



OPERATING RESERVES POLICY

Department	Finance	Policy No.	0340-83
Section	General	Date Approved by Board	August 15, 2024
Repeals		Board Resolution #	RD/24/08/11

Amended		Board Resolution #	
Amended		Board Resolution #	
Amended		Board Resolution #	

Repealed		Board Resolution #	
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1. Purpose

1.1 The purpose of the Operating Reserves Policy is to formalize requirements on the development, maintenance and use of operating reserve funds in support of sustainable budgeting practices.

2. Scope

2.1 This policy applies to all operating reserve funds held by the PRRD and is to be used by staff in the establishment and maintenance of operating reserve funds.

3. Definitions

3.1 In this policy;

- a. **PRRD** means Peace River Regional District.
- b. **Operating Maintenance Reserves** means unappropriated surplus funds that have been placed into a reserve fund for unexpected operating expenditures.
- c. **Special Purpose Operating Reserves** means reserves for special purposes or one-time operating expenditures.
- d. **Regular Operating Expenditures** means total operating costs less transfers to reserves and one-off projects that do not occur every year; and
- e. **Unappropriated Surplus** means accumulated surplus built up in various operating funds that have not been designated for specific uses.



4. Policy

- 4.1 The following principles form the basis of this policy:
 - a) Sufficient reserve funds are important for maintaining financial health and stability, including tax rate stability, for the PRRD; and
 - b) Reserve goals need to be consistent with, and supportive of, long-term financial plans including but not limited to the Five-Year Financial Plan and the Asset Management Plan.
- 4.2 Reserve fund management will conform to the statutory and legal requirements of the *Local Government Act*, the *Community Charter*, Generally Accepted Accounting Principles (GAAP), and Public Sector Accounting Board (PSAB) recommendations.
- 4.3 The PRRD will maintain Unappropriated Surplus Balances in its Operating Maintenance Reserves for services administered by the PRRD. The primary purpose of Operating Maintenance Reserves is to mitigate current and future risks including:
 - a) Unexpected expenses as a result of unexpected events or emergencies that, if the funds were not available, would create a budget deficit position.
 - b) For those services that rely on revenue such as user fees or grant funding which, if revenue forecasts are not realized, could result in a budget deficit position.
 - c) For those services with significant external pressures that affect forecasting such as economic volatility.
 - d) For sudden and unexpected increases in expenditure such as machinery breakdown or infrastructure failure.
 - e) For liquidity purposes, for mismatch of timing of reimbursements or mismatch between revenues receipt and expenditure.
- 4.4 Operating Maintenance Reserve fund balances should be maintained at the established minimum amounts in order to ensure security against unforeseen financial events as financial security is critical to financial sustainability.
- 4.5 Department Heads will assess the risks associated with each service to determine the appropriate Operating Maintenance Reserve level for that service.
- 4.6 Services that consist entirely of debt payments, granting, or contribution agreements are considered low risk and will be exempt from requiring an Operating Maintenance Reserve minimum or maximum. A list of suggested Operating Maintenance Reserve minimums, maximums, and exemptions for each service function is attached as Schedule A.
- 4.7 For services assessed as low overall risk, the suggested minimum level of Operating Maintenance Reserve will be two months of Regular Operating Expenditures rounded to the nearest higher \$1,000 and the suggested maximum level of Operating Maintenance Reserve will be four months of Regular Operating Expenditures, rounded to the nearest higher \$1,000. For higher risk services such as Emergency Planning and



Information Technology (IT), the suggested minimums and maximums will be higher as determined by the Department Head and the Finance Department. Schedule A lists the suggested minimums and maximums for each service.

- 4.8 Operating Maintenance Reserves falling below minimum levels should be reviewed by the Department Head and the Finance Department to determine a suggested schedule to replenish the reserve to the minimum level. The reserve should be replenished to the minimum level within five years. Staff will include the suggested contribution to operating reserve in each budget during budget deliberations.
- 4.9 Contributions to the Operating Maintenance Reserves will be completed by the following methods:
 - a) Budgeting for transfers to Operating Reserves in the Five-Year Financial Plan in order to achieve suggested minimum to maximum levels; and
 - b) Except exempt services, at the end of each year surplus funds from the annual operating budget will be transferred to the Operating Reserve of each service respectively by the Finance Department.
- 4.10 The PRRD will create Special Purpose Operating Reserves for special purposes. The primary purpose of Special Purpose Operating Reserves is to:
 - a) Provide financing for projects that utilize operating revenues, which will eliminate or reduce the need to borrow funds; and
 - b) Fund one-time operating costs which would otherwise require a sudden increase in taxation, such as studies or assessments.
- 4.11 Special Purpose Operating Reserves will be created through Board resolution. The resolution will include the purpose of the reserve as well as minimums and maximum balances if applicable. A list of all current Special Purpose Operating Reserves is attached as Schedule B.
- 4.12 Operating Reserves exceeding maximum levels will be reviewed by the Department Head and the Finance Department to determine which of the following will be done:
 - a) Leave funds in the reserve based on the next Five-Year Financial Plan for operating; or
 - b) Transfer excess funds not required by operating in the next financial plan into a Capital Reserve Fund; or
 - c) Consider a reduction in requisition if the funds are not required either by operating or capital financial plans.
- 4.13 Withdrawals from Operating Reserves may only be completed if approved by the Board and included in the Five-Year Financial Plan or through Board resolution to amend the financial plan. The transfer will be shown as a transfer from the Operating Reserves revenue line item.



- 4.14 Staff will ensure awareness and understanding by the PRRD Board members and PRRD staff of the operating reserve fund balances and requirements.

- 4.15 This policy will be reviewed by Department Heads and the Finance Department annually to ensure risk assessments for each service are current. The policy will be updated, including Schedule A and Schedule B, each year after the Five-Year Financial Plan is adopted, if necessary.

- 4.14 Transitional provision – for reserves that are significantly below the minimum threshold upon adoption of this policy, attaining the minimum balance will take several years. An initial five-year plan to work towards minimums will be proposed by the Chief Financial Officer. Balances will be reviewed annually, and contributions adjusted if needed.

Affiliated Procedure	
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Operating Reserve Policy 0340-83				
SCHEDULE A - Operating Maintenance Reserves				
FUNCTION			MINIMUM	MAXIMUM
100	Regional	Administration		
		General	2 mos	4 mos
		Finance	2 mos	4 mos
		Corporate	2 mos	4 mos
		Information Technology	2 mos	Greater of 4 mos or \$650k
		Human Resources	2 mos	Greater of 4 mos or \$650k
		Communications	2 mos	4 mos
		OH&S	2 mos	4 mos
110	Regional	Legislative - Regional	2 mos	4 mos
120	Rural	Legislative - Electoral Areas	2 mos	4 mos
135	Regional	Regional Connectivity	2 mos	4 mos
140	Regional	Economic Development	EXEMPT	
150	Regional	Fiscal Services	EXEMPT	
160	Regional	Fleet Admin	EXEMPT	
170	Regional	Gotta Go	EXEMPT	
180	Regional	Health Related	EXEMPT	
190	Rural	Seniors Aging in Place	EXEMPT	
200	Regional	Regional Parks	2 mos	4 mos
210	Rural	Community Parks	2 mos	4 mos
220	Regional	Regional Recreation	2 mos	4 mos
221	Regional	Sub-Regional Recreation & Cultural	EXEMPT	
222	Regional	Dinosaur Museum Grants	EXEMPT	
223	Regional	Global Geopark Grants	EXEMPT	
224	Regional	Sport & Cultural Events Grants	EXEMPT	
225	Rural	Kelly Lake Community Centre	EXEMPT	
230	Rural	Tate Creek Community Centre	EXEMPT	
235	Regional	South Peace Multiplex	EXEMPT	
240	Regional	Chetwynd Leisure Centre	2 mos	4 mos
245	Regional	North Peace Leisure Pool	2 mos	4 mos
250	Regional	Chetwynd Recreation Complex	EXEMPT	
255	Regional	Chetwynd Arena	2 mos	4 mos
260	Rural	Clearview Arena	EXEMPT	
265	Rural	Buick Arena	EXEMPT	
280	Rural	Recreation & Cultural Facilities Grants	EXEMPT	
285	Rural	Cemeteries	EXEMPT	
290	Regional	Chetwynd Library	2 mos	4 mos
291	Rural	FSJ Library Contribution	EXEMPT	
295	Rural	Library Services	EXEMPT	
300	Rural	Emergency Planning	Greater of 4 mos or \$200k	Greater of 8 mos or \$500k
305	Regional	911 Emergency Telephone Services	2 mos	4 mos
310	Rural	Emergency Rescue Vehicle	EXEMPT	
315	Rural	Charlie Lake Fire Protection	2 mos	4 mos
320	Rural	Chetwynd Rural Fire Protection	EXEMPT	
325	Rural	Dawson Creek-Pouce Coupe Rural Fire	EXEMPT	
330	Rural	Fort St. John Rural Fire Protection	EXEMPT	
335	Rural	Moberly Lake Fire Protection	2 mos	4 mos
340	Rural	Taylor Rural Fire Protection	EXEMPT	
345	Rural	Tomslake Rural Fire Protection	EXEMPT	
400	Regional	Management of Development	2 mos	4 mos
405	Regional	Building Inspection	2 mos	4 mos
410	Rural	Animal Control Shelter	EXEMPT	
415	Regional	Regional District Development	EXEMPT	
420	Rural	12 Mile Electrification	EXEMPT	
430	Rural	Rolla Dyking	EXEMPT	



500	Regional	Regional Solid Waste Management	2 mos	4 mos
505	Regional	Chetwynd and Area Scramblevision	EXEMPT	
510	Regional	Chetwynd & Area TV Rebroadcasting	EXEMPT	
520	Regional	Invasive Plants	2 mos	4 mos
525	Rural	North Pine TV	EXEMPT	
601	Rural	Charlie Lake Sewer	2 mos	4 mos
602	Rural	Chilton Sewer	2 mos	4 mos
603	Rural	FSJ Airport Sub Sewer	2 mos	4 mos
604	Rural	Friesen Sewer	2 mos	4 mos
605	Rural	Harper Imperial Sewer	2 mos	4 mos
606	Rural	Kelly Lake Sewer	2 mos	4 mos
607	Rural	Rolla Sewer	2 mos	4 mos
701	Rural	FSJ Airport Sub Water	2 mos	4 mos
702	Rural	Potable Water - Area B	2 mos	4 mos



**Operating Reserve Policy 0340-83
SCHEDULE B- Special Purpose Operating Reserves**

FUNCTION #	FUNCTION NAME	RESERVE NAME	PURPOSE	MINIMUM	MAXIMUM	CONTRIBUTIONS
100	Administration	Election	Set aside funds for the 4 year election cycle and/or by-elections as needed	NONE	150,000	Full election cost every 4 years, divide by 4 and place in each year
100	Administration	Feasibility	For feasibility studies/voting for possible new services. If the service is established, all feasibility/voting collected from new service and paid back to reserve	NONE	400,000	Budget allocation originally from Function 130 Admin Fiscal and Other
100	Administration	Growing Communities Fund	To increase the local housing supply with investments in community infrastructure and amenities	NONE	NONE	Provincial Government one time grant
120	Legislative - Regional	Carbon	For projects that reduce carbon emissions or advance PRRD towards carbon neutrality	NONE	NONE	From Province Climate Action Revenue Incentive Plan, now Local Government Climate Action Plan
110	Legislative - Regional	Medical Health Care Scholarship	To provide medical health care scholarships	NONE	NONE	Nov 24, 2016 Board - \$100k in F110 Legislative Regional be placed into a Medical Scholarship Residency reserve. Medical Scholarship Criteria Select Committee struck that day
120	Legislative - Electoral Areas	Rural Loan Fund	For repayable loans from the principal portion and grants from the interest earned.	NONE	NONE	A portion of the 'One Time' payment for Fair Share equalization. Administered by RBAC
120	Legislative - Electoral Areas	Insurance	To offset insurance deductibles from MIA for PRRD claims where the deductible was substantial and the function could not cover it in general operating in current year.	NONE	600,000	Budget allocation
120	Legislative - Electoral Areas	Peace River Agreement	Enhance communities as service centers for industry and its workers/families	NONE	NONE	Province of BC annual grant
120	Legislative - Electoral Areas	Fair Share	Grants for non-profits through Function 120 electoral area and internal funding	NONE	NONE	Province of BC annual grant prior to PRA
120	Legislative - Electoral Areas	BC Rail	Grants for non-profits through Function 120 electoral area and internal funding	NONE	NONE	When BC Rail ceased, funds distributed to 4 electoral areas
120	Legislative - Electoral Areas	Gas Tax	Eligible projects as set out in the CWF agreement	NONE	NONE	From Federal Government Canada Community-Building Fund (formerly Gas Tax)-Community Works Fund
120	Legislative - Electoral Areas	COVID	For current and future costs related to the pandemic	NONE	800,000	COVID 19 Safe Restart Grant from Province of BC. RD/20/12/28 delegated to RBAC
120	Legislative - Electoral Areas	Electoral Area C Community Measures Operating	For funding Area C projects	NONE	NONE	BC Hydro Community Measures Agreement
190	Seniors Aging in Place	Seniors Aging Service Expansion	For future service expansion	NONE	NONE	Budget allocation
221	Sub-Regional Recreation & Culture	Sub-Regional Recreation Insurance	To fund a not-for-profit society with the purpose of seeking better property insurance rates for its members	NONE	NONE	May 19, 2005 motion to place \$100k in reserve



300	Emergency Planning	Electoral Area C Community Measures Operating	For funding Area C projects	NONE	NONE	BC Hydro Community Measures Agreement
525	North Pine TV	North Pine TV Decommissioning	To set aside funds to decommission the tower	NONE	50,000	Budget allocation