



AGENDA REPORT TO BOARD OF DIRECTORS

MEETING DATE: FRIDAY, MARCH 13, 2015

Item:	Reserve Fund Policy
Presenter:	Andrew Lalka, Vice-President Finance Carrie Passi, Managing Director, Financial and Corporate Resources
Purpose of Report:	For Approval

Recommendation:

That the Board of Directors approve the Reserve Fund Policy as presented.

Background:

The University Students' Council has operated an internally restricted reserve fund for a number of years, and the 2015-16 budget establishes a new student fee stabilization reserve. The USC does not have a formal, Board approved policy regarding its reserve funds. It is a best practice for Boards to establish a formal policy that details the purpose and use of funds, and to establish fund balance targets.

Governments and corporations use reserve funds as financial planning tools to ensure that monies are set aside to meet long-term goals and mitigate short-term risks. In the purpose section, the policy provides more background on typical objectives met by reserve funds.

Report:

The attached policy assigns a purpose, source of revenue, acceptable expenditures, and target balance for the internally restricted reserve fund and the student fee stabilization fund.

The internally restricted reserve fund has existed for a number of years in order to cover the USC's post-retirement benefit obligations, provide approximately 12-months of operating expenses which can be accessed in the case of a long-term shut-down or emergency, and the USC's investments in capital assets. The reserve is fully funded and does not require an injection of revenue. The \$3,000,000 target encompasses the elements: \$2,200,000 for business emergency and interruption, and \$800,000 for post-retirement benefit obligations.

The student fee stabilization reserve fund is new this year. The fee is meant to reduce pressure on the student fee rate during times of internal change, where more time is required to determine the long-term impact on fees. It can also be used to address unforeseen impacts from the external environment, such as economic downturns, and unexpected decreases in

student enrollment. The fund will be established with a one-time \$800,000 - \$1,000,000 transfer from the internally restricted reserve to the stabilization reserve; future operating surpluses may be transferred to the stabilization reserve at end of year on motion from the Board. Drawing from the fund will be approved as part of the annual budget process.


Legislative History:

- None.

Next Steps:

- The Board will receive reports regarding reserve fund balances as part of management's regular financial reporting.

Sign-Offs:

Board Chairperson Review:	Chairperson	
USC General Manager Review:	Cathy Clarke, General Manager	
Report Author	Andrew Lalka, Vice-President Finance	
Financial Review:	Carrie Passi, Managing Director Financial Services	
Legislative Review:	Scott Courtice, Managing Director Government Services	