

**REGIONAL DISTRICT OF OKANAGAN-SIMILKAMEEN
BOARD POLICY**

POLICY: Management of Reserves

AUTHORITY: Board Resolution dated: December 20, 2018

POLICY STATEMENT

The Regional District of Okanagan Similkameen shall allocate funds on an annual basis to maintain adequate levels of reserve balances to mitigate current and future risks and facilitate stable tax rates.

PURPOSE

To provide guidance on the development, maintenance and use of financial reserve funds in support of sustainable budgeting practices. The following guiding principles form the basis of this Policy:

- To identify criteria used in determining the appropriate level of those reserves not governed by separate bylaws, regulations or agreements.
- Sufficient reserve funds are important in achieving financial health and stability for the RDOS.
- 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.

DEFINITIONS

“BOARD” means the Board of Directors for the Regional District of Okanagan Similkameen;

“CAO” means the Chief Administrative Officer for the RDOS, or a designated representative;

“DESIGNATED OFFICER” means an employee of the RDOS designated in writing by the CAO to administer this resolution, or sections of this bylaw;

“CAPITAL RESERVE FUNDS” means funds set aside in a capital reserve fund and these funds must only be utilized for capital projects as defined in the Tangible Capital Asset Policy.

“OPERATING RESERVES” means unappropriated surplus funds for services administered by the Regional District that have been placed into a reserve fund for operating expenditures.

“RDOS” means the Regional District of Okanagan Similkameen

“STATUTORY RESERVES” means funds set aside for a specified purpose. These funds are established via bylaws and must be utilized as outlined in the bylaw.

“UNAPPROPRIATED SURPLUSES” means accumulated surplus built up in the Regional District’s various operating funds that have not been designated for specific uses.

RESPONSIBILITIES

The BOARD shall:

- Consider approval and amendments of the Policy on the recommendation of the CAO.

The CAO shall:

- recommend any revisions or amendments to this Policy to the BOARD, as may be required from time to time, as a result of changes in applicable statutes, accounting standards, and economic conditions.
- ensure that all funding and expenditures for Statutory Reserve funds are deposited in accordance to agreements, bylaws, policy and legislation.
- determine the need for OPERATING & CAPITAL RESERVES and may waive the requirement for a reserve depending on the type of service.

The DESIGNATED OFFICER shall:

- conduct an annual review of all OPERATING & CAPITAL RESERVE balances.
- regularly monitor and assess the OPERATING & CAPITAL RESERVES to ensure they are within the Policy.
- determine appropriate OPERATING & CAPITAL RESERVE levels and determine strategies for reaching recommended levels without putting undue pressure on the budget.
- manage adjustments to Capital Plans and Asset Management Plans that may require adjustments to reserve targets.
- regularly monitor and assess the STATUTORY RESERVES to ensure they are within the Guidelines.
- recommend changes to agreements, bylaws, policy and legislation that may require adjustments to reserve targets.

OPERATING RESERVE FUNDS:

The RDOS should maintain UNAPPROPRIATED SURPLUS balances in its OPERATING RESERVES for services administered by the RDOS. The primary purpose 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; and
- 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
Services Administered by the RDOS: <ul style="list-style-type: none"> any excess operating revenues left over 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.
Utility (Water/Sewer) <ul style="list-style-type: none"> 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 \$1,000 or \$50,000, whichever is greater

Reserve Level Objectives

Building Replacement Reserve	Equivalent to 50% of the accumulated depreciation of all buildings with a replacement value in excess of \$250,000, excluding those for recreation and water and sewer purposes.
Capital Reserve	Reserve balances should align with the RDOS Asset Management Plan
Parkland Dedication Reserve	Level will fluctuate subject to use and contributions from external sources in each Electoral Area.
Cemetery Reserve	Level will fluctuate subject to use and contributions from external sources.
Computer Equipment Reserve	equivalent to the accumulated depreciation of all major pieces of computer equipment.
Development Cost Charge Reserve	Level will fluctuate subject to use and contributions from external sources.
Environmental Reserve	equivalent to 5% of annual water, sewer and solid waste sales revenue.
Equipment Replacement Reserve	equivalent to 50% of the accumulated depreciation of heavy equipment, including fire trucks.
General Reserve	See Operating Reserve table
Landfill Reserve	Equivalent to landfill closure and post-closure liability.
Recreation Facility Replacement Reserve	Equivalent to 50% of the accumulated depreciation of all recreation facilities

Transit Equipment Reserve	with a replacement value in excess of \$250,000. equivalent to the accumulated depreciation of the transit fleet.
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