

# Reserve Policy – 2024 Annual Update

## BACKGROUNDER

### **Overview of Policy**

Reserve funds held by the Regional District will be developed, maintained and used in support of sustainable budgeting and financial management practices.

The Regional District will endeavor to maintain adequate levels of reserve fund balances to mitigate current and future financial risks and facilitate stable requisition rates.

The following guiding principles form the basis of this Policy:

- Sufficient reserve funds are important in achieving financial health and stability for the Regional District; and
- 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.

The administration of reserves is a joint responsibility between the Budget Managers and the General Manager of Financial Services.

The Regional District has over 260 unique reserve accounts that are encompassed in this Policy.

In order to summarize, these reserves have been organized into the following categories:

1. Operating Reserves
2. Capital Reserves
3. Statutory Reserves
4. Special Purpose Reserves
5. Asset Management Reserves
6. Northern Capital and Planning Grant Reserves; and
7. Growing Communities Fund

Each year, the Regional District budgets for annual contributions to be made into the reserve funds. This allows the Regional District to internally finance, for specific purposes, such as the purchase of capital equipment, identified capital projects or landfill closure and post-closure costs. These funds are accounted for separately for each Service and the monies are invested until such time as they are required.

### **2024 In Review**

The Regional District started the year with total reserve funds at December 31, 2023 of \$81,381,586, as outlined in Exhibit 1.

### 2024 Results

At December 31, 2024, the Regional District held approximately 268 unique reserve funds.

The 2024 year saw an overall increase to reserve funds of \$7,821,620, as a result of \$11.7 million being contributed from Operating Funds to Reserve Funds and \$3.9 million transferred from Reserve Funds to fund various projects within Regional District Services.

The \$11.7 million contributed to reserves consisted of \$5.0 million in interest earnings, \$3.4 million to operating reserves, \$1.1 million contributed to landfill closure reserves, \$1.3 million in truck replacement reserve contributions, \$762,356 in Community Works Funding and other minor transfers.

The \$4.0 million of reserve funds utilized included \$1.169 million for Community Works Fund projects, including the contribution to the New Roof and Sanitary Sewer and Water upgrades at Nukko Lake Community Hall, Roof replacement at Ness Lake Fire Hall, Facility Upgrades at Regional District Transfer Stations, Exterior Upgrades at the Robson Valley Recreation Center, Robson Valley Exploration and Learning Air Conditioning Installation, Miworth and Bear Lake Community Hall Facility Upgrades, RD Volunteer Fire Department Facility Upgrades, Drinking Water and Sanitary

Sewer Management and Facility Conditions Assessments, Official Community Plans, and Azu Community Water System Infrastructure. Additional funding spent include \$910 thousand from operating reserves, \$726 thousand from the truck replacement reserves for the Buckhorn, Pilot Mountain and Ferndale-Tabor Volunteer Fire Departments as well as Chilako/Nechako Rescue service, \$36 thousand of NCPG funds utilized, \$327 thousand of Growing Community Funds utilized and \$576 thousand used from landfill closure reserves, along with other minor transfers.

At December 31, 2024, the total in the Reserve Funds was \$89,203,206, as outlined in Exhibit 2. Operating reserves make up approximately 22% of the total value of reserve funds with the remainder of funds set aside for statutory purposes or for specific future spending such as capital infrastructure, major equipment, landfill closure costs and asset management, or are related to grant funds which must be utilized for their intended purpose in a future year.

### **Compliance with Policy**

Turning to policy compliance for the year, based on the overall responsibilities and guidelines identified in the Policy, the Regional District was in compliance with the Policy for the 2024 calendar year from January 1, 2024 to December 31, 2024 with the exception of Asset Management. The Regional District is focused on Asset Management Planning and we will work toward achieving target reserve levels, however it may take a few years to reach our financial goals related to Asset Management without putting undo financial pressure on the Service area budget(s).

### **Annual Review of Policy**

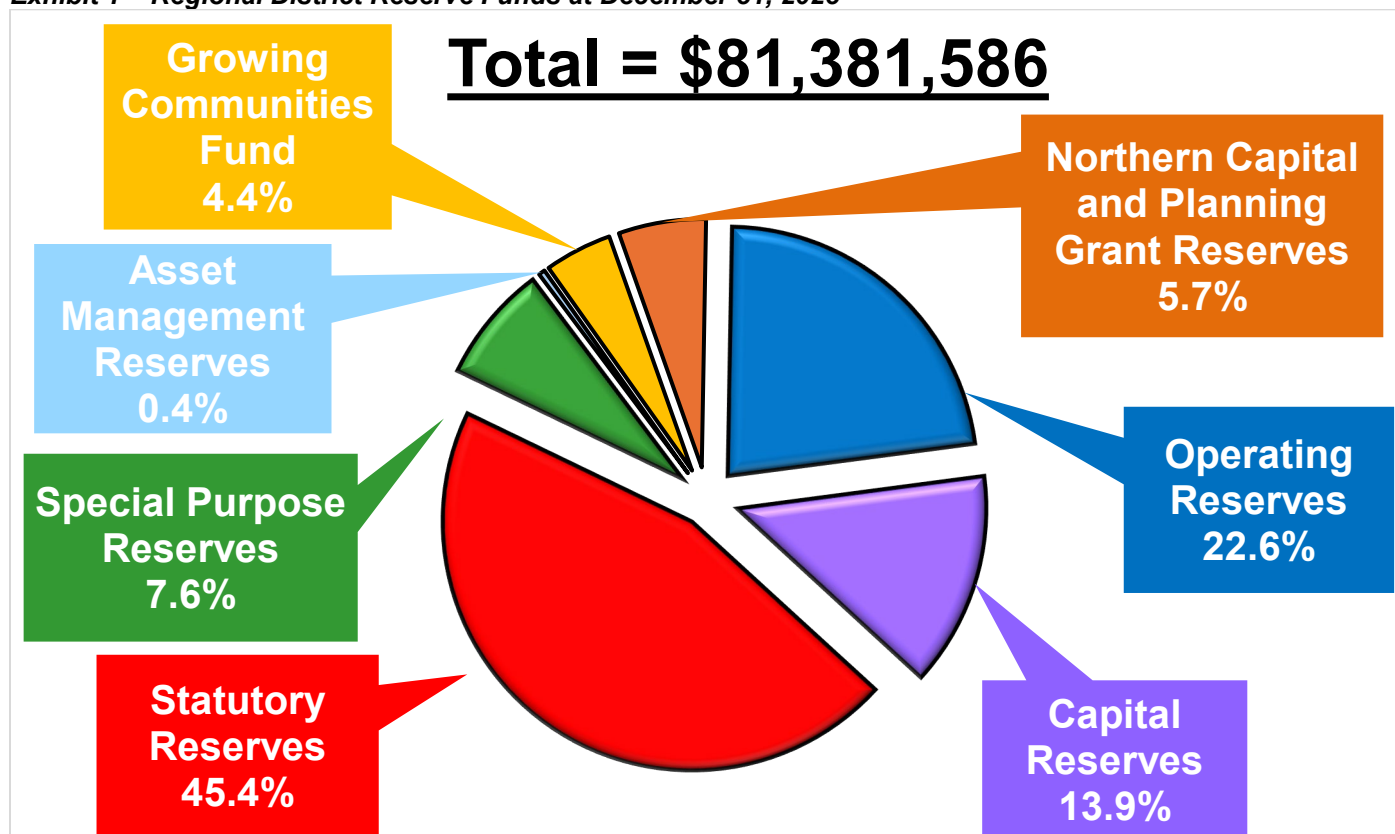
The Policy appears to be meeting the needs of the Regional District. The policy has been amended to reflect the following changes:

- Additional information included regarding contributions and withdrawals
- Additional information has been included regarding internal borrowing

Therefore, administration is recommending the proposed changes to the Policy. The next policy review date will be during the year 2026.

### **Conclusion**

With the RD-22-21 Reserve Fund Policy in place, the Regional District has the tools necessary to manage the reserve fund balances on hand and ensure that the main objectives of the Policy are fulfilled, while maintaining compliance with legislation.

**BACKGROUNDER EXHIBITS****Exhibit 1 – Regional District Reserve Funds at December 31, 2023****Exhibit 2 – Regional District Reserve Funds at December 31, 2024**