

Memorandum to the Council of Corporation of the Municipality of Temagami

Subject: Municipal Reserve Accounts 2025 – Overview, Obligations, and Recommendations

Memo No: 2025-M-146

Date: June 12, 2025

Attachment: Appendix A - Reserve Accounts with 2024 Balances and 2025 Budget Activity

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Recommendation

BE IT RESOLVED THAT Council receives Memo 2025-M-146, including Appendix A, hereby being part of the memo, as presented;

AND FURTHER THAT Council maintain the existing structure and balances of all reserve and reserve fund accounts as presented in the 2025 budget;

AND FURTHER THAT Council review and, if desired, reallocate or redefine the use of any reserves during the 2025 fiscal year in preparation for the 2026 budget cycle.

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1. Executive Summary

This report provides Council with an overview of the Corporation of the Municipality of Temagami's reserve accounts, including the legislative context for obligatory reserves and a summary of recommended best practices in reserve management. The report also presents a breakdown of current reserve balances, proposed 2025 transfers, and a rationale for maintaining the existing structure in the short term. Council retains full discretion to revisit and revise reserve purposes throughout the year in preparation for future planning cycles.

2. Background and Context

Reserves and reserve funds are a vital component of long-term municipal financial sustainability. They represent funds set aside for future needs, whether planned or unforeseen, and can serve various purposes such as:

- Infrastructure and asset renewal
- Emergency or contingency planning
- Rate stabilization
- Capital project funding
- Regulatory compliance (e.g., landfill closure)

3. Types of Municipal Reserves

There are two broad categories of municipal reserves:

3.1. Obligatory Reserves

These are required by legislation or external agreements. Funds in these reserves are collected for a specific purpose and must be used accordingly. Key obligatory reserves include:

- **Development Charges Reserve Funds:** Required under the Development Charges Act, 1997. While Temagami currently does not collect DCs, any future collections would necessitate separate accounting and reporting.
- **Parkland Dedication / Community Benefits Reserves:** Under the Planning Act, funds collected in lieu of parkland or for community benefits must be held in special reserves and used for eligible purposes.
- **Building Permit Fees Reserve:** Under the Building Code Act, any excess revenues from building permits must be set aside for costs associated with administering and enforcing the Building Code.
- **Landfill Closure and Post-Closure Reserve:** Under PSAB 3270 (Public Sector Accounting Standards), municipalities must account for the liability associated with landfill closure and post-closure care. Though not legislated as a reserve, it is considered a required financial practice and is subject to audit.

3.2. Discretionary Reserves (Best Practice)

These reserves are established by Council through resolution or by-law. They provide flexibility to address local priorities and long-term sustainability. Common examples include:

- **Tax Rate Stabilization Reserve:** Helps offset fluctuations in revenues and expenditures to avoid significant tax increases.
- **Capital Infrastructure Reserves:** Such as Roads, Water, Sewer, Fire Services, and Public Works. These support maintenance and replacement of essential infrastructure.
- **Operating Reserves:** Used to manage budget variances or fund one-time operational initiatives.
- **Contingency Reserves:** Held for unexpected events such as natural disasters, emergencies, or economic downturns.

These discretionary reserves align with principles of asset management, risk mitigation, and long-term financial planning.

4. Temagami's Reserve Portfolio

The Municipality of Temagami maintains a number of active reserves, as detailed in Appendix A. As of the end of 2024, total reserve balances equaled approximately \$3.93 million. Transfers in and out for 2025, as proposed in the 2025 budget, are projected to result in a year-end balance of approximately \$3.64 million.

Most of these reserves have historical purposes that were originally linked to specific capital projects or needs. While many of those priorities may still be relevant, some may have become outdated or may no longer align with Council's current strategic direction.

5. Cannabis Reserves

In 2018, following the legalization of recreational cannabis in Canada, the Ontario government provided municipalities with a one-time opportunity to opt out of hosting private cannabis retail stores within their jurisdictions. Municipalities had until January 22, 2019, to notify the Alcohol and Gaming Commission of Ontario (AGCO) of their decision. Those that did not opt out by this deadline were automatically considered to have opted in.

The Municipality of Temagami, after deliberation and a report from the Chief Administrative Officer, chose to opt in, thereby permitting cannabis retail stores within its boundaries. This decision made the Municipality eligible to receive funding from the Ontario Cannabis Legalization Implementation Fund (OCLIF), intended to help municipalities manage the implementation costs associated with cannabis legalization, such as public education, law enforcement, and administrative expenses.

To manage these funds responsibly, the Municipality established a Cannabis Reserve. As of the end of 2024, this reserve remains unallocated, with no specific projects designated for its use. Given the evolving landscape of cannabis-related municipal responsibilities, Council may consider reviewing the purpose and potential applications of this reserve to ensure alignment with current community needs and priorities.

6. Public Consultation and Budget Transparency

Each year, the Municipality undertakes a public consultation process as part of the annual budget deliberations. During this process, transfers to and from reserve accounts are typically identified, and ratepayers are informed of how their tax dollars are being allocated—often with the expectation that certain reserves will fund specific projects in the future.

However, it is understood that community needs evolve and municipal priorities shift. Projects that were once a high priority may no longer be necessary, or new opportunities may emerge that require different financial strategies. For this reason, while historical earmarking is a valuable reference, it should not limit Council's ability to reallocate reserve funds in a way that reflects the current and future needs of the Municipality.

7. Conclusion and Recommendation

Municipal reserves are essential for maintaining a strong, stable, and responsive financial position. At this time, staff recommend maintaining all existing reserve and reserve fund accounts as presented in the approved 2025 budget. This approach preserves financial flexibility while ensuring continued compliance with regulatory obligations.

It is further recommended that Council, over the course of 2025, conduct a comprehensive review of the Municipality's reserve structure and purposes, with the option to amend, consolidate, or redefine reserve allocations in the lead-up to the 2026 budget cycle.

Appendix A - Reserve Overview – 2025 Proposed

| Acct_Code | Account_Name | 2024_Balance | 2025_Allocation | 2025_Withdrawal | 2025_Balance |
|---------------|--|-------------------------|-----------------|-----------------|-------------------------|
| 1-3-3100-1000 | Reserve - Discretionary Capital | -\$ 355,000.00 | | | -\$ 355,000.00 |
| 1-3-3100-1200 | Reserve - Welcome Centre General | -\$ 50,000.00 | | | -\$ 50,000.00 |
| 1-3-3100-1300 | Reserve - Loan Reserve | \$ - | | | \$ - |
| 1-3-3100-1310 | Reserve - Discretionary Operating | -\$ 524,563.37 | | | -\$ 524,563.37 |
| 1-3-3100-1320 | Reserve - Tax Rate Stabilization | -\$ 267,031.00 | | | -\$ 267,031.00 |
| 1-3-3100-1330 | Reserve - Operating Budget | \$ - | | | \$ - |
| 1-3-3100-1340 | Reserve - Cannabis | -\$ 10,000.00 | | | -\$ 10,000.00 |
| 1-3-3100-2000 | Reserve - Marten River Fire | -\$ 422,000.00 | | | -\$ 422,000.00 |
| 1-3-3100-2100 | Reserve - Temagami Fire | -\$ 245,500.00 | | | -\$ 245,500.00 |
| 1-3-3100-2101 | Reserve - Fire Pump Subsidy | -\$ 3,600.00 | | | -\$ 3,600.00 |
| 1-3-3100-2900 | Reserve - COVID Funding | -\$ 69,949.92 | | | -\$ 69,949.92 |
| 1-3-3100-2901 | Reserve - NORDS Funding | -\$ 102,440.00 | | \$ 102,440.00 | \$ - |
| 1-3-3100-2902 | Reserve - OCIF Allocation | -\$ 105,641.00 | | \$ 105,641.00 | \$ - |
| 1-3-3100-3100 | Reserve - Public Works Complex | -\$ 509,400.00 | | \$ 60,000.00 | -\$ 449,400.00 |
| 1-3-3100-3110 | Reserve - Roads | -\$ 101,094.74 | | | -\$ 101,094.74 |
| 1-3-3100-3111 | Reserve - Gravel / Brush / Ditch / Culve | -\$ 41,180.00 | | \$ 41,180.00 | \$ - |
| 1-3-3100-3120 | Reserve - Lake Tem Access Road | -\$ 200,000.00 | | \$ 100,000.00 | -\$ 100,000.00 |
| 1-3-3100-3130 | Reserve - PW Access Road Bridge | -\$ 50,000.00 | | \$ 50,000.00 | \$ - |
| 1-3-3100-3131 | Reserve - PW Wilson Lake Bridge | -\$ 25,000.00 | | | -\$ 25,000.00 |
| 1-3-3100-4100 | Reserve - Water | -\$ 308,072.25 | -\$ 48,150.00 | | -\$ 356,222.25 |
| 1-3-3100-4110 | Reserve - TN Desludging | -\$ 25,000.00 | -\$ 25,000.00 | | -\$ 50,000.00 |
| 1-3-3100-4200 | Reserve - Grinder Pumps | -\$ 124,347.24 | -\$ 30,000.00 | | -\$ 154,347.24 |
| 1-3-3100-4300 | Reserve - Sewer | -\$ 15,796.80 | -\$ 26,050.00 | | -\$ 41,846.80 |
| 1-3-3100-4400 | Reserve - Landfill Closure | -\$ 187,520.98 | -\$ 25,000.00 | | -\$ 212,520.98 |
| 1-3-3100-4410 | Reserve - Waste - Garbage Collection | -\$ 5,057.94 | -\$ 2,973.43 | | -\$ 8,031.37 |
| 1-3-3100-4420 | Reserve - Waste - Lake Tem Transfer | -\$ 42,467.74 | -\$ 9,000.00 | | -\$ 51,467.74 |
| 1-3-3100-5200 | Reverve - Ambulance Building | -\$ 72,820.00 | -\$ 12,000.00 | \$ 12,000.00 | -\$ 72,820.00 |
| 1-3-3100-5210 | Reserve - Ambulance Operating | \$ - | | | \$ - |
| 1-3-3100-5300 | Reserve - Cemetery | -\$ 1,701.60 | | | -\$ 1,701.60 |
| 1-3-3100-7200 | Reserve - Arena | -\$ 474.00 | | | -\$ 474.00 |
| 1-3-3100-7500 | Reserve - Library | -\$ 48,207.78 | | | -\$ 48,207.78 |
| 1-3-3100-8100 | Reserve - OP Review | -\$ 738.52 | | | -\$ 738.52 |
| 1-3-3100-8110 | Reserve - Survey | \$ - | | | \$ - |
| 1-3-3100-8120 | Reserve - OMB Hearing | \$ - | | | \$ - |
| 1-3-3100-8130 | Reserve - Community Improvement Plan | -\$ 10,000.00 | | | -\$ 10,000.00 |
| 1-3-3100-8200 | Reserve - Big Canoe | -\$ 9,825.70 | | | -\$ 9,825.70 |
| | | | | | |
| | TOTAL | -\$ 3,934,430.58 | | | -\$ 3,641,343.01 |