

# Financial Management Policy

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## SUMMARY OF KEY POLICY STATEMENTS

### BUDGET

- Where possible, all decisions respecting service level and/or other changes that will have a material, ongoing financial impact on member assessment must be deferred to the annual budget process.
- The annual budget will be structurally balanced such that reoccurring revenues will equal or exceed reoccurring expenses.
- The annual budget development budget process shall include:
  - a forecast of the assessment increase in April/May and a request for Board direction
  - DRAFT budget in Sept/October, and
  - consultation with member staff throughout the process.
- Service level increase(s) or decrease(s), considered in total for each FVRL service areas that are:
  - intended to be ongoing,
  - material (>\$10,000 annually), and
  - that will require/result in an increase or decrease in member assessment,
  - must be identified in the annual budget process or otherwise, for consideration and approval by the Board and individual member (for individual library branch services only).
- All changes to a member's library(ies) public opening hours must be communicated to the respective member as soon as practical, and all changes intended to be on-going (regardless of the dollar value impact), must be approved by the respective member.
- An individual member may make requests for service level increases or service level reductions in its library services direct salaries and benefits and related direct expenses. Requests must be approved by member councils, and the FVRL Board.

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- All reasonable actions shall be taken by staff to ensure that the Board approved total net operating budget, and total capital expenditure budget, are not exceeded.
- Board approval by resolution is required in advance of expenditure commitment:
  - If the total net operating budget is expected to be over budget.
  - If total capital expenditures are expected to be over by greater than \$50,000 and funding cannot be made from within the net operating budget.
  - For capital expenditures over \$50,000 that are not in the Board approved budget, or that are generally included in the Board approved budget but are materially different in scope.
- Once approved by the Board, the budget is not required to be amended unless the total of the: net operating budget, total capital expenditure budget, and contingency budget, are forecast to be exceeded. Amendment must be made in advance of any related expenditure commitment(s).
- A long term financial plan shall be developed incrementally over a number of years.
- Long-term capital plans for all major asset categories must be developed and funded annually in a planned and sustainable manner, over the expected useful life of the respective assets.

## REVENUE

- Staff may apply for grants that address FVRL goals and priorities and for which the benefits outweigh the costs.
- One-time revenues shall not be used to fund ongoing operating expenses.
- Donation and sponsorship revenues shall not be used to fund ongoing operating expenses unless expected to be sufficient and ongoing in the normal course of operations.
- Fees and charges are not set to generate a net profit but, rather, to cover related direct costs, adjusted as necessary in response to market, social, and other factors, and may be reduced or waived.

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- Fines and replacement fees are set to encourage the prompt return of materials in undamaged condition for the greater benefit of all customers, and may be reduced or waived.
- To the extent library operations are reasonably maintained and undisturbed, FVRL will support the use of library buildings by film companies, if such use is supported by the respective Member.
- Members are entitled to retain any fees charged for the use of the meeting rooms or the library building (for filming or other purposes), but may elect to donate the fees in full or part, to FVRL for use at that Member's library.

### RESERVES AND SURPLUS

FVRL shall maintain the following set of surplus and reserve accounts:

- Unappropriated General Surplus
- Information Technology Investment Reserve
- Buildings, Equipment and Vehicles Reserve
- Member – Salary and Benefit Reserve
- Library Collections Reserve
- i(dea)Centre and Innovation Reserve

### DEBT

- Short term debt, to a maximum of \$6M (equal to about 3 months normal net operating expenses), may be borrowed to finance operating expenses.
- Long-term debt, including capital leases, may only be accessed through the Regional District in cooperation with Members.

## EXPENSES

- Each Member is responsible, at its sole cost, for the provision and maintenance of suitable library facilities, furnishings, equipment (excluding replacement costs for computers, self check-out units and copiers) and grounds.
- Non-current liabilities shall be fully funded.
- Emergency expenditures up to \$500,000 that cannot be funded within the net operating and capital budget may be authorized by the Chief Executive Officer or Directors, ideally in consultation with the Board Chair. Such expenditures will be reported to the Board at a regular meeting as soon as practical.

**SEE ALSO PRINCIPLE SECTION.**

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## PURPOSE

The purposes of this policy is to:

- Direct and encourage effective and wise decision making on financial management issues in support of:
  - member-determined, quality service provision that meets the needs of member communities,
  - achievement of corporate strategic plan priorities, and
  - long term financial sustainability.
- Enhance and support the financial framework and system of internal controls to support the safeguarding and efficient stewardship of assets.

As a result of purpose achievement:

- FVRL will be in a position to meet financial obligations and take advantage of opportunities that arise.
- Financial assets will be used efficiently for library purposes.
- Member-determined service levels will be met and will be sustainably funded.
- Member's assessment will be stable, equitable, predictable and affordable.

## RESPONSIBILITIES

### FVRL DIRECTOR OF FINANCE

- Responsible for the overall implementation, maintenance, monitoring and reporting requirements of this policy.
- Responsible to develop, monitor and maintain an effective, supporting, system of internal controls.
- Responsible for ongoing communication of the requirements of this policy and the system of internal controls to the Board and all staff (in particular, management).

### FVRL MANAGEMENT

- Responsible to review, be familiar with, and comply with, the intent and requirements of this policy.
- Responsible for ongoing communication of the intent and requirements of this policy to their staff team members, as appropriate, based on their level of responsibility and job duties.

### FVRL BOARD

- Responsible to review, consider, and revise this policy (with the support of management) as necessary to meet the needs of FVRL and served communities.
- Responsible to be familiar with, and consider, the intent, requirements, and purpose/objectives of this policy when making decisions that impact FVRL. Regardless, decisions should be made in the best interest of FVRL which, by definition, includes the interests of its members and the communities served.
- Responsible to consider the financial implications of all decisions made and their likely impact on FVRL's budget and member assessment, and long term financial sustainability.



### MEMBER FINANCE OFFICERS

- Responsible to provide financial support and advice to respective Board Member as required.
- Responsible to provide financial input/advice and Member-impact perspective on FVRL's annual budget and long-term financial plan, and other financial matters as requested by FVRL from time to time.

### MEMBER PARKS & RECREATION SENIOR EMPLOYEE AND/OR LIBRARY LIASON

- Responsible to act as the primary contact with the Member for the respective Library Manager.
- Responsible to work with FVRL and the Library Manager in order to facilitate the delivery of library services in the community.

For clarity:

- FVRL's Board as a whole, is responsible to provide direction on corporate policy, service levels, the annual budget, strategic focus, and other matters as deemed appropriate.
- FVRL's CEO is responsible to implement Board direction and to provide overall operational direction to staff as required.

Accordingly, member requests to implement changes in library service levels, should come via the respective member council, and ultimately the CEO. However, as part of the on-going planning process, member staff may request the preparation of service level change decision package(s) necessary to achieve an identified financial objective (see "Service Level Increases and Decreases" section and Attachment A).

## REPORTING AND POLICY REVIEW

This policy shall be reviewed and either reconfirmed or amended by the Board at the start of the annual financial plan development process.

- In support of the Board's review, the Director of Finance will prepare a report to the Board:
- Highlighting the main contents and requirements of this policy.
- Identifying and recommending any policy revisions.
- Stating that the requirements of this policy have been met, as may be reasonably asserted based on the Director's knowledge and overview of operations, and/or detailing any requirements that have not been met.
- Where policy targets are stated, the extent to which the targets have been met (a plan to achieve the target(s) will be developed for consideration by the Board as part of that annual financial plan process).

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## PRINCIPLES

### TRANSPARENCY

Financial policies, practices, and results shall be regularly and openly communicated in an unbiased manner.

### ACCESSIBILITY

Services shall be accessible by all and, accordingly, in addition to those legally required to be free under the Library Act (i.e., admission and use of library materials), library programs and other services shall be provided free of charge or for a nominal fee that is equal to, or less than, the direct (i.e., excluding overhead) service costs.

### VALUE FOR MONEY FOCUS

Service efficiency, economy, and effectiveness improvements shall be deliberately sought and implemented.

### LONG TERM VIEW

All decisions should consider the impacts on FVRL and its served communities' long term sustainability considering financial, environmental and social impacts. If not feasible to select the most sustainable option, decisions must be at least a "step in the right direction" in the sense that they move FVRL and/or its served communities towards long term sustainability and do not limit future choices by making significant financial commitments or investments. It is recognized that, in most cases, the decision made will not be the "most sustainable" one from the financial, environmental and social perspectives, but will involve a trade-off between these values.

### CONTINUOUS, INCREMENTAL IMPROVEMENT

The financial systems and processes shall be continuously and incrementally improved.

### ADOPTER OF PROVEN TECHNOLOGY

FVRL will use proven technology to both enhance service levels and customer experience and contain/minimize costs. Investments in new technology, which comes with potential risks and costs of failure, will be employed strategically where the identified benefits outweigh the likely/potential costs.

### **COMMUNITY PARTNER**

FVRL shall be a valued and vital community partner, actively working with members to address FVRL customer needs. FVRL's primary role is to provide information and/or to connect customers with available community services, maintaining a focus as a facilitator and resource centre, and not as the direct service provider for other than core library services.

### **REGIONAL SERVICE, MODIFIED TO MEET LOCAL COMMUNITY NEEDS**

FVRL shall provide a quality, consistent, and distinct brand of library services (core services) to all member communities. Within these parameters, service delivery methods, service levels, and focus will be modified and adjusted to meet local community needs as determined by its members and respective community needs.

## ANNUAL BUDGET

### **CERTAIN FINANCIAL DECISION TO BE DEFERRED TO THE ANNUAL BUDGET PROCESS**

Where possible, all decisions respecting service level and/or other changes that will have a material, ongoing financial impact on member assessment must be deferred to the annual budget process.

### **STRUCTURALLY BALANCED BUDGET**

The annual budget will be structurally balanced such that reoccurring operating revenues will equal or exceed:

- Recurring operating expenses, excluding amortization expense, plus
- Debt principle repayment(s), plus
- Materials capital expenditures, plus
- An annualized allocation to fund capital expenditures (other than materials) necessary to maintain service levels as identified in the respective long term capital plan (referred to as the Capital Funding Envelope).

Operating revenue and expenses are those sources and uses of funds that meet the definition of revenues and expenses under Public Sector Accounting Board (PSAB) standards.

If a structural imbalance occurs, a plan will be developed and considered during the annual budget process to bring the operating budget back into balance.

## DEVELOPMENT PROCESS

The annual budget process shall generally be developed as follows:

### JANUARY - APRIL

- Review and update of FVRL strategic plan.

### MAY - JUNE

- Review of FVRL financial condition.
- High-level financial forecast of budget revenues and expenses, and likely impacts on total member assessment.
- Review and revision/confirmation of existing financial management policy.
- Request for Board and member<sup>1</sup> direction to identify priorities, maximum member assessment impacts, and other key directives (including changes in service levels) sufficient to guide the development of a draft budget that should meet Board approval.
- Board to provide specific direction for the development of Service Level Reduction Packages, if desired. If no direction is provided, the draft budget will be comprised of a Base Budget plus any number of optional Service Level Enhancement or Reduction Packages developed at the discretion of management.
- Process to include a Board presentation and consultation with member finance officers and Library Manager operating contact (typically Parks & Recreation staff person).

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<sup>1</sup> Individual Member direction respecting direct library branch services only, in accordance with this policy (see "Service Level Increase and Decreases" section and Attachment A.

### **JULY - AUGUST**

- Budget preparation and finalization by staff.
- Process to include proactive actions by FVRL library managers and senior staff to communicate corporate strategic plan priorities, supporting work-plan(s) and any related implications, to member staff liaison(s), with the objective to both better inform and meet member/community needs, and to identify options to further enhance achievement through partnership.

### **SEPTEMBER**

- Draft budget and current Strategic Plan budget year priorities, review with member finance officers and recreation department contact.
- Draft budget review and deliberations with Board.

### **OCTOBER**

- Board deliberations and selection of a preferred Board-proposed budget.

### **NOVEMBER**

- Board weighted vote on proposed budget.

## **CONTENT**

The draft financial plan should:

- When meaningful, be presented as a base budget plus optional service enhancement or reduction additions.
- Detail financial impacts and reasons for material changes on the major revenue and expense categories, and summarize the primary drivers of change in member assessment.
- Detail all material service levels and/or service delivery methods, changes.
- Identify:
  - cost containment or reduction, and/or
  - revenue supporting or enhancement, initiatives undertaken in the last fiscal period, and being considered or planned for the coming fiscal period.

## CONTINGENCY BUDGET

In order to provide for potential budget shortfalls and emergency expenses, the annual budget shall contain a \$500,000, fully offsetting:

- Expenditure budget and,
- Transfer from Unappropriated General Surplus,

providing that the balance of Unappropriated General Surplus, prior to Board approval of the budget, is at least \$500,000.

## SERVICE LEVEL INCREASES OR DECREASES

Service level increases or decreases may be made on a temporary or trial basis at the discretion of the responsible manager.

Service level increase(s) or decrease(s), considered in total for each FVRL service area\* that are:

- intended to be ongoing,
- material (>\$10,000 annually), and
- that will require/result in an increase or decrease in member assessment,

must be identified in the annual budget process or otherwise, for consideration and approval by the Board and individual member (for individual library branch services only).

All changes to a member's library(ies) public opening hours must be communicated to the respective member as soon as practical, and all changes intended to be on-going (regardless of the dollar value impact), must be approved by the respective member.

An individual member may make requests for service level increases or service level reductions in its Library Services direct salaries and benefits and related direct expenses. Such service level changes must protect the greater good of FVRL as a whole, and have an acceptable impact on all members. To that end, the Board must approve all service level increase or service level reduction requests. See Attachment A for details of the process.



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Service level increases must:

- first seek options to fund within the existing funding levels, either through gains in efficiency and/or discontinuance of lower priority service(s).
- not be implemented without an identified funding source which may include one or a combination of new revenue sources, reduction in other service costs, and/or an approved increase in member assessment.

In any case, managers must communicate, in advance, all service level changes that:

- are material (greater than \$10,000 annually),
- will directly impact customers, and/or
- are potentially sensitive service level changes,

both temporary and ongoing, to their respective director who, at their discretion, will inform the Chief Executive Officer, the Board and/or impacted members. Communication of service level changes are very important and the goal should be to "error on the side of over-communicating."

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## BUDGET VARIANCES, RESPONSIBILITIES AND REPORTING

### GENERAL

All reasonable actions shall be taken by staff to ensure that the Board approved total net operating budget, and total capital expenditure budget, are not exceeded.

### BOARD

Board approval by resolution is required in advance of expenditure commitment:

- If the total net operating budget<sup>2</sup> is expected to be over budget.
- If total capital expenditures<sup>3</sup> are expected to be over by greater than \$50,000 and funding cannot be made from within the net operating budget.
- For capital expenditures<sup>3</sup> over \$50,000 that are not in the Board approved budget, or that are generally included in the Board approved budget but are materially different in scope.

### FVRL DIRECTOR OF FINANCE

- Is responsible for designing, implementing, and monitoring a system of budget internal controls and reporting designed to support budget compliance and minimize potential shortfalls.
- Must report to the Board and the Chief Executive Officer as soon as s/he is aware that, despite best efforts:
  - The total net operating budget<sup>2</sup> is expected to exceed budget, and/or
  - The total capital expenditure<sup>3</sup> budget is expected to exceed budget and funding cannot be made from within the related operating budget.
- The report should include an estimate of the potential budget shortfall and a recommended funding plan.
- Must prepare a forecast of actual revenues and expenses for the fiscal period, identifying and explaining anticipated budget variances, in a report to the Board each September.

<sup>2</sup> The net operating budget does not include the contingency budget (see definitions section).

<sup>3</sup> Excluding materials capital expenditures as they are included in the net operating budget (see definitions section).

- Must prepare annual financial statements and a supporting report that identifies and explains FVRL ending financial position and results of operations (including material budget variances), in conjunction with the annual financial statement audit.

#### **FVRL MANAGERS AND DIRECTORS**

- Have primary responsibility for monitoring and managing their division's/department's financial performance within their approved net operating<sup>2</sup> and capital budgets<sup>3</sup>, and in accordance with all applicable policies and procedures.
- Must notify the Director of Finance as soon as s/he is aware that, despite best efforts, the division/department's net operating budget<sup>2</sup> or total capital expenditures<sup>3</sup>, are expected to materially exceed (>\$10,000) budget.

#### **AMENDMENT**

Once approved by the Board, the budget is not required to be amended unless the total of the: net operating budget<sup>2</sup>, total capital expenditure budget<sup>3</sup>, and contingency budget, are forecast to be exceeded. Amendment must be made in advance of any related expenditure commitment(s).

## LONG TERM FINANCIAL PLAN

### PURPOSE

The primary purpose of the long term financial plan is to support long term financial sustainability.

More specific objectives/benefits include:

- To improve financial decision making; by providing a longer term perspective.
- To improve the annual budget quality by providing context and better informing annual forecasts.
- To identify potential future financial risks and opportunities and related impacts, in a timeframe that allows the development and implementation of related strategies to minimize the risks and maximize the opportunities.
- To provide members with long term financial projections to be used for their own planning purposes.

### SCOPE

To include all of the following components:

- High level, long term (ten year minimum) financial projections, gap/issue identification and analysis, and supporting strategy development.
- Five year operating and capital plan detailing:
  - Primary sources and uses of funds
  - Key financial indicators
  - Overall impacts on Member Assessment
  - Supporting financial strategies
- Separate, supporting financial policies.

- Separate, supporting lifecycle capital plans for all major asset categories (Information Technology and Administrative Centre and Equipment) and Library Collections (new libraries, special additions, contingency needs, etc.).
- Separate, limited scope, Library Branch lifecycle capital plans to facilitate communication of Library Branch capital needs that are the direct responsibility of, and owned by, members:
  - Plans to include only the branches' furniture and equipment and limited building renovations that may be identified to better meet customer needs on the assumption of maintaining the same/similar level of service.
  - Plans are not to contemplate or suggest when significant space additions or new libraries are required, or to address the capital replacement or major upgrade needs of the building.

## DEVELOPMENT PROCESS

The long term financial plan shall be developed incrementally over a number of years.

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## SOURCES OF FUNDS

### GRANT REVENUE

Staff may apply for grants that address FVRL goals and priorities and for which the benefits outweigh the costs. Grants that also address broader goals and priorities of local members are preferred.

All grant applications must be approved by the Chief Executive Officer, subject to review of a grant synopsis report that outlines the FVRL and member goals and priorities addressed, as well as immediate and ongoing costs and benefits.

### ONE-TIME REVENUES

One-time revenues—such as proceeds from asset sales, debt refinancing, significant fee revenue spikes and similar revenues—shall not be used to fund ongoing operating expenses.

One-time revenues may be used to fund one-time operating expenses, capital expenditures, early debt repayment and/or to replenish reserves or surplus to target levels.

### DONATION REVENUES

Donation revenues are not typically used to fund ongoing operating expenses. Donation revenues may be used to:

- fund one-time operating or capital expenses;
- fund distinct new, or existing ongoing programs or services, where the donation revenue source is expected to be sufficient and ongoing in the normal course of operations, either through funding provided by a dedicated endowment fund, or individual or corporate donor.

Ongoing funding arrangements for donations over \$10,000 annually must be approved in advance by the Chief Executive Officer.

### SPONSORSHIP REVENUES

Sponsorship revenues are subject to the same usage restrictions as donations. Sponsorship revenues are similar to donations but, do not qualify for a charitable tax receipt. The sponsor receives the benefit of public recognition of the sponsorship. Benefits are negotiated and may include a variety of

recognition services, including naming privileges for the funded program, service or capital expenditure. All sponsorship revenues must be approved by the Chief Executive Officer.

## FEES AND CHARGES

Universal access for all is a central value of FVRL. Accordingly, fees and charges are not set to generate a net profit but, rather, to cover related direct costs, adjusted as necessary in response to market, social, and other factors. Direct costs are the costs of materials, labour, and supplies incurred as a direct result of the service provision. Such costs do not include organizational overhead (i.e., building or management costs).

All new fees must be approved by the Board. Once approved by the Board, fees will be reviewed and updated normally every five years via a Fee Review Report to the Board. In the interim years, fees may be adjusted annually to reflect the change in inflation, at the discretion of the Chief Executive Officer.

Fees and charges are of low/nominal value and may be reduced or waived in accordance with administrative principles set by the Chief Executive Officer, in consideration of the individual circumstances of the customer and other relevant factors.

## FINES AND REPLACEMENT FEES

Universal access for all is a central value of FVRL. Accordingly, fines and replacement fees are set to encourage the prompt return of materials in undamaged condition for the greater benefit of all customers.

Fines and replacement fees are set and changed in the same manner as Fees and Charges.

Such fees are not set to be punitive for customers and may be reduced or waived in accordance with administrative principles set by the Chief Executive Officer, in consideration of the individual circumstances of the customer and other relevant factors.

## LIBRARY MEETING ROOM RENTAL FEES

Subject to FVRL having priority of use for any meeting room for library purposes, FVRL operates (i.e. schedules use and collects any fees for) any meeting rooms available for public use located in any library.

Members are entitled to retain any fees charged to the public for the use of the meeting rooms, but may elect to donate the fees in full or part, to FVRL for use at that Member's library, at the discretion of the respective Library Manager.

## FILMING REVENUE

To the extent library operations are reasonably maintained and undisturbed, FVRL will support the use of library buildings by film companies, if such use is supported by the respective Member.

Member support must be provided to establish and enter into the contract and/or permit with the film company to establish the legal responsibilities of all parties. The contract/permit must detail all specific requirements for the filming event as detailed by FVRL and require that FVRL be named as an additional insured in the film company's insurance policy.

FVRL shall work directly with the film company to identify and address both parties requirements. A FVRL employee (staff liaison) will attend the entire filming event including site preparation and post-event site clean-up, as the primary FVRL contact during the event.

### Filming Company Fees:

- Staff Liaison Fee – For entire film event hours including site preparation, filming and post-event clean-up. Hourly rate for a Librarian 3 plus 30% for benefits and 25% for administration. Overtime and/or double-time may apply as per the union contract.
- Building Use Fee – To be determined by the respective Member. Suggested rate of \$200 per hour if less than 4 hours, or \$2,000 per day, plus applicable taxes.

Members are entitled to retain the building use fee charged to the film company for the use of the building, but may elect to donate the fees in full or part, to FVRL for use at that Member's library, at the discretion of the respective Library Manager.



## RESERVES AND SURPLUS

The maintenance of various surplus and reserves are best practices that support both long and short term financial sustainability. Proactive management and use of reserves and surplus support economic, efficient, and effective operations, and are fundamental to achieving lowest cost and predictable cost-levels to members over time.

FVRL shall maintain the following set of surplus and reserve accounts:

- Unappropriated General Surplus
- Information Technology Investment
- Buildings, Equipment and Vehicles
- Member – Salary and Benefit
- Library Collections
- i(dea)Centre and Innovation

To the degree that any of the above stated surplus and reserves target ending or annual funding levels (as stated below) are not met, recommendations to meet shall be developed, and considered by the Board in conjunction with the annual budget process.

UNAPPROPRIATED GENERAL SURPLUS	
<b>Description</b>	Accumulated net financial assets since the inception of FVRL that have not been “appropriated” into a Reserve Fund.
<b>Required Use of Funds</b>	<ul style="list-style-type: none"> <li>• Fund one-time or periodic operating or capital expenses.</li> <li>• Phase in significant increases in member assessment.</li> <li>• Finance operations prior to receipt of planned revenues.</li> <li>• Provide a level of self-insurance against material, unexpected events for which insurance is either not economical or cannot be purchased.</li> </ul>
<b>Requirements to Use</b>	Board approval via annual budget process or separate resolution.
<b>Funding Source and Annual Requirement</b>	No specified annual funding source or requirement.
<b>Funding Target</b>	5% or more of normalized annual operating expenses (about \$1.3M).

RESERVE: I (DEA)CENTRE AND INNOVATION	
<b>Description</b>	To provide financial support for i(dea)Centre initiatives and other initiatives that seek to improve customer service and/or organizational value (effectiveness, efficiency and economy).
<b>Required Use of Funds</b>	Fund time limited operating and/or capital expenses to investigate, test and/or implement select initiatives.
<b>Requirements to Use</b>	Executive management team <u>or</u> Chief Executive Officer approval.
<b>Funding Source and Annual Requirement</b>	<ul style="list-style-type: none"> <li>• 25% of fine revenue (to be phased in over a number of years, as approved by the Board during the annual budget process).</li> <li>• Periodic allocation of annual operating surplus, as approved by the Board.</li> </ul>
<b>Funding Target</b>	None

RESERVE: INFORMATION TECHNOLOGY (IT) INVESTMENT	
<b>Description</b>	<ul style="list-style-type: none"> <li>• Used to fund 100% of IT capital expenditures.</li> <li>• IT capital expenditures do not include certain assets that are the sole responsibility of individual members at members' libraries, including:               <ul style="list-style-type: none"> <li>○ All self check-in units</li> <li>○ Computer desks, chairs, furniture, etc.</li> <li>○ Library computer wiring and building renovations to support</li> </ul> </li> </ul>
<b>Required Use of Funds</b>	To provide sufficient funding to meet all annual IT capital requirements as per the IT Long Term Capital Plan.
<b>Requirements to Use</b>	Board approval via annual budget process or separate resolution.
<b>Funding Source and Annual Requirement</b>	Member assessment – a set annual contribution to Reserve.
<b>Funding Target</b>	<ul style="list-style-type: none"> <li>• \$775,000 (2015 dollars) per year, adjusted by inflation annually.</li> <li>• Target update and sufficiency review completed every 3-5 years.</li> </ul>

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RESERVE: BUILDING, EQUIPMENT AND VEHICLES	
<b>Description</b>	<ul style="list-style-type: none"> <li>• Used to fund 100% of FVRL asset capital expenditures, other than IT and materials assets.</li> <li>• Includes:                             <ul style="list-style-type: none"> <li>○ Administrative Centre component replacement, upgrade or addition (e.g. roof, HVAC, flooring, lighting, etc.)</li> <li>○ Administrative Centre furnishings (tables, chairs, desks, etc.)</li> <li>○ Administrative Centre equipment (photocopiers, postage machine, etc.)</li> <li>○ Cash registers at Library branches</li> <li>○ Photocopiers at Library branches</li> <li>○ Vehicles</li> </ul> </li> <li>• FVRL assets do not include Library branch building and equipment other than IT assets, cash registers, and photocopiers.</li> </ul>
<b>Required Use of Funds</b>	To provide sufficient funding to meet annual asset capital requirements (other than IT and materials), as per the Building, Equipment and Vehicles Long Term Capital Plan.
<b>Requirements to Use</b>	Board approval via annual budget process or separate resolution.
<b>Funding Source and Annual Requirement</b>	Member assessment – a set annual contribution to Reserve
<b>Funding Target</b>	<ul style="list-style-type: none"> <li>• \$89,500 (\$62,500 Administrative Centre and Equipment + \$27,000 Copiers, 2015 dollars), adjusted by inflation annually.</li> <li>• Target update and sufficiency review completed every 5-7 years.</li> </ul>

<b>RESERVE: LIBRARY COLLECTIONS</b>	
<b>Description</b>	Used to fund periodic and/or one-time collection addition needs.
<b>Required Use of Funds</b>	To provide sufficient funding for: <ul style="list-style-type: none"> <li>• Spending in excess of budget in a fiscal period, resulting from longer and unpredictable materials delivery schedules.</li> <li>• One-time or periodic, specific collection additions and/or general annual budget increase.</li> <li>• Share of new library collection initial purchase.</li> </ul>
<b>Requirements to Use</b>	Board approval via annual budget process or separate resolution.
<b>Funding Source and Annual Requirement</b>	<ul style="list-style-type: none"> <li>• 75% of fine revenue (to be phased in over a number of years, as approved by the Board during the annual budget process).</li> <li>• Materials budget surplus in a fiscal period.</li> <li>• Periodic allocation of the annual operating surplus as approved by the Board.</li> </ul>
<b>Funding Target</b>	<ul style="list-style-type: none"> <li>• \$X (target not yet set) per year, adjusted by inflation annually.</li> <li>• Target sufficiency review completed every 5-10 years.</li> </ul>

RESERVE: MEMBER SALARY AND BENEFIT	
<b>Description</b>	<ul style="list-style-type: none"> <li>• Reserve holds a portion of actual salary and benefit surplus/deficits incurred at member library branches.</li> <li>• All assets purchased with conditional grants from this reserve are owned by the respective member who is responsible for all related maintenance, insurance and other ongoing and replacement costs.</li> </ul>
<b>Reserve Balance Annual Adjustment</b>	Each year, following completion of the annual audit, each member's reserve shall be adjusted by 50% of the extent to which annual actual salary and benefits are less than, or greater than, the approved budget for that Member's Library Branches considered in total.
<b>Required Use of Funds</b>	<ul style="list-style-type: none"> <li>• To provide or enhance library services to customers of FVRL. Typical expenditures include one-time or periodic operating costs (including staffing) and/or capital expenditures.</li> <li>• To fund:               <ul style="list-style-type: none"> <li>○ Time-limited and/or special assessments by FVRL, or</li> <li>○ Phase-in impacts of significant (beyond 10%) assessment increases.</li> </ul> </li> </ul>
<b>Requirements to Use</b>	<ul style="list-style-type: none"> <li>• For expenditures less than, or equal to \$10,000, approval by respective member finance officer and library manager.</li> <li>• For expenditures greater than \$10,000, approval by respective member council and FVRL Board.</li> <li>• All payments are paid as grants upon proof of approved expenditure.</li> </ul>
<b>Requirements to Fund Deficit Reserve Balance</b>	The intent is for all member deficit balances to be funded over time through achievement of surpluses in future years. Accordingly, a member may maintain a deficit reserve balance for up to five years (or longer with Board approval). In any case, any deficit balance must be fully paid should a member sever services with FVRL.

Section: Finance

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Director of Finance

## DEBT

### Short Term Debt (Less Than One Year)

With the approval of the Director of Finance, short term debt, to a maximum of \$6M (equal to about 3 months normal net operating expenses), may be borrowed to finance operating requirements in recognition that member assessment funds over 90% of net operating costs and is paid on a quarterly basis, at the end of each quarter.

### Long Term Debt (Including Capital Leases)

Legislatively, Fraser Valley Regional Library, may not incur debt beyond a one year period directly. Long-term debt may only be accessed through the Regional District in cooperation with Members.

Accordingly, long-term capital plans for all major asset categories must be developed and funded annually in a planned and sustainable manner, over the expected useful life of the respective assets.

## USE OF FUNDS

### MEMBER LIBRARY COSTS

Each Member is responsible, at its sole cost, for the provision and maintenance of suitable library facilities, furnishings, equipment and grounds (i.e. grounds, parking etc.), as detailed in Appendix B.

### EMPLOYEE SALARIES AND BENEFITS

All employee positions that become vacant (i.e., incumbent employee retires, leaves FVRL, or otherwise gives up ownership of/right to position) must be reviewed to identify options to improve position or organizational effectiveness and/or reduce financial impacts.

Review and recommendations regarding positions and use of funds are to be completed by the respective manager in consultation with the supervising director. Approval of recommendations by the Chief Executive Officer must be received prior to a recommendation's implementation.

The requirements of this section do not apply to page, temporary or casual/on-call positions, which shall be reviewed and position replacements filled in accordance with the requirements of the supervising director.

### NON-CURRENT LIABILITIES

Member assessment fees shall be set to fully fund the amount of all non-current liabilities (e.g., post-retirement benefits, longer term sick leave) as applicable attributed to, and estimated to be, costs of providing services in the respective year in accordance with Public Sector Accounting Board Standards.

To the extent that non-current liabilities have not been funded in past years, recommendations to fund the accrued but unfunded balance shall be developed and considered by the Board in conjunction with the annual budget process.

### EMERGENCY EXPENDITURES

Emergency expenditures are defined as expenditures requiring the quick or immediate acquisition of goods or services necessary to restore or maintain minimum acceptable levels of service, or prevent serious delays or injury.

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Emergency expenditures up to \$500,000 that cannot be funded within the net operating and capital budget may be authorized by the Chief Executive Officer or Directors, ideally in consultation with the Board Chair. Such expenditures will be reported to the Board at a regular meeting as soon as practical.

## INVESTMENTS

Cash investments will be made first to protect and maintain principal and then to maximize returns.

Liquidity of investments will align with capital and operating needs.

Investments are strictly limited to the types of investments that may be invested by BC municipalities under the *Community Charter*. At least 80% of available cash investments shall be made with the Municipal Finance Authority of BC.

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## APPENDIX A: MEMBER LIBRARY SERVICE LEVEL CHANGE REQUEST

### PROCESS

1. Submission of Request: Requests to develop options for any service level increase or service level reduction must state the target dollar value of the request. The request to implement any service level increases or service level reductions must be submitted in writing by the member council to the FVRL Chief Executive Officer.
2. Board Notification: The Board shall be advised of all service level increase or service level reduction requests as soon as possible after the request is received.
3. Service Level Change Proposal Development: As soon as practical, staff shall develop at least one, and ideally a number of alternative, service level change proposals, in consideration of member objectives and financial target(s), for consideration by the member.
4. Service Level Change Approval: Service level change requests must be approved by the respective member council, and FVRL Board.

### MEMBER FINANCIAL IMPACT

**Requests Submitted Before September 1:** All service level increase or service level reduction requests submitted before September 1st of the year preceding the year the service level reduction is requested to be implemented, will be included in that year's annual member assessment calculation, pro-rated from the estimated implementation date to the end of the year.

**Requests Submitted After September 1:** All service level increase or service level reduction requests submitted on or after September 1st of the year preceding the year the service level reduction is requested to be implemented, to March 1st of the requested implementation year, will not be included in that year's annual member assessment calculation.

- **Payment for Service Level Increase:** The service level increase impact on direct revenues and expenses as well as on shared revenues and expenses, shall be pro- rated from the actual implementation date to the end of the year, and shall be paid by the member local government to FVRL upon implementation. The impact on shared revenues and expenses will be determined

using the same rate as determined in the implementation year's annual member assessment calculation.

- **Payment for Service Level Reduction:** The service level reduction impact on direct revenues and expenses only shall be pro-rated from the actual implementation date to the end of the year, and shall be paid by FVRL to the member upon implementation (that is, the member will not realize the financial impacts of the service level reduction due to impacts on shared services until the following budget year).

## APPENDIX B: MEMBER LIBRARY COST RESPONSIBILITIES

### GENERAL

Each Member is responsible for all their library(ies):

- Premises (including all buildings, grounds, and parking), and
- Furnishings/fixtures and equipment,

operating and capital costs, with specific exceptions which are the responsibility of FVRL, as outlined in this appendix.

### MEMBER RESPONSIBILITIES

#### A. Member Cost Responsibilities at Library(ies)

Members are responsible for all operating and capital costs (and insurance) for, but not limited to:

- Land, including grounds and adequate parking
- All buildings, including all structural needs, roofing, electrical/computer and all other required wiring, plumbing, climate control, ventilation, paint, etc.
- All furnishings and equipment, including:
  - Shelving, racks, displays, carts, display units, book bins etc.
  - Computer desks
  - Tables and chairs, counters, staff room furnishings, office furnishings, children's furnishings/items etc.
  - Kitchen appliances / amenities (like fridge, microwave, etc.)
  - Signage (exterior and interior)
  - Telephone system
  - Alarm and other security systems
  - Self check-IN Units
  - Art work and decor
  - Flooring, carpeting, lighting and other fixtures and amenities, etc.
- All costs for on-going and periodic maintenance/replacements/upgrades to the library buildings, lands and/or furnishing and equipment, and all operating costs, including:
  - Janitorial services
  - Pest Control and/or damages
  - Clearing and maintenance of snow, ice and debris

- Security (systems and personnel as required)
- Utilities (water, gas, electrical, solid waste removal etc.)
- Taxes
- Self Check-IN Units third party maintenance agreements and other third party costs
- Insurance
- Project managers, design companies, architects, planners and/or purchasers, as needed, to plan and complete capital renovations, or new building projects
- All costs associated with the move/relocation of an existing library to a new location.
- All initial capital purchase costs of equipment at the library branches for which FVRL is responsible to fund replacement costs (see FVRL Responsibilities section below), including:
  - Computers (including minor wiring costs only at FVRL discretion)
  - Self check-OUT units
  - Printers, fax machines and copiers
  - Library Materials (i.e. books, DVD's etc. maintained for public lending or reference)\*
  - Possible Exception: For new or expanded libraries, subject to budget limitations, and with Board approval, a portion of any additional materials collections expenditure may be funded by FVRL.

### **B. Member Insurance & Indemnification Responsibilities**

Members are responsible to obtain and maintain on a continuous basis, all insurance coverage reasonably required in respect of their library(ies) premises, furnishings/fixtures and equipment. Such policy(ies) shall name FVRL as an additional insured.

Members are responsible to indemnify FVRL and FVRL employees or agents from any claim, damages, losses or costs (including legal costs) arising/caused/attributed to the premises and/or the furnishings/fixtures and equipment, except where and to the extent attributable to the negligence of FVRL or FVRL employees or agents.

## FVRL RESPONSIBILITIES

### A. FVRL Cost Responsibilities at Library(ies)

FVRL is only responsible for all operating and capital costs (including insurance) for:

- Office and computer supplies, program costs
- Computers (including minor wiring costs only at FVRL discretion)\*
- Self check-OUT units\*
- Printers, fax machines and copiers\*
- Staffing
- Library Materials (i.e. books, DVD's etc. maintained for public lending or reference)\*
- Allister Artwork

\*Member is responsible for the initial purchase; FVRL for replacements of. Possible Exception: For new or expanded libraries, subject to budget limitations, and with Board approval, a portion of any additional materials collections expenditure may be funded by FVRL.

### B. FVRL Insurance & Indemnification Responsibilities

FVRL is responsible to obtain and maintain on a continuous basis, all insurance coverage reasonably required in respect of FVRL Cost Responsibilities as detailed in Section A above. Such policy(ies) shall name Member's as an additional insureds.

FVRL is responsible to indemnify Members and Member employees or agents from any claim, damages, losses or costs (including legal costs) arising/caused/attributed to the operation and delivery of library services, except where and to the extent attributable to the negligence of a Member or Member employees or agents.

## APPENDIX C: DEFINITIONS

### BASE BUDGET

A base budget is a budget that will fund the same level of services as provided in the prior year, plus changes thereto specifically approved by the Board, but not yet fully implemented (e.g. approved fee increase, approved new service) or resulting from capital expenditures in the prior year (e.g. building of a new library). The base budget is equal to the prior year's budget adjusted to reflect:

- Current year costs and revenue changes due only to growth, inflation, contract/price changes, etc., to support the same level of service as provided in the prior year.
- Service changes already approved by the Board.
- Removal of one-time items.
- Annualized changes in services or fees that took place part way through the prior year.

### CAPITAL FUNDING ENVELOPE (CFE)

A fixed, annualized amount that, if funded, would be sufficient to fully fund the related capital expenditures. Typically developed by major asset category as part of the development of the respective long term capital plan.

### DIRECT REVENUES AND EXPENSES

For a particular member local government, includes revenues; and salary, benefits and other expenses, that are directly attributable to that member local government's library(ies), as detailed in the annual member assessment calculation.

### ESTIMATED IMPLEMENTATION DATE

The estimated implementation date of any service level increase or reduction request is the date in the respective year that the request is expected to be fully implemented by, as determined by the Chief Executive Officer or his/her designate(s).

### FULL FINANCIAL IMPACT

The full financial impact of any service level increase or reduction request is the annual financial impact thereof, on both direct and shared revenues and expenses.

## LIFECYCLE COSTS

Lifecycle costs are the total cost of an asset throughout its life including planning (engineering and design), construction/acquisition, operation, maintenance, rehabilitation, and disposal costs.

## MEMBER

A member is a municipality or regional district which has entered into an agreement under the *Library Act* to be a participant in the Fraser Valley Regional Library District.

## NET OPERATING BUDGET / NET OPERATING EXPENSES

Net operating budget / net operating expense, is equal to:

- Total operating expenses excluding amortization expense and the contingency expense budget,
- Plus materials capital expenditures,
- Less all operating revenues other than member assessment,

Operating revenue and expenses are those sources and uses of funds meeting the definition of a revenues and expenses under Public Sector Accounting Board Standards.

## PUBLIC SECTOR ACCOUNTING BOARD

The Canadian Accounting Board that sets financial reporting standards for Canadian government and not-for-profit organizations. Provincial legislation requires all provincial organizations, local governments and not-for-profits, to prepare annual audited financial statements in accordance with Public Sector Accounting Board standards.

## RESERVES

Reserves:

- Are funds that would otherwise be part of surplus, that have been designated by decision of the Board and/or management to be used for a specific purpose.
- Are usually backed by actual cash resources but at any point in time may be backed by accounts receivable.
- May be redirected at any point in time by the Board to another purpose.
- Balances either were specifically budgeted for or were created via a transfer from available surplus funds.

## SHARED REVENUES AND EXPENSES

All revenues; salary, benefits and other expenses, for all shared services, as detailed in the annual member assessment calculation.

## SERVICE LEVEL REDUCTION, INCREASE OR FEE CHANGE, DECISION PACKAGE

A decision package is an independent service change request. A decision package can be for either service increases or reductions, or fee change proposals.

- **Service Increases** detail proposed increases in service levels over the prior year's budgeted service levels
- **Service Reductions** detail proposed decreases in service levels over the prior year's budgeted service levels
- **Fee Change** details proposed **new** fees or increases in existing fees not already approved by the Board but not due to growth

Decision Packages may be for one-time items (e.g., Library 25th Anniversary Celebrations) or for ongoing items (e.g., new Librarian position). Decision packages should be independent of other budget items and be material (>\$10,000) to the decision making process.

## SURPLUS

Surplus is accumulated financial assets resulting from past (i.e., since the inception of FVRL) total revenues being in excess of total expenses, less any funds that have been "appropriated" into a Reserve Fund. Financial assets include all assets that are cash or will be cash in the normal course of operations. They do not include capital assets, prepaids, or inventory.

A surplus:

- Is usually backed by actual cash resources but at any point in time may be backed by accounts receivable.
- Is funds that may be used for any legal purpose of FVRL.
- Can be created intentionally (e.g., by specifically budgeting and funding an addition to) or unintentionally due to actual net operating expenses coming in less than budget.



## SUSTAINABILITY

Sustainability is the ability to endure and thrive.

- **Sustainable Community**
- A sustainable community is broadly defined as "...meeting the needs of the present generation without compromising the ability of future generations to meet their own needs." The three main pillars, or areas of consideration/need, of a sustainable community are the economy, environment and social:
  - **Economy:** the need to be financial and economically viable.
  - **Environment:** the need for the natural resources to be protected and to function at a high level.
  - **Social:** the need for individual and overall social wellbeing, incl. public health and safety.
  - A sustainable community is a community with a robust, resilient economy serving a strong, equitable society within a highly functioning natural environment.
- **Financial Sustainability (For Non-Profits)**
- Financial sustainability (for non-profits) is the ability to maintain an organization's services in accordance with its mission over the long term. Sustainable organizations have the ability to seize opportunities and react to unexpected threats while maintaining the general operations of the organization (referred to as financial resilience). An organization will not be sustainable if it does not provide social value at least equivalent to its costs.

## VALUE FOR MONEY

Value for Money (VFM) is defined as the achievement of the 3E's - Economy, Efficiency and Effectiveness.

- **Economy:** minimizing the cost of resources ('doing things at a low price').
- **Efficiency:** performing tasks in the best possible manner with the least waste, including using requisite knowledge, skill, and industry ("doing things the right way").
- **Effectiveness:** the extent to which goals are met ('doing the right things').
- Value for Money is about delivering low cost services in the best possible manner that meet the needs and priorities of the community in a way that respects and properly values the environment in which the service is delivered.