1. Endorses the purpose, funding sources and intended uses of the individual reserves, reserve funds and obligatory reserve funds contained in Appendix A; and
2. Directs staff to bring forward a by-law to adopt Policy AF016 – Reserves and Reserve Funds.

Highlights:

- Modernized Financial Governance – Updates the City's reserve and reserve fund policy to reflect current legislation, best practices, and long-term financial planning principles.
- Improved Transparency – Clearly defines the purpose, funding sources, permitted uses, and target balances for every reserve and reserve fund, improving accountability and public understanding.
- Supports Long-Term Sustainability – Aligns reserve management with the City's Asset Management Plan, ensuring funds are available for future infrastructure renewal, financial stability, and strategic priorities.

Vision 2050 - Strategic Plan Alignment:

Strategic Plan Priority: Prosperous City – Supporting initiatives that increase competitive economic advantages for current and new businesses and their employees.

Previous Report/Authority:

CR-23-020 – Policy Review Project

CR-24-019 – 2024 Policy Review Project Update

CR-25-036 - 2025 Policy Review Project Update

CR-26-027 - 2026 Policy Review Project Update

Background:

As part of the City's ongoing corporate policy modernization initiative, staff have been systematically reviewing existing policies to ensure they remain current, relevant, and aligned with legislative requirements and municipal best practices. The initiative also seeks to repeal obsolete policies, consolidate overlapping policies where appropriate, and establish a routine review cycle for all corporate policies.

Policy AF016 – *Reserves and Reserve Funds* was identified for review in 2025 as part of this initiative. The updated policy modernizes the City's approach to reserve management by clearly defining governance responsibilities, reserve classifications, reporting requirements, funding principles, and alignment with the City's long-term financial planning and Asset Management Plan.

On June 23, 2026, Council received and reviewed the proposed schedules for all City reserves, reserve funds and obligatory reserve funds. The schedules establish the purpose, typical funding sources, permitted uses, target balances and responsible department for each reserve and reserve fund.

Analysis and Options:

The revised policy establishes a comprehensive governance framework for the City's reserves and reserve funds while preserving Council's authority over contributions and withdrawals through the annual budget and year-end financial reporting processes. It also formalizes annual reporting requirements and aligns reserve management with the City's long-term financial strategy and Asset Management Plan.

Following Council's review, staff have incorporated the following refinements into the schedules:

- The target balance of the WSIB Reserve has been reduced to $90,000 to better reflect the City's estimated future liability associated with its Schedule 2 employer obligations. The resulting $500,000 reduction has been transferred to the Tax Stabilization Reserve, strengthening the City's contingency funding.
- The Airport Facility Reserve has been closed and the remaining balance transferred to the Capital Reserve Fund, simplifying the reserve structure and consolidating capital funding.
- The Trails Reserve has been consolidated with the Parks and Trail Capital Reserve Fund, recognizing the common asset management objectives and improving administrative efficiency.

Appendix A documents the purpose, funding strategy and intended use of each reserve and reserve fund, providing greater transparency and consistency in their administration. The recommended adjustments following Council's June 23 review further simplify the reserve structure and improve alignment between reserve balances and their intended financial purpose.

Resource Alignment:

Financial Resources

The total value of reserve and reserve funds at the end of 2025 is estimated to be approximately $64,000,000

Human Resources

The administration of reserve funds is a responsibility of staff in the finance department and is considered part of core service delivery.

Time and Scheduling

Reserve and Reserve funds are reconciled regularly with a comprehensive reconciliation completed as part of year end procedures.

Technology and Infrastructure

No new technology is required to implement the updated policy. Staff will consider if the future ERP system may be an appropriate tool for tracking reserves and reserve funds.

Climate and Environmental Impacts:

There are no anticipated climate or environmental impacts.

Communication and Engagement:

Reserve and reserve fund balances are provided to council as part of year end reporting at which time all transfers are reviewed and approved. Additionally reserve balances are provided as background data for operating and capital budget deliberations.

Report Developed in Consultation With:

- City Council
- Manager of Legislative Services

Attachments:

1. Attachment 1 - AF016 Reserve and Reserve Fund Policy
2. Attachment 2 - Appendix A: Schedule of Reserve and Reserve Funds

Reviewed by:
Kate Allan, Director of Corporate Services

Submission approved by:
Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan, Director of Corporate Services at kallan@owensound.ca or 519-376-4440 ext. 1238.