

Establishment of reserve funds

- 188** (1) A council may, by bylaw, establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.
- (2) If a municipality receives money in respect of any one of the following, the council must establish a reserve fund for the applicable purpose:
- (a) money received from the imposition of a development cost charge, which must be placed to the credit of a reserve fund in accordance with section 566 [*use of development cost charges*] of the [Local Government Act](#);
 - (b) money received
 - (i) from the sale of park land,
 - (ii) under section 27 (2) (b) [*disposal of park land*], or
 - (iii) under section 510 (14) [*provision of park land on subdivision*] of the [Local Government Act](#),
 which must be placed to the credit of a reserve fund for the purpose of acquiring park lands;
 - (c) money received under section 41 (1) (d) [*disposal of highway property that provides access to water*], which must be placed to the credit of a reserve fund in accordance with that section;
 - (d) money received under section 525 (2) [*parking space requirements*] of the [Local Government Act](#), which must be placed to the credit of a reserve fund for the purpose of providing
 - (i) off-street parking spaces, or
 - (ii) transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation;
 - (e) except for tax sale proceeds, money received from the sale of land and improvements, which must be placed to the credit of a reserve fund for the purposes of paying any debt remaining in relation to the property and of acquiring land, improvements and other assets of a capital nature.

Use of money in reserve funds

- 189** (1) Subject to this section, money in a reserve fund, and interest earned on it, must be used only for the purpose for which the fund was established.
- (2) If the amount to the credit of a reserve fund is greater than required for the purpose for which the fund was established, the council may, by bylaw, transfer all or part of the amount to another reserve fund.
- (3) If the current municipal revenue is not sufficient for the amount required to pay compensation in respect of property expropriated or injured or to carry out works referred to in section 32 (3) [*entry on land to mitigate damage*], the council may, by bylaw, use money from a reserve fund to the extent required.

- (4) As a restriction on subsection (2), a transfer from a reserve fund established for a capital purpose may only be made to another reserve fund established for a capital purpose.
- (4.1) Despite any other enactment, if
- (a) money in a reserve fund established for a capital purpose, including a reserve fund under section 566 of the *Local Government Act* established for a capital purpose, is not currently required for that purpose, and
 - (b) the municipality has another reserve fund established for a capital purpose, the municipality may use money in the first reserve fund for the purposes of the second reserve fund.
- (4.2) If money from one reserve fund is used under subsection (4.1) for the purposes of another reserve fund, the municipality must repay to the first reserve fund, no later than the time when the money is needed for the purposes of that reserve fund,
- (a) the amount used, and
 - (b) an amount equivalent to the interest that would have been earned on the amount used had it remained in the first reserve fund.
- (5) As a restriction on subsections (2) and (3), a council may not transfer amounts or use money from a fund required under section 188 (2) (a) [*development cost charge reserve fund*] or (b) [*park land acquisition reserve fund*] unless the bylaw is approved by the minister.