

FINANCIAL RESERVES

The long-term financial health of the District is critical to ensure that a strong educational system is maintained for the students in the District. The Board will establish appropriate financial reserves to provide for ongoing operational needs and long term planning.

The Board is responsible for ensuring the district is protected financially from extraordinary circumstances which would negatively impact the education of students. To discharge this responsibility, the Board shall build and maintain a contingency reserves through the maintenance of an accumulated surplus at least 2 percent of operating expenses.

A level of financial reserves is an indicator of financial health and can contribute resources to provide for multi-year planning for future educational services or reduce financial risk. In order to provide increased financial stability, effective planning and support funding predictability, the Board has established this financial reserve policy with funds sourced from revenues that are in excess of expenditures.

The Board shall designate within its accumulated surplus funds those, which are restricted and those, which are non-restricted. Restricted funds are those the Board has designated for a specific purpose by Board motion.

Procedure

1. All restrictions on financial reserves require a board motion. Restrictions included within the preliminary operating budget, amended operating budget and financial statements approved by the board shall constitute an approval of the restriction.
2. Internal restrictions on financial reserves will be for the following purposes:
 - a. Operations spanning future school years, including unfunded capital expenditures such as technology, educational supports and deferred maintenance of facilities;
 - b. Anticipated unusual expenses identified by the Board
 - c. Nature of constraints on the funds
3. The Board shall maintain a contingency reserve of at least 2% of operating expenditures and is intended to cover off the following expenses which include but are not limited to:
 - a. The funding of new cost pressures in a fiscal year that were not known at the time of budget development;
 - b. The payment of severances (wages and benefits) upon termination of employment;

- c. The settlement of any legal action that is not covered by insurance;
 - d. Coverage for disaster recovery expenditures;
 - e. Extraordinary expenses incurred to ensure business continuity;
 - f. Replacement of equipment essential to the continuation of safe operations of school district facilities;
 - g. Coverage for unexpected additional major capital project costs not funded by the province.
4. In recognizing that the use of the contingency reserve represents a one-time source of funding, the Board will incorporate into its future budget planning processes, strategies to re-establish the contingency reserves should they fall below 2% of operating expenditures.

Legal Reference: Section 85 School Act

SD No. 40 (New Westminster)

Adopted: May 30, 2017
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Modification to this document is not permitted without prior written consent from SD No. 40 (New Westminster)