



REPORT TO

GOVERNANCE AND POLICY
COMMITTEE

STRATEGIC RESERVE POLICY

"A generous man will himself be blessed, for he shares his food with the poor."

Proverbs 22:9

Created, Draft	First Tabling	Review
January 9, 2020	February 11, 2020	Click here to enter a date.

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RECOMMENDATION REPORT

Vision:

At Toronto Catholic we transform the world through witness, faith, innovation and action.

Mission:

The Toronto Catholic District School Board is an inclusive learning community uniting home, parish and school and rooted in the love of Christ.

We educate students to grow in grace and knowledge to lead lives of faith, hope and charity.



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Chief Financial Officer

A. EXECUTIVE SUMMARY

The Education Act, Section 233, allows School Boards to create “Reserves”. These special purpose type funds are restricted to a specific type of expenditure and can be funded by the Accumulated Surplus. The TCDSB already has several of these types of reserve accounts; however, the strategy to set these monies aside requires a formal Board Policy.

This report is to provide an overview of a formalized Strategic Reserve Policy that will guide the TCDSB’s management of financial reserves to protect against unexpected financial events and plan for the funding of special initiatives and projects and ensure equitable distribution of available resources.

The cumulative staff time required to prepare this report was 20 hours.

B. PURPOSE

1. This report provides context and introduces a new policy on Strategic Reserves.

C. BACKGROUND

1. The 2018-19 Budget Book approved by the Board of Trustees on June 6th 2018 contained recommendations around a reserve strategy. The Budget Book’s Volume V referenced the need for financial sustainability and recommended that the strategy begin to be formalized so that funds from the Accumulated Surplus could be strategically set aside for potential future in-year deficits as well as for one-time large expenditures that can change from year to year.
2. The 2019-20 Budget followed suit with the previous year’s budget and maintained the same reserve framework. At both the 2017-18 and 2018-19 year-end the reserve strategy recommendations from the 2018-19 budget were implemented. As a result, the TCDSB currently has several reserves with healthy balances.
3. Reserve funds play a very important role in TCDSB finances and provide a strong indicator of TCDSB’s overall financial health. For this reason, the management of reserve funds is vitally important, and therefore, the primary basis for this policy. The policy intends to establish consistent guidelines and

standards, which will assist in the administration of reserve funds in a responsible, consistent, and equitable manner.

4. Historically, there has been a heavy focus on balancing the provincial funding with the planned operating expenditures for the year. Often a school board may encounter one-time increases or decreases in expenditures, which put the budget out of balance. School Boards may also face structural deficits arising from legislative or labour arbitration decisions that essentially place an ongoing structural cost burden that is greater than the funding received from the Province.
5. During the 2018-19 budget process, the TCDSB board approved the establishment of strategic reserves funded from accumulated surpluses, which may fund future projects, provide for operating contingencies, and provide funding for the support of equity initiatives, unexpected events and/or legislated liabilities.
6. The draft Strategic Reserve Policy appears in Appendix A and the associated Procedures can be located in Appendix B.

D. EVIDENCE/RESEARCH/ANALYSIS

1. The new policy places reserve funds into three categories: Strategic Reserve Funds, Operating Reserves Funds and Obligatory Reserve Funds.
2. **Strategic Reserve Funds (Discretionary):** These reserve funds can be used to better plan for the implementation of projects over the long-term. These funds will be used for high priority projects critical to the success of the organization moving into the future. These are fiscally prudent investments given their broad impact on the organization. The Strategic Reserves currently approved and included in the draft Policy are as follows:
 - a. Information Technology Strategic System Reserve
 - b. Administrative Facility Reserve
 - c. Student Equity Strategic Reserve
 - d. Information Technology Infrastructure Reserve
 - e. Trustee Strategic Initiatives Reserve
 - f. Ward Based Playground Reserve

3. **Operating Reserve Funds (Discretionary):** An allocation of funds for which the Board of Trustees, or the Director of Education and Chief Financial Officer earmark, at their discretion, funding for a short-term future expenditure, liability or other purpose. Funding is typically determined during the budget estimates, revised estimates or year-end financial results. These reserves are funded from various sources including, but not limited to, allocated revenues, accumulated surpluses, and dedicated contributions, etc. They are typically operational in nature (e.g., carry-over of school block budgets, funding for a time-limited program etc.).
4. **Obligatory Reserve Funds (Non-Discretionary):** Obligatory Reserve funds are prescribed for specific purposes through the Education Act or act as a contingency to offset future in-year deficits. Mandated reserves exist for Education Development Charges (EDCs) and Proceeds of Disposition (POD). These reserves will operate with limits as prescribed in the operating procedures (Appendix B). The current Obligatory Reserves that are approved and included in the draft Policy are as follows:
 - a. Operating Contingency Reserve
 - b. Education Development Charges Reserve
 - c. Proceeds of Disposition Reserve
5. Distributions to the reserves on an annual basis will vary according to the reserve type. Specific directions regarding these distributions are detailed within each reserve fund's operating procedures.

E. METRICS AND ACCOUNTABILITY

1. The Board will see the status of the reserve funds at least twice a year as follows:
 - A year to date budget versus actual continuity schedule will be included as part of each year's budget process for the information of the Board (May/June).
 - Year-end audited financial statements will also include balances of reserves, both obligatory and discretionary reserve funds; inclusive of note disclosure and comparative figures (November).

2. Recommendations in this report will be monitored by policy development staff.
3. Further reports will be brought to Board in accordance with the policy review schedule.

F. IMPLEMENTATION, STRATEGIC COMMUNICATIONS AND STAKEHOLDER ENGAGEMENT PLAN

1. The policy as approved will be posted on the TCDSB policy register.

G. STAFF RECOMMENDATION

That the Governance and Policy Committee recommend approval of the draft Strategic Reserve Policy.