

## Background

The long-term financial health of the Division is critical to ensure a strong educational system. As resources allow, the Division will establish appropriate reserves to ensure an appropriate cash flow and to provide for ongoing operational and capital needs.

Reserves are depleted as a result of either experiencing a deficit from financial operations in the previous fiscal year or purchasing capital assets that require amortizing over their useful life (e.g. vehicles). Reserves accumulate as a result of either experiencing a surplus from financial operations in the previous fiscal year or annual amortization of unsupported capital assets.

In developing operating budgets and planning reserve levels, the balance between expending funds on current students and not disadvantaging future students is to be considered.

## Categories of Reserves

**Operating Reserve** – established for each school, Co-op pool (central instructional pool), Plant Operations and Maintenance, Transportation, and Board and System Administration.

Consistent with the School Based Decision Making model (AP 20-50), each school/service area is responsible for decisions related to their individual reserve. Excluding emergent items, decisions regarding the use or accumulation of operating reserves shall be included in annual operating budgets.

Decisions regarding the planned use of the Co-op Pool shall be made by School Administrators, as part of the annual spring planning cycle, subject to ratification of the Board as part of the approval of the annual Co-op Pool budget.

**Technology Operating Reserve (TOR)** – established for each school to provide schools with a mechanism to save funds for their technology purchases. Refer to AP 80-15 Technology Evergreening Strategic Plan.

**Capital Reserves** – established for Plant Operations and Maintenance and Transportation to provide a mechanism to fund capital vehicle purchases. Amortization on the vehicles are expensed annually in the respective operating budgets. The amount of the amortization is returned to the capital reserve, creating an evergreening fund for vehicle replacements.

Capital reserves may only be used for purposes of acquiring capital assets.

**Unrestricted Surplus and Undesignated Capital Reserve** – At regionalization in 1995, the three former Boards (Westlock School Division, County of Barrhead School Board, and Swan Hills School District) each contributed approximately \$500,000 to be placed in an undesignated fund for purposes of ensuring an appropriate cash flow for the Division.

The fund was distributed as follows:

- Unrestricted surplus - \$903,067
- Undesignated capital reserve - \$679,106

Decisions regarding use of this fund is at the discretion of the Board.

### **Purpose of Reserve Funds**

Reserves will serve the following purposes:

- Provide a source of cash for the Division to meet its ongoing financial obligations
- Provide resources for capital asset additions
- Provide resources to introduce innovative programs and practices that support and advance student learning
- Provide resources to reflect priorities in the Division's Education Plan
- Provide resources for evergreening of items that are not purchased on an annual basis
- Provide resources for new buildings and to repair aging buildings which are not eligible for provincial funding (i.e. support services, regional office)
- Provide a source of funds to help schools plan for enrolment fluctuations
- Provide resources to help buffer students and programs from unpredictable provincial funding and unpredictable enrolment
- Provide a source of funds that can be used to meet emergencies

### **Guidelines**

Consistent with Alberta Education guidelines, each school and service area must explain the planned use of operating reserves over a three-year period. Total operating reserves for the Division totaling less than 4% of annual operating expenditures may be explained as a contingency.

Schools/service areas with operating reserve balances (including TOR) in excess of the following limits will have the excess funds transferred to the Co-op Pool:

operating budgets > \$3,500,000	15% x prior year's operating expenses
operating budgets between \$500,000 and \$3,500,000	20% x prior year's operating expenses
operating budgets < \$500,000	\$105,000

Schools/service areas with negative reserve balances (i.e. accumulated debt) shall submit a plan to the Superintendent to eliminate the accumulated debt over the following two years.

### **Reference**

[AP 20-50 School Based Decision Making](#)  
[AP 80-15 Technology Evergreening Strategic Plan](#)