

## Strategic Reserve (F.M.09)

### OPERATIONAL PROCEDURES

This operational procedure supports the TCDSB's commitment to provide a framework for the strategic reserve policy. It provides the purpose, funding source and any time limitations associated with each reserve.

For all Strategic Reserves funded by in-year surpluses, it is assumed that should an in-year deficit occur, no contributions would be made to any Strategic Reserve in that fiscal year. To account for multi-year projects, or expected variations in year to year expenditures, transfers from operating budget accounts can be made to corresponding Strategic Reserves.

For all projects completed under budget, surplus funds would be returned to the Reserve Fund from which they were drawn.

#### **Strategic Reserve Funds**

##### **Information Technology Strategic Systems Reserve**

**Purpose:** This reserve will be used for the long-term financial planning or the replacement and /or update of major enterprise-wide systems.

**Funding Source:** 35% of in-year surplus funds shall be allocated to this reserve. Other one-time or ongoing contributions may also be made as approved by the Board of Trustees.

**Time limit:** Funds for approved projects using this funding source need to be used within five years. If funds for the project are not used within the five-year period, the remaining funds will be added back to Strategic Reserve Fund, unless otherwise approved by the Board of Trustees.

##### **Administrative Facilities Reserve**

**Purpose:** This reserve provides funding for the renewal activities of administrative buildings for which most Renewal and Capital grants from the Province do not provide funding.

**Funding Source:** 5% of in-year surplus funds shall be allocated to this reserve. Other one-time or ongoing contributions may also be made as approved by the Board of Trustees.

**Time limit:** Funds for approved projects using this funding source need to be used within two years. If funds for the project are not used within the two-year period, the remaining funds will be added back to the Administrative Facilities Reserve, unless otherwise approved by the Board of Trustees.

### **Student Equity Strategic Reserve**

**Purpose:** This reserve sets aside monies that can be applied towards various equity initiatives across the system as approved by the Board of Trustees.

**Funding Source:** 5% of in-year surplus funds shall be allocated to this reserve. Other one-time or ongoing contributions may also be made as approved by the Board of Trustees.

**Time limit:** Funds for approved projects using this funding source need to be used within two years. If funds for the project are not used within the two-year period, the remaining funds will be added back to the Student Equity Strategic Reserve, unless otherwise approved by the Board of Trustees.

### **Information Technology Infrastructure Reserve**

**Purpose:** This fund will be used for the replacement of Information and Communications Technology hardware equipment.

**Funding Source:** 5% of in-year surplus funds shall be allocated to this reserve. Other one-time or ongoing contributions may also be made as approved by the Board of Trustees.

**Time limit:** Funds for approved projects using this funding source need to be used within two years. If funds for the project are not used within the two-year period, the remaining funds will be added to Operating Contingency Reserve, unless otherwise approved by the Board of Trustees.

### **Trustee Strategic Initiatives Reserve**

**Purpose:** This fund will be used to fund specific strategic initiatives at the discretion of the Board of Trustees.

**Funding Source:** Unexpended trustee budgeted funds from the current year. If the Board is in an in-year surplus position, any unexpended trustee individual budgets at year-end will be transferred to this reserve.

**Time limit:** Funds for approved projects using this funding source need to be used within two years. If funds for the project are not used within the two-year period, the remaining funds will be added back to Trustee Strategic Initiatives Reserve, unless otherwise approved by the Board of Trustees.

### **Ward Based Strategic Playground Reserve**

**Purpose:** This reserve provides funding for outdoor improvements at school sites where such improvements cannot be funded by renewal grants received by the Ministry of Education. Funding will be allocated on an application basis based on a process and criteria as approved by the Board of Trustees.

**Funding Source:** One-time or ongoing contributions may also be made as approved by the Board of Trustees.

**Time limit:** Funds for approved projects using this funding source need to be used within two years. If funds for the project are not used within the two-year period, the remaining funds will be added back to Ward Based Strategic Playground Reserve, unless otherwise approved by the Board of Trustees.

### **Operating Reserve Funds**

The Board of Trustees or the Director of Education and Chief Financial Officer may create operating reserve funds from time to time in order to “carry over” funds from one year to the next for specific purposes. The purpose, funding source and time limit below are provided for illustrative purposes. Each operating reserve will have its own specified purpose, funding source and time limitation. These will be approved by the Board of Trustees and/or the Director of Education and Chief Financial Officer. Where there is ambiguity in the purpose, funding source and time limitation on an operating reserve, delegated authority will be provided to the Chief Financial Officer to assign the same in a fiscally prudent manner.

## **General Description for Operating Reserves**

Purpose: To carry forward operating funds from one fiscal year to the next for a specified program or expenditure.

Funding Source: Unexpended budgeted funds from the current fiscal year.

Time limit: Funds need to be used in the following fiscal/school year, unless otherwise specified by Collective Agreements, legislation or authorized by the Director of Education and Chief Financial Officer.

## **Obligatory Reserves Funds**

### **Operating Contingency Reserve**

Purpose: To mitigate future unforeseen costs and in-year deficits. The minimum target shall be 1% of operating budget, and the maximum amount held in this reserve will be 2% of operating budget.

Funding Source: 50% of in-year surplus funds shall be allocated to this reserve. Other one-time or ongoing contributions may also be made as approved by the Board of Trustees.

Time limit: No time limit. Funds will be maintained at 2% of operating budget.

### **Education Development Charges (EDCs)**

Purpose: Funds will be used primarily to acquire new school sites to accommodate students resulting from new residential development, or any other expenditure that is in accordance with the Education Act.

Funding Source: Education Development Charges collected on new residential and non-residential development.

Time limit: No time limit. Funds will be reserved and expended as required.

### **Proceeds of Disposition (POD)**

Purpose: This reserve primarily funds renewal activities, but may be used for other purposes with Ministerial approval in accordance with the Education Act.

Funding Source: Proceeds from sale of surplus school facilities or properties.

Time limit: No time limit. Funds will be reserved and expended as required.

**Further Clarity on Procedures for Allocating an In-Year Surplus**

- For all Strategic Reserves funded by in-year surpluses, it is assumed that should an in-year deficit occur, that no contributions would be made to any Strategic Reserve in that fiscal year.
- The first \$1.2 million of in-year surpluses shall be allocated to the Ward Based Strategic Playground Reserve.
- Subsequently, the formula based allocations of other Strategic Reserves and the Operating Contingency Reserve shall be allocated.
- Once the 2% maximum threshold of Operating Budget is reached for the Operating Contingency Reserve, then the 50% allocation shall be distributed to the remaining Strategic Reserves, which are currently funded from in-year surpluses on a percentage allocation, on a pro-rata basis.

