



BOARD REPORT

TO: Chair and Directors

File No: Policy F-34

SUBJECT: CSR D Policy F-34 Reserve Fund Policy

DESCRIPTION: Report from Jodi Pierce, Manager, Financial Services, dated August 16, 2019.
New Policy for consideration by the Board.

RECOMMENDATION #1: THAT: the Board endorse Policy No. F-34 "Reserve Fund Policy" and approve its inclusion into the CSR D Policy manual, this 19th day of September, 2019.

SHORT SUMMARY:

During the 2019 CSR D budget sessions there was discussion around the development of a Reserve policy. Staff indicated at that time they had attended a Reserve workshop in the fall of 2018 and would be looking to bring forward a policy in 2019. This was reiterated at the 2019 Policy session in June 2019. Staff has taken the opportunity to research and develop a policy for Reserve Funds.

VOTING:	Unweighted Corporate	<input checked="" type="checkbox"/>	LGA Part 14 (Unweighted)	<input type="checkbox"/>	Weighted Corporate	<input type="checkbox"/>	Stakeholder (Weighted)	<input type="checkbox"/>
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BACKGROUND:

The CSR D does not currently have a Reserve Fund Policy. The Board, through the budget process, has the amount of funds in reserves and whether they are insufficient, adequate for our needs or excessive. Staff has researched Reserve Policies from other local governments, Government Finance Officers Association (GFOA) and the Public Sector Accounting Board (PSAB). While PSAB does not provide best practices for the setting of reserves, it does define Financial Condition which is a key concept in the development of a reserve policy. The PSAB definition is as follows:

"Financial condition is a broad, complex concept with both short- and long-term implications that describes a government's financial health in the context of the overall economic and financial environment." And further "Financial condition is a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others."

The GFOA Best Practice on fund balance guidelines "recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund". While a "general fund" is more applicable to a municipality than a regional district, the intent can be applicable to the operating reserve funds that the CSR D has established for a number of the local and regional service establishment areas. The best practice guide indicates that the policy should have language around how the local government will increase or decrease unrestricted fund balances; purpose for use of funds; and, what process should be in place for replenishment of these funds. With regards to the adequacy of unrestricted fund balances, the guide suggests the local government take into consideration the unique circumstances of each local government but, at a minimum, the local

government should “maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures” but that a local government may require a level of that is significantly in excess of this minimum. There is no best practice for a maximum level of reserves.

When looking at other Regional Districts with established Reserve Fund Policies, it was noted that most local governments are using the recommended two months as a minimum and the maximums were between 4 and 6 months of general operating expenditures. Staff has drafted a policy that meets or exceeds the best practices of the GFOA “Fund Balance Guidelines for the General Fund”.

POLICY:

CSRD Policy F-34 Reserve Funds is a new policy that will provide staff and elected officials with guidance on the development, maintenance and use of reserve funds in support of sustainable budgeting practices.

FINANCIAL:

Transfers to and from reserve funds will be in accordance with the Five Year Financial Plan.

IMPLEMENTATION:

The new policy will be included in the CSRD Policy Manual once approved by the Board.

COMMUNICATIONS:

The updated policy will be posted to the CSRD website.

DESIRED OUTCOMES:

That the Board approve Policy F-34 Reserve Funds.

BOARD'S OPTIONS:

1. *Endorse the Recommendation.*
2. *Deny the Recommendation.*
3. *Defer.*
4. *Any other action deemed appropriate by the Board.*

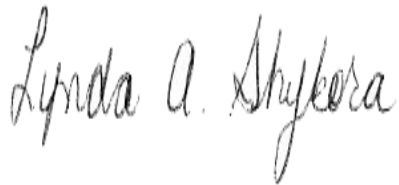
LIST NAME OF REPORT(S) / DOCUMENT(S) AVAILABLE FROM STAFF:

1. N/A

Report Approval Details

Document Title:	2019-09-19_Board_FIN_ Policy F-34 Reserve Policy.docx
Attachments:	- CSRD Policy F-34 Reserve Fund Policy.pdf - F-34 Policy exemptions.pdf
Final Approval Date:	Aug 19, 2019

This report and all of its attachments were approved and signed as outlined below:



Lynda Shykora - Aug 19, 2019 - 8:34 AM



Charles Hamilton - Aug 19, 2019 - 11:12 AM