

## MUNICIPALITY OF MIDDLESEX CENTRE

# Feeling Reserved about Reserves?

Reserves and Reserve Funds are established by Council to assist with long-term stability and financial planning. They are an important element of the Municipality's financial plan. By maintaining reserves, the Municipality can;

- ◆ Accumulate funds for future or contingent liabilities—a key component of sound long-term financial planning practices
- ◆ provide a source of funding to absorb unexpected shifts in revenues and expenditures
- ◆ fund one-time expenditure requirements
- ◆ minimize fluctuations in taxes caused by cyclical conditions



The holidays represent a good way to demonstrate why it is important to have a 'reserve fund'. During this festive time, our hearts often over-extend our pocketbook and we are left with some hefty year-end debt to usher us into the New Year. Unless, of course, you 'reserved' (or saved) an appropriate amount of dollars in anticipation of your annual holiday shopping.

For example, if you typically spend \$1,000 each year around the holidays and you make \$40,000 a year, that would mean 2.5% of your income would be 'reserved' for holiday gifts and festivities. But remember, you need to top up that account year-over-year or you'll find yourself in debt to pay for all of those thoughtful gifts come year-end.

We can all learn a lesson from our good friend Clark W. Griswold. Clark, the father figure in the beloved holiday classic Christmas Vacation relies on his holiday bonus (which he has not yet received) to finance a swimming pool for his family, only to find out that his bonus is a one-year subscription to the jelly of the month club. The moral of the story is: don't buy the pool if you don't have the cheque in hand.

In municipal government this would not be considered a "sustainable source of funding". You cannot plan your financial future around a holiday bonus or small inheritance. In the same way, the Municipality cannot depend on unreliable sources of funding – like a one-time grant from a senior level of government or record revenues - to lower the tax rate because it's unstable, unpredictable and unsustainable.

## How is Middlesex Centre doing with our Reserve Funds?

The majority of the Municipal reserve funds are presently under funded based on the target set in the municipal reserves policy (which can be found on our website— [middlesexcentre.on.ca/finance](http://middlesexcentre.on.ca/finance)). In regards to the maintenance and replacement of existing capital assets, Middlesex Centre's reserve funds are not where we would like them to be. This is true relative to the current level of the fund, the amount of funding that is occurring annually and the method by which they have been funded in the past. This fact was outlined when both the water financial plan and asset management plans were created. As the Municipality continues to improve and work on the asset management plan over the next few years, the targets required will become more accurate and additional funding strategies will be established. It is important to note that Middlesex Centre is not alone when it comes to the funding of future capital rehabilitation and replacement, this is a significant issue faced by the majority of municipalities in Ontario.

## What kinds of Reserves and Reserve Funds does Middlesex Centre have?

The Municipality of Middlesex Centre has multiple reserve funds, each one with a very specific purpose—so that we can afford things we need or the community wants. This is a selection of Middlesex Centre reserves, a full listing is available in the 2018 Budget Booklet or 2017 Financial Statements on our website: [middlesexcentre.on.ca/finance](http://middlesexcentre.on.ca/finance)

Reserve Fund	Balance at December 31, 2017
Delaware Hydro Reserve Fund	\$ 838,605
Insurance Claims Reserve Fund	\$ 355,605
Winter Maintenance Reserve Fund	\$ 310,175
Buildings and Facility Reserve Fund	\$ 847,186
Fire Vehicles and Equipment Reserve Fund	\$ 877,906
Tax Rate Stabilization Reserve Fund	\$ 1,986,397
Roads Capital Reserve Fund	\$ 3,396,628
Wastewater Reserve Fund	\$ 1,021,700
Stormwater Reserve Fund	\$ 1,121,214
Water Reserve Fund	\$ 2,001,834

