



Regional Board Policy

BP25-2026

RESERVES

Category: Financial Planning	Authority: Regional Board	Date Adopted: 2026-08-20	Date of last Amendment: New
Office of Primary Responsibility: Financial Services			
Related Policy:			

GUIDING PRINCIPLE

The Regional District is committed to prudent financial stewardship that supports long-term service sustainability, intergenerational equity, and financial resilience. Reserves are a critical financial management tool to manage risk, stabilize taxation, and ensure the timely renewal and replacement of infrastructure while complying with legislative and accounting requirements.

PURPOSE

The purpose of this policy is to establish a clear, consistent framework for the creation, funding, management, and use of reserves to support the Regional District's short- and long-term financial objectives, mitigate financial risk, and promote transparency and accountability in financial decision-making.

APPLICATION

This policy applies to all reserves and unappropriated surpluses of the Regional District, including operating reserves, capital reserves, and statutory reserves established under the Community Charter, the Local Government Act, or other applicable legislation.

Definitions:

- **Accumulated Surplus:** The accumulated excess of revenues over expenditures from prior years that has not been set aside for a specific purpose.
- **Annual Surplus:** The excess of revenues over expenditures for the current fiscal year.
- **Reserves:** Funds set aside by Board resolution or bylaw for a specific purpose pursuant to section 188 of the *Community Charter*.
- **Statutory Reserves:** Funds required by legislation to be established and used only for the purposes prescribed by statute.
- **Unappropriated Surplus:** Accumulated surplus within an operating fund that has not been allocated to a specific reserve.

POLICY STATEMENT(S):

Objectives:

Reserves are an integral component of the Regional District's financial planning framework. The primary objectives are to:

Ensure Stable and Predictable Levies

The RDCO aims to keep tax levies stable and predictable by maintaining reserves that offset unexpected cost increases and revenue changes over several budget cycles.

Safeguard and Maintain Existing Assets

The RDCO manages essential capital assets for public service delivery, maintaining and replacing them as needed based on service lifecycles. Reserves are used to manage asset failure risk and prioritize ongoing infrastructure investment over holding large balances. Asset maintenance is aimed at preserving current service levels.

Provide for Operating Emergencies

The RDCO faces emergencies from weather, disasters, legal or insurance claims, law enforcement, and environmental hazards. Covering these costs in a single budget cycle is often impractical. To reduce financial strain, service interruptions, and risks to infrastructure and public safety, RDCO maintains sufficient reserves.

Finance New Capital Assets

Using reserves to finance new capital assets efficiently matches one-time resources to one-time projects. The RDCO may also need these funds to leverage external capital funding. Generally, new assets are added to enhance service levels.

Focus on Long-Term Financial Stability

The RDCO values maintaining adequate reserves to support community financial health and stability. It aims to achieve long-term financial stability while balancing reserve costs for current and future residents. Reserve levels will be determined based on projected financial requirements identified through long-term financial planning, capital planning, and asset management practices rather than solely on fixed balance targets

Types of Reserves

Operating Reserves

Pursuant to subsection 188(1) of the *Community Charter*, the Board may, by bylaw, establish a reserve for a specified purpose and direct that money be placed to the credit of the reserve.

Operating reserves are established to manage short-term financial risks and operating volatility. These reserves may be used to:

- Address revenue shortfalls or expenditure pressures arising from economic cycles;
- Respond to emergencies, unforeseen events, or one-time operating requirements; and
- Stabilize taxation and user fees over time.

A summary of the operating and capital reserves maintained by the RDCO is provided in Appendix A.

Capital Reserves

Pursuant to subsection 188(1) of the *Community Charter*, the Board may, by bylaw, establish a reserve for a specified purpose and direct that money be placed to the credit of the reserve.

Capital reserves are established to fund the acquisition, replacement, renewal, or major rehabilitation of tangible capital assets. These reserves:

- Support approved capital and asset management plans;
- Reduce reliance on external borrowing;
- Promote intergenerational equity by aligning funding with asset lifecycles.

A summary of the operating and capital reserves maintained by the RDCO is provided in Appendix A.

Statutory Reserves

Pursuant to subsection 188(2) of the *Community Charter* if monies are received from specific sources, a reserve must be established for administering those funds. These reserves are termed by the RDCO to be Statutory Reserves. These reserves:

- Are funded from specific revenue sources defined in legislation;
- May only be used in accordance with the applicable statutory requirements; and
- Include, but are not limited to, development cost charge reserves, parkland acquisition reserves, and other legislated funds

A summary of the statutory reserves maintained by the RDCO is provided in Appendix A.

Administration

Reserve Contributions

Contributions to reserves shall be approved through the annual financial plan, year-end surplus allocation, or specific Board resolutions and informed by long-term financial plans, asset management plans, lifecycle replacement requirements, anticipated operating risks, and future capital funding needs.

Use of Reserves

Reserves shall only be used for their intended purposes. Withdrawals from reserves will be approved by the Regional Board through the Financial Plan bylaw adopted each year, or specific Board resolutions.

Reserve Funding Levels

Reserve funding levels shall be established and reviewed through the Regional District's long-term financial planning, capital planning, and asset management processes. For each reserve, the Financial Officer shall recommend funding levels that are sufficient to support the reserve's intended purpose, and the anticipated financial requirements identified within approved financial plans.

Reserve balances shall be reviewed annually as part of the financial planning and year-end reporting processes to ensure alignment with:

- The five-year financial plan;
- Long-term financial planning assumptions;
- Approved asset management plans;
- Capital replacement and renewal requirements;
- Identified operational and financial risks; and
- Legislative or contractual obligations.

Where reserve balances are projected to be insufficient to meet future funding requirements identified in approved plans, strategies for replenishment shall be developed and incorporated into future financial plans..

Internal Borrowing

Internal borrowing allows for more flexibility in terms of payback amounts and loan duration than that of external borrowing. Because of this, internal borrowing from reserves may be permitted where allowed by legislation and where a clearly defined repayment plan, including interest, is approved. Internal borrowing shall not compromise the ability of a Reserve to meet its primary purpose.

Interest Allocation

Reserves shall earn interest based on the Regional District's average rate of return on investments. Interest earned on reserves shall be credited to the respective reserve unless otherwise required by legislation.

Roles & Responsibilities

The RDCO's Financial Officer shall be responsible for:

- Ensuring reserves are managed in accordance with this policy;
- Reviewing reserve balances annually and reporting to the Board;
- Recommending reserve contributions, transfers, and usage; and
- Recommending updates to this policy as required.

Attachments: Appendix A – Reserve Summary Schedule

***** END OF POLICY *****

REVISION HISTORY				
Version	Date	Revision description/ Summary of Changes	Responsible Department	Approved by
V1.0	2026-08-20	NEW	Finance	Regional Board

Appendix A – Reserve Summary Schedule

This Appendix provides a high-level summary schedule of reserves to support transparency, consistency, and oversight. Funding levels identified in this appendix are intended to provide general guidance. Actual reserve balances will be established through the annual financial plan and informed by approved long-term financial plans, asset management plans, capital plans, growth projections, and identified financial risks..

Reserve Name	Primary Purpose	Typical Funding Sources	Typical Uses	Governing Authority	Minimum Balance Requirement	Additional Balance
Financial Stabilization/Contingency	Manage operating volatility and financial risk	Surplus transfers, taxation, user fees	Emergency response, revenue stabilization, one-time operating costs	Board resolution/ bylaw	Sufficient to address the operating and financial risks identified within the current five-year financial plan.	Additional funding based on risks and contingencies identified in long-term financial forecasts beyond the current financial plan period.
Feasibility Study	Fund feasibility studies	Taxation	Service establishment	Board resolution/ bylaw	Funding sufficient to complete studies identified within the approved financial plan.	Additional funding for future studies anticipated through long-term service planning and service establishment initiatives.
Capital Asset Renewal	Fund replacement and renewal of tangible capital assets	Taxation, user fees, grants, surplus transfers	Asset replacement, major rehabilitation	Board resolution/ bylaw	Funding required for asset renewal and replacement projects identified within the approved five-year capital plan.	Additional funding required to support future asset renewal and replacement needs identified through long-term asset management and financial plans.
Equipment and Fleet	Support lifecycle replacement of vehicles and equipment	Operating contributions, user fees	Equipment and fleet replacement	Board resolution/ bylaw	Funding required for equipment and fleet replacement projects identified within the approved five-year capital plan.	Additional funding required to support future lifecycle replacement needs identified through fleet management, asset management, and long-term financial plans.
Development Cost Charge Reserves	Fund growth-related capital infrastructure	Development cost charges	Eligible growth-related capital projects	Statute and bylaw	Funding sufficient to support growth-related capital projects identified in the current development financing and capital plans.	Additional balances accumulated to support future growth-related infrastructure requirements identified in long-term growth and capital planning documents.

Reserve Name	Primary Purpose	Typical Funding Sources	Typical Uses	Governing Authority	Minimum Balance Requirement	Additional Balance
Parkland Acquisition	Acquire parkland as required by legislation	Developer contributions, land sale proceeds	Parkland acquisition	Statute and bylaw	Determined based on anticipated parkland acquisition requirements identified within approved park, recreation, and growth management plans.	Additional balances accumulated to support future parkland acquisition opportunities identified through long-term planning initiatives.