



**POLICY SECTION:** Administration

Appendix A

**SUB-SECTION:**

**POLICY NAME:** Strategic Reserve Policy

**POLICY NO:** F.M.09

<b>Date Approved:</b>	<b>Date of Next Review:</b> February 2025	<b>Dates of Amendments:</b>
<b>Cross References:</b>		
<b>Appendix:</b> Strategic Reserve Policy Operational Procedures		

**Purpose:**

Reserve funds play a very important role in the Toronto Catholic District School Board's (TCDSB) financial strategies and provide a strong indicator of the school boards overall financial health and stability of the organization. Reserve funds provide financial flexibility and mitigate pressures, all of which impact the board's overall financial condition.

This policy is intended to establish consistent guidelines and standards, which will assist in the administration of reserve funds in a responsible, consistent, and equitable manner.

This Policy applies to all the departments of the Toronto Catholic District School Board.



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### **Scope and Responsibility:**

This policy applies to all internal stakeholders of the TCDSB community. The Director of Education is responsible for this policy.

The following general principles apply when managing reserve funds.

- 1) Alternate arrangements should be considered before creating a new reserve fund i.e., accommodation within existing reserve, scope expansion, alternate funding arrangements etc.
- 2) If an option exists, discretionary reserve funds are preferable to obligatory reserve funds due to their flexibility.
- 3) Reserves for different purposes shall be separated. Definitions should be specific, but flexibility can be accommodated by incorporating service groupings, like one-time funds, etc.
- 4) Obligatory reserve funds are defined through legislation. Reserves grouped by service, funding source, type, etc. will be developed as permitted.
- 5) Funds spent from the Reserve must be carried out in accordance with the original intent and consistent with the purpose identified in the documentation submitted to and approved by Board.
- 6) Spending cannot exceed the reserve or the intended budget allocation for that reserve, unless otherwise approved (e.g. Education Development Charges).



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**Alignment with MYSP:**

Living Our Catholic Values

Enhancing Public Confidence

Fostering Student Achievement and Well-Being

Achieving Excellence in Governance

Providing Stewardship of Resources

Inspiring and Motivating Employees

**Policy:**

One of the key attributes of financial sustainability is appropriate reserve fund levels. Adequate reserve balances allow the Board to manage service needs, sustain infrastructure, provide flexibility, and mitigate risk and uncertainty. To assist the Board in managing reserve funds, where appropriate, guidance related to reserve level targets and minimum balance will be incorporated for each individual reserve. These are detailed in the policy's operating procedures. Balances exceeding target levels may be redirected at the discretion of the Chief Financial Officer.

**Regulations:**

**1. RESERVE CLASSIFICATION**

Reserve funds shall be classified into the following three categories:

**a. 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



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the success of the organization moving into the future. These are fiscally prudent investments given their broad impact on the organization. The allocation of funding shall be primarily from in-year surpluses and will be in accordance with allocation formula found in the Operating Procedures

### **b. 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.).

### **c. 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.

## **2. RESERVE CONTRIBUTIONS**

Distributions to the reserves will vary according to the reserve type. Specific directions regarding these distributions are detailed within each reserve fund's operating procedures.

- a. Strategic Reserve contributions result from specified board approved strategies, as set through this policy.



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- b. Operating Reserve contributions are determined through the budget process, at year end by the Director of Education and Chief Financial Officer or as otherwise approved by the Board of Trustees.
- c. Obligatory Reserve fund contributions shall be made as prescribed by Federal, Provincial or other Statutes/Agreement.

### **3. RESERVE TRANSACTIONS**

- a. All withdrawals/transfers shall be authorized through the budget process, under policy or by specific Board approval.
- b. Under no circumstances should a withdrawal/transfer place a reserve in a negative position, with the exception of the EDC reserve ~~per the Education Act.~~
- c. The Director of Education and Chief Financial Officer (CFO) shall have joint responsibility and accountability for all reserve transactions.

### **4. REPORTING**

The Board shall see the status of the reserve funds at least twice a year as follows:

- a. 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).
- b. Year-end audited financial statements will include balances of reserves, both obligatory and discretionary reserve funds; inclusive of note disclosure and comparative figures (November).



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## **5. ADDING, REMOVING OR MODIFYING RESERVES**

The process to address reserve modifications is as follows:

### **a. For Strategic Reserves**

- i. A Strategic Reserve may be created, removed or modified by a Notice of Motion by a Trustee to reopen the Strategic Reserve policy during non-budget related meeting or by regular motion during a budget meeting. This would be followed-up by consideration through the Governance and Policy Committee and later ratification by Board per Board By-laws.
- ii. A Strategic Reserve may be created, removed or modified by staff bringing a revised policy to a Governance and Policy Committee with a recommendation to amend.

### **b. For Operating Reserves**

- i. A request, including appropriate justification, support and financial evidence, shall be submitted to the CFO by other senior staff for review and process approval.
- ii. The CFO will review the request with the Director of Education (through Director's Council) and will approve or reject the request based on this policy, prudent fiscal management and operational need.
- iii. An Operating Reserve that is in accordance with this policy may also be created by a motion and approval of the Board of Trustees.



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### **c. For Obligatory Reserves**

Should the Provincial Government mandate new reserves then the Director of Education and Chief Financial Officer will bring a policy amendment to Governance and Policy Committee at the earliest opportunity to include the new reserve(s).

### **Definitions:**

#### **Strategic Reserves**

- **Information Technology Strategic System Reserve** - This reserve will be used for the long-term financial planning for the replacement and/or update of major enterprise-wide systems.
- **Administrative Facility Reserve** - This reserve restricts funding for the renewal activities of administrative buildings for which most Renewal and Capital grants from the Province do not provide funding.
- **Student Equity Strategic Reserve** - This reserve sets aside monies that can be applied towards various equity initiatives across the Board.
- **Information Technology Infrastructure Reserve Fund** - This fund will be used for the replacement of Information & Communication Technology hardware equipment.
- **Trustee Strategic Initiatives Reserve** - This fund will be used to fund Board of Trustee strategic initiatives.
- **Ward Based Playground Reserve** - This fund will be used to fund outdoor element improvements that are not currently funded by the Ministry. A ward based allocation will be implemented with schools applying for funds from the ward pool of funding.



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### **Operating Reserves**

Operating reserves are typically used to “carry” funds from one fiscal year to the next with specific intent for the use of the funds and will therefore vary from year to year. They may be more operational in nature, rather than strategic, and can be initiated by senior staff for operational matters or by Trustees through motion when the need arises. Examples are as follows:

- **School Block Budget** - Unexpended and Committed school block budgets carried forward to the next school year.
- **Pastoral Plan**- Carryover of unexpended funding from year one to year two of the pastoral plan to purchase religious materials for the TCDSB community
- **Capital Planning Capacity** - Resources to undertake a range of capital planning related activities.
- **Catholic School Parent Councils** – Carryover of funds raised by parents for special projects and activities.
- **Human Resource Related Initiatives** - One-time funding for the hiring of contract staff for specific initiatives or needs.

### **Obligatory Reserves**

- **Operating Contingency Reserve** - To mitigate future unforeseen costs and in-year deficits, the minimum amount should be 1% of operating budget, while the maximum amount held in this reserve is 2% of the operating budget. The Ministry of Education has indicated that 2% is the optimal contingency amount.
- **Education Development Charges (EDCs)** - EDCs may be imposed if a board will need to acquire new school sites to accommodate the students resulting from new residential development. The scheme provides an eligible school board with the option of collecting EDCs on new residential





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and non-residential development. The funds are used to acquire land for new schools in growth areas.

- **Proceeds of Disposition (POD)** – POD are generated when boards sell school facilities or properties that the board has declared surplus. POD must be used for the repair or replacement of components within a school unless otherwise agreed to by both the Board of Trustees and the Ministry of Education. School Boards must spend 80% of their POD to target key building components and systems, with the remaining up to 20% addressing other locally identified renewal needs.

### **Evaluation and Metrics**

Staff will report on the status of Reserve Funds as part of each year's budget process and at the year-end audited financial statement.