



Policies & Procedures Manual

Policy No. 15-2019 (Reserve Funds Guidelines)

Reserve Funds Guidelines

PURPOSE

To provide guidance on the development, maintenance and use of financial reserve funds for the regional services provided by the Squamish-Lillooet Regional District ("SLRD") in support of sustainable budgeting practices. This Policy will also serve as a guidance for the other local area services provided by the SLRD.

DEFINITIONS

- Operational Surplus Reserves:** Unappropriated surplus funds for services administered by the SLRD that have been placed into a reserve fund for operating expenditures.
- Statutory Reserve Funds:** Funds set aside for a specified purpose. These funds are established via bylaw and must be utilized as outlined in the bylaw.
- Capital & Equipment Reserve Funds:** Funds set aside in capital reserve funds. These funds must only be utilized for capital & equipment purposes.

GUIDELINE

This Policy is to be used by SLRD staff in the establishment and maintenance of reserve funds.

GENERAL

The SLRD should maintain adequate levels of reserve balances to mitigate current and future risks, and facilitate stable tax requisition rates. The following guiding principles form the basis of this guideline:

- Sufficient reserve funds are important in achieving financial health and stability for the SLRD.
- Reserve goals need to be consistent with, and supportive of, established long-term financial plans.

Reserve fund management needs to conform to the statutory and legal requirements of the *Local Government Act* and the *Community Charter*, Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) recommendations.

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The minimum and maximum levels of each reserve are listed in Appendix A of this policy.

A review of actual, minimum and optimal fund balances shall be undertaken annually.

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APPENDIX A

1. Operational Surplus Reserves:

The SLRD should maintain unappropriated surplus balances in its Operational Surplus Reserves for services administered by the SLRD. The primary purposes of these reserves are to:

- Provide working capital for projects that are utilizing operating budget revenues which will eliminate or reduce the need to borrow funds.
- Maintain a pool of funds that can be used to manage unexpected expenses as a result of events or emergencies, that if the funds were not available, would create a budget deficit position.
- Maintain a pool of funds for those Services that rely on User Fees as a revenue source and where if User Fee revenue forecasts are not realized could result in a budget deficit position.
- Maintain a pool of funds for those Services where there can be significant external pressures that impact forecasting.

Operating Reserve minimums and maximums are as follows:

Funding Source	Minimum Level	Maximum Level
Any excess operating revenues over expenditures at the end of each fiscal year.	Two months of regular operating expenditures, rounded to the nearest higher \$1,000.	Four months of regular operating expenditures, rounded to the nearest higher \$1,000.

Responsibilities:

The Director of Finance and Chief Administrative Officer shall:

- Determine the need for operating reserves and may waive the requirement depending on the type of service.

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- Recommend any revisions or amendments to this Guideline, as may be required from time to time, as a result in changes in applicable statutes, accounting standards, and economic conditions.
- Regularly monitor and assess the Operating Reserves to ensure they are within the Guidelines.
- Determine appropriate Operating Reserve levels and determine strategies for reaching recommended levels without putting undo pressure on the budget.

2. Capital Reserve Funds:

The SLRD must ensure that Capital Reserve funds are established and maintained to meet the current and future capital needs of the SLRD as identified in capital plans and asset management plans.

Funding Source	Minimum Level	Maximum Level
Annual allocation from each Service's operating budget as provided for in the financial plan.	Adequate to fund capital projects identified as capital funded for the next five years of the financial plan.	Adequate to fund all capital projects identified as capital funded in the long-term financial plan of the service area.

Responsibilities:

The Director of Finance shall:

- Recommend any revisions or amendments to this Guideline, as may be required from time to time, as a result in changes in applicable statutes, accounting standards, economic conditions and asset management guidelines/requirements.
- Regularly monitor and assess the Capital reserves to ensure they are within the Guidelines.
- Work with the Chief Administrative Officer in determining appropriate strategies for reaching recommended levels without putting undo pressure on the service budget.
- Advise and work with the Chief Administrative Officer in respect of adjustments to the Capital Plans and Asset Management Plans that may require adjustments to reserve targets.

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3. Statutory Reserve Funds:

The SLRD must maintain Statutory Reserve funds in accordance with current bylaws and legislation.

Responsibilities:

The Director of Finance shall:

- Ensure that all funding and expenditures for Statutory Reserve Funds are deposited in accordance with agreements, bylaws and legislation.
- Regularly monitor and assess the Statutory Reserves to ensure they are within the Guidelines.
- Advise and work with the Chief Administrative Officer where changes to agreements, bylaws and legislation may require adjustments to reserve targets.

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