



**REGIONAL DISTRICT**  
of Fraser-Fort George

**CORPORATE POLICY**

**No.:** RD-22-21

**Date Approved:** September 23, 2021

**Date Amended:** July 18, 2024

**Name:** Reserve Fund Policy

<b>Purpose:</b>	To provide guidance on the development, maintenance and use of financial reserve funds in support of sustainable budgeting and financial management practices.
<b>Authority:</b>	<p>Section 188 <i>Community Charter</i> – Establishment of Reserve Funds</p> <p>A Board may, by bylaw, establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.</p> <p>If a local government receives money for a specific application outlined in this section, the Board must establish a reserve fund for the applicable purpose.</p> <p>Section 189 <i>Community Charter</i> – Use of Money in Reserve Funds</p> <p>Money in a reserve fund, and interest earned on it, must be used only for the purpose for which the fund was established. If money from one reserve fund is used for the purposes of another reserve fund, the local government must repay to the first reserve fund, no later than the time when the money is needed for the purposes of that reserve fund, the amount used and an amount equivalent to the interest that would have been earned on the amount used had it remained in the first reserve fund.</p>
<b>Scope:</b>	This policy applies to all reserve funds held by the Regional District.

**Definitions:**

<b>“Asset Management Reserve Funds”</b>	<b>means</b>	committed funds set aside to fund the maintenance, renewal and decommissioning of tangible capital assets held within each Service area.
<b>“Budget Manager”</b>	<b>means</b>	the Regional District manager responsible for the preparation and oversight of a Service area budget.
<b>“Capital Reserve Funds”</b>	<b>means</b>	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.
<b>“General Manager of Financial Services”</b>	<b>means</b>	the statutory financial officer of the Regional District under Section 237 of the <i>Local Government Act</i> or delegate.
<b>“Northern Capital and Planning Grant (NCPG) Reserve Funds”</b>	<b>means</b>	committed funds set aside from the allocations of NCPG funds received from the Province of British Columbia in 2019 and 2020. These funds have been allocated to various individual services to fund specific capital and planning projects.

**Expiry Date:**

**Review Date:** Annually

<b>“Growing Communities Fund (CWF) Reserve Funds”</b>	<b>means</b>	committed funds set aside from the allocation of CGF funds received from the Province of British Columbia in 2023. These funds have been allocated to various individual services to fund specific infrastructure projects.
<b>“Operating Reserves”</b>	<b>means</b>	unappropriated surplus funds for Services administered by the Regional District that have been placed into a reserve fund for operating expenditures.
<b>“Regional District”</b>	<b>means</b>	the Regional District of Fraser-Fort George.
<b>“Special Purpose Reserve Funds”</b>	<b>means</b>	committed funds set aside for specific projects (non-statutory), such as grant funding or other monies received but not yet applied, which are being maintained in separate reserve accounts.
<b>“Statutory Reserve Funds”</b>	<b>means</b>	funds set aside for a specified statutory purpose. These funds are established via bylaw and must be utilized as outlined in the bylaw.
<b>“Unappropriated Surplus”</b>	<b>means</b>	accumulated surplus built up in the Regional District’s various operating funds that has not been designated for specific uses.

**Policy:**

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

**General:** The Regional District will endeavour 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.
- 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.

**Reserve Administration:** The administration of reserves is a joint responsibility between the Budget Manager and the General Manager of Financial Services.

**Overall Responsibilities:** The Budget Manager will:

- Request creation of new reserve accounts from the General Manager of Financial Services.
- Request changes (i.e. transfers, expenditure, and name changes) to reserve accounts from the General Manager of Financial Services.

- Monitor reserve balances relating to the Budget Manager’s Service area(s) and ensure permitted usage and minimum and maximum levels are adhered to.
- Complete responsibilities outlined in each reserve fund section in Appendix “A”.

The General Manager of Financial Services will:

- Invest reserve amounts appropriately according to the Regional District Investment Policy RD-14-19 and ensure interest is allocated to the reserves on a monthly basis.
- Provide information to the board regarding number, type, and balance of reserves on an annual update basis.
- Consider and approve creation of new reserve accounts when requested by the Budget Manager.
- Consider and approve changes to reserve accounts when requested by the Budget Manager.
- Make a reserve report available to Budget Managers on a quarterly basis, at a minimum, or upon request.
- Complete responsibilities outlined in each reserve fund section in Appendix “A”.
- Recommend any revisions or amendments to this Policy, as may be required from time to time, as a result in changes in applicable statutes, accounting standards, economic conditions, or other changes.

**Reserve  
Categories:**

The Regional District has over 215 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 Reserves

**Guidance by  
Category:**

Please see Appendix “A” for guidance on each category of reserve funds.

## APPENDIX “A”

### 1. Operating Reserve Funds

#### Background:

The Regional District will endeavour to maintain Unappropriated Surplus balances in its operating reserves for Services administered by the Regional District. The primary purpose of Operating Reserve Funds 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.

#### Permitted Usage:

Operating Reserve Funds are permitted to be used to fund operating expenses within a service area budget. These reserves can also be used to fund capital expenditures if desired.

Operating Reserve Funds have the greatest level of flexibility in terms of the ability to use these reserves compared to the other types of reserves outlined in Appendix “A”.

Examples of Operating Reserve Fund usage include, but is not limited to:

- use to fund additional expenditures in annual budget
- use to offset reduction in revenue from user fees or other budgeted revenue; and
- use for unexpected/unplanned expenses.

#### Minimums and Maximums:

Operating Reserve minimums and maximums are as follows:

Funding Source	Minimum Level	Maximum Level
Services administered by the Regional District: <ul style="list-style-type: none"><li>• any excess operating revenues over expenditures at the end of each fiscal year.</li></ul>	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) Services: <ul style="list-style-type: none"><li>• any excess operating revenues over expenditures at the end of each fiscal year.</li></ul>	Two months of regular operating expenditures, rounded to the nearest higher \$1,000 or \$25,000 whichever is greater.	Four months of regular operating expenditures, rounded to the nearest \$1,000 or \$50,000 whichever is greater.

Exemptions:

Due to the nature of the services, the following Services are exempt from establishing an Operating Reserve:

- |                                       |                                 |
|---------------------------------------|---------------------------------|
| – 1901 Elections                      | – 5002 Area H Arenas            |
| – 1902 UBCM, FCM, NCMA & YHA          | – 5201-5202 Libraries           |
| – 1951 Regional Grants-In-Aid         | – 5301-5302 TV Rebroadcasting   |
| – 1952-1958 Community Grants-In-Aid   | – 5402-5406 Recreation Grants   |
| – 2911 Sewage Service - Holding Tanks | – 6001 Municipal Debt           |
| – 3303 Noise Control                  | – 6201 Feasibility Studies; and |
| – 3802 Bear Lake Cemetery             | – 8003 Blackburn Water System.  |
| – 3804 Tete Jaune Cemetery            |                                 |

Electoral Area Administration (1203) is exempt from the maximum operating reserve level as it relates to the election reserve that is utilized during each election cycle.

Responsibilities:

The Budget Manager will:

- regularly monitor and assess the Operating Reserve Funds to ensure they are managed within the Policy
- work with the General Manager of Financial Services in determining appropriate Operating Reserve levels and in determining strategies for reaching recommended reserve levels without putting undue financial pressure on individual service area budgets; and
- work with the General Manager of Financial Services in determining appropriate allocation of Operating Reserve levels in excess of the maximum level with a focus on long term financial needs

The General Manager of Financial Services will:

- determine the need for Operating Reserves and may waive the requirement depending on the type of Service (see exemptions above); and
- conduct an annual review of all Operating Reserve Fund balances.

## Capital Reserve Funds

### Background:

There are two types of Capital Reserve Funds:

1. Capital or Equipment Reserves; and
2. Truck Replacement or Vehicle Reserves.

Capital Reserve Funds are reserves established to meet the costs of future capital works and the renewal, improvement, or replacement of current tangible capital assets.

Equipment Reserve Funds are reserves established to fund the costs of purchasing specific new or replacement equipment items.

Truck Replacement or Vehicle Reserves are a type of capital reserve specific to major truck or vehicle replacement for the volunteer fire departments and rescue services and other Service areas that retain fleet vehicles.

### Permitted Usage:

Capital Reserve Funds are permitted to be used to fund capital expenses within a Service area budget. Regular capital reserves are meant to be used to cover the cost of any and all capital relating to a Service. If a specific capital item is of significant value, a separate capital reserve or equipment reserve can be setup to identify specific reserve funds for this capital item.

Tangible capital assets must be:

1. Held for use in the provision of services.
2. Have useful economic lives greater than one year.
3. Plan to be used on a continuing basis.
4. Are not for sale in the ordinary course of operations.

The Tangible Capital Asset categories and thresholds for recognition of \$25,000 or greater are defined as per internal policy RD-10-15 Tangible Capital Asset Accounting and Budgeting Policy.

Capital and Equipment Reserve Funds are not permitted to be used to fund operations.

### Minimums and Maximums:

The Regional District must ensure that Capital Reserve Funds are established and maintained to meet the current and future capital needs of the Regional District as identified in long-term financial plans, capital plans and asset management plans for individual services.

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 reserve funded for the next three years of the long-term financial plan of the Service area.	Adequate to fund all capital projects identified as capital reserve funded in the long-term financial plan of the Service area.

**Responsibilities:**

The Budget Manager will:

- regularly monitor and assess the Capital Reserve Funds to ensure they are managed within the Policy
- work with the General Manager of Financial Services in determining appropriate strategies for reaching recommended reserve levels without putting undue financial pressure on the Service area budget(s); and
- advise and work with the General Manager of Financial Services in respect of adjustments to Long-Term Capital Plans and Asset Management Plans that may require adjustments to capital reserve fund targets.

The General Manager of Financial Services will:

- conduct an annual review of all Capital Reserve Fund balances to ensure that fund balances are adequate based on minimum and maximum level guidelines; and
- work with Budget Managers to achieve minimum and maximum reserve levels within each Service area and forecast reserve balances relating to specific capital projects or equipment purchases.

## 2. Statutory Reserve Funds

### Background:

The Regional District must maintain Statutory Reserve Funds in accordance with current bylaws and legislation.

Statutory Reserve Funds include:

- Park Development
- Landfill Closure - Foothills
- Landfill Closure - Mackenzie
- Landfill Post Closure
- Rural Landfill Closure
- Feasibility Studies
- Office Accommodation
- Park Land Acquisition (Areas A, C, D, E, G and H); and
- Region-Wide Fire Protection.

### Permitted Usage:

Statutory Reserve Funds can only be utilized for the statutory purpose outlined in the individual statutory reserve bylaw.

In order to ensure that amounts are used appropriately, Budget Managers will check with the General Manager of Financial Services prior to using funds from a Statutory Reserve Fund.

In special circumstances, guidance will be requested from the Province of British Columbia and the applicable ministries in order to determine if a proposed expenditure can use Statutory Reserve Funds as a funding source.

### Minimums and Maximums:

Minimums and maximums have not been identified for Statutory Reserve Funds because the required/desired amounts for statutory reserves vary depending on the purpose of the reserve.

To ensure that an appropriate amount is being allocated to a Statutory Reserve Fund, Budget Managers are encouraged to consider the total amounts needed to fund future endeavours from the individual statutory reserve and budget accordingly each year.

### Responsibilities:

The Budget Manager will:

- regularly monitor and assess the Statutory Reserves to ensure they are managed within the Policy; and
- advise and work with the General Manager of Financial Services where changes to agreements, bylaws and legislation may require adjustments to Statutory Reserve Funds.

The General Manager of Financial Services will:

- ensure that all funding and expenditures for Statutory Reserve Funds are deposited or paid in accordance with agreements, bylaws and legislation; and
- ensure that proposed uses of Statutory Reserve Funds are in accordance with program funding requirements.

### 3. Special Purpose Reserve Funds

#### Background:

Special Purpose Reserve Funds are committed funds set aside for specific projects, such as grant funding or other monies received but not yet applied, which are being maintained in separate accounts.

Special Purpose Reserve Funds include:

- Community Works Fund
- Network Copier Reserve
- MIABC Dividend
- Budget Stabilization
- Exploration Place Capital
- C. Winther Park
- Fire/Life Safety House
- Recreation Equipment
- Cultural Plan
- Climate Action
- UBCM – NG911
- UBCM – Wildfire Protection
- PG Library Outreach
- Cultural Plan Endowment Fund
- Strategic Community Investment Fund (SCIF)
- Remediation Reserve
- Response and Recovery
- Fee Reduction Reserve

#### Permitted Usage:

The permitted usage of special purpose reserve funds varies based on the individual reserve fund.

Many Special Purpose Reserve Funds are funded by external contributions; therefore, there are rules to be followed in the disbursement of any amounts from those reserves.

- Example: the Canada Communities Building Fund (formerly called the Community Works Fund) reserve is comprised of Canada Communities Building Fund contributions received from the federal government through the Union of BC Municipalities (“UBCM”). In order for funds to be disbursed, the usage of the funds must adhere to the Project Eligibility Guidelines provided by UBCM and be approved by the Regional District’s Board of Directors.

If unsure about the permitted usage of funds from a Special Purpose Reserve Fund, Budget Managers will check with the General Manager of Financial Services prior to using funds from a Special Purpose Reserve Fund.

#### Minimums and Maximums:

Minimums and maximums have not been identified for Special Purpose Reserve Funds because the required/desired amounts for special purpose reserves vary depending on the purpose of the reserve.

To ensure that an appropriate amount is being allocated to a Special Purpose Reserve Fund, Budget Managers are encouraged to consider the total amounts needed to fund future endeavours from the individual special purpose reserve and budget accordingly based on available funds.

**Responsibilities:**

The Budget Manager will:

- regularly monitor and assess the Special Purpose Reserve Funds to ensure they are managed within the Policy; and
- advise and work with the General Manager of Financial Services where changes to agreements, bylaws and legislation may require adjustments to Special Purpose Reserve Funds.

The General Manager of Financial Services will:

- ensure that all funding and expenditures for Special Purpose Reserve Funds are deposited and reported in accordance with agreements, bylaws, and legislation; and
- ensure that proposed uses of Special Purpose Reserve Funds are in accordance with program funding requirements

#### 4. Asset Management Reserve Funds

Background:

Asset Management Reserve Funds are committed funds set aside to fund the maintenance, renewal and decommissioning of tangible capital assets held within each Service area.

Permitted Usage:

The permitted usage of asset management reserves is to fund the maintenance, renewal and decommissioning of existing tangible capital assets. These reserves are not permitted to be used to purchase new capital items, as the funds are designated to ensure the sustainable operation and maintenance of presently owned assets.

For the purpose defining non-permitted usage of asset management reserve funds, new capital items include, but are not limited to:

- Expansions or add-ons to pre-existing assets.
- Cosmetic improvements to assets not motivated by asset renewal.
- Other non-essential expenses relating to an existing asset.

If a Budget Manager is looking to purchase a new capital item, please refer to other reserve fund categories to potentially fund such a purchase.

If unsure about the permitted usage of funds from an asset management reserve fund, Budget Managers will check with the General Manager of Financial Services prior to using funds from an asset management reserve.

Minimums and Maximums:

The Regional District must ensure that Asset Management Reserve Funds are established and maintained to meet the current and future asset management needs of the Regional District as identified in long-term financial plans, capital plans and asset management plans for individual services.

Funding Source	Minimum Level	Maximum Level
Annual allocation from each Service's operating budget as provided for in the financial plan.	Adequate to fund the maintenance and renewal of some existing capital items owned by a Service based on identified needs over the next three (3) years.	Adequate to fund the maintenance and renewal of all existing capital items owned by a Service based on identified needs over the expected life span of the existing capital items.

Responsibilities:

The Budget Manager will:

- regularly monitor and assess the Asset Management Reserve Funds to ensure they are managed within the Policy

- advise and work with the General Manager of Financial Services where changes to agreements, policies, bylaws and legislation may require adjustments to Asset Management Reserve Funds; and
- work with the General Manager of Financial Services in determining appropriate strategies for reaching recommended reserve levels without putting undue financial pressure on the Service area budget(s).

The General Manager of Financial Services will:

- conduct an annual review of all Asset Management Reserve Fund balances to ensure that fund balances are adequate based on minimum and maximum level guidelines; and
- work with Budget Managers to achieve minimum and maximum reserve levels within each Service area and forecast reserve balances relating to each Service area's asset management needs.

## 5. Northern Capital and Planning Grant Reserve Funds

### Background:

Northern Capital and Planning Grant reserve funds are committed funds set aside from the allocation of NCPG funds received from the Province of British Columbia in 2019 and 2020.

These funds have been allocated to various individual Services to fund specific capital and planning projects.

### Permitted Usage:

The permitted usage of NCPG reserves is based on the guidelines outlined by the Ministry of Municipal Affairs and current legislation.

According to Section 4 (1) (a) and (c) of the *Local Government Grants Act*, conditional grants (including the NCPG) may be made to municipalities, regional districts and prescribed related organizations for the following purposes:

- Reviewing, studying, planning or implementing matters relating to local government planning or growth management; or
- Reviewing, studying, planning or constructing water supply and distribution facilities, sewage collection and disposal facilities, major municipal highways or other infrastructure.

NCPG funds are to be used by each Service for the purposes of purchasing capital items or performing planning related work for future capital projects.

If unsure about the permitted usage of funds from a NCPG reserve fund, Budget Managers will check with the General Manager of Financial Services prior to using funds from a NCPG reserve.

### Minimums and Maximums:

Minimums and maximums have not been identified for NCPG reserve funds because the funding received were specified amounts from the Province of British Columbia and any additional funding will be at the determination of the Province of British Columbia and the Ministry of Municipal Affairs.

Therefore, the amounts in reserve are unable to be increased and would need to be supplemented from other sources in order to fund a project of greater cost than the amount available in the reserve of an individual service.

### Responsibilities:

The Budget Manager will:

- regularly monitor and assess the NCPG Reserves to ensure they are managed within the Policy; and
- notify the General Manager of Financial Services prior to funds from this reserve being used by outlining the amount to be spent and the specific project costs to utilize this reserve funding,

The General Manager of Financial Services will:

- ensure that all expenditures for NCPG Reserve Funds are spent in accordance with legislation and Ministry guidance; and
- report to the Province of British Columbia on the usage or status of NCPG funds from the reserve accounts as required.

## 6. Growing Communities Fund Reserve

### Background:

Growing Communities Fund reserve funds are committed funds set aside from the allocation of CWF funds received from the Province of British Columbia in 2023.

These funds have been allocated to various individual Services to fund specific infrastructure projects.

### Permitted Usage:

The permitted usage of CWF reserves is based on the guidelines outlined by the Ministry of Municipal Affairs and current legislation.

According to Section 4 (1) (a) and (c) of the *Local Government Grants Act*, conditional grants (including the CWF) may be made to municipalities, regional districts and prescribed related organizations for the following purposes:

- Reviewing, studying, planning or implementing matters relating to local government planning or growth management; or
- Reviewing, studying, planning or constructing water supply and distribution facilities, sewage collection and disposal facilities, major municipal highways or other infrastructure.

The funding provided through the GCF should be limited to one-off costs needed to build required infrastructure and amenities rather than funding ongoing or operational activities. These funds are to be incremental to currently planned investments and should accelerate the delivery of capital projects. Eligible costs are as follows:

- Public drinking water supply, treatment facilities and water distribution;
- Local portion of affordable/attainable housing developments;
- Childcare facilities;
- Municipal or regional capital projects that serve, directly or indirectly, neighbouring first nations communities;
- Wastewater conveyance and treatment facilities;
- Stormwater management;
- Solid waste management infrastructure;
- Public safety/emergency management equipment and facilities not funded by senior level government;
- Local road improvements and upgrades;
- Sidewalks, curbing and lighting;
- Active transportation amenities not funded by existing provincial programs;
- Improvements that facilitate transit service;
- Natural hazard mitigation;
- Park additions/maintenance/upgrades including washrooms/meeting space and other amenities; and
- Recreation-related amenities.

Further to the above noted capital costs, one-off costs can include:

- Costs of feasibility studies (including infrastructure capacity assessment); other early-stage development work; costs of designing, tendering and acquiring land (where it is wholly required for eligible infrastructure projects); constructing eligible infrastructure projects; and, in limited situations, non-capital administrative costs where these are necessary, for example adding staff capacity related to the development or to establish complementary financing for local government owned infrastructure or amenities.

If unsure about the permitted usage of funds from a GCF reserve fund, Budget Managers will check with the General Manager of Financial Services prior to using funds from a GCF reserve.

*Minimums and Maximums:*

Minimums and maximums have not been identified for GCF reserve funds because the funding received were specified amounts from the Province of British Columbia and any additional funding will be at the determination of the Province of British Columbia and the Ministry of Municipal Affairs.

Therefore, the amounts in reserve are unable to be increased and would need to be supplemented from other sources in order to fund a project of greater cost than the amount available in the reserve of an individual service.

*Responsibilities:*

The Budget Manager will:

- regularly monitor and assess the GCF Reserves to ensure they are managed within the Policy; and
- notify the General Manager of Financial Services prior to funds from this reserve being used by outlining the amount to be spent and the specific project costs to utilize this reserve funding,

The General Manager of Financial Services will:

- ensure that all expenditures for GCF Reserve Funds are spent in accordance with legislation and Ministry guidance; and
- report to the Province of British Columbia on the usage or status of GCF funds from the reserve accounts as required.