



## OVERVIEW RESERVE ACCOUNTS ESTABLISHED BY THE EASTERN REGIONAL SERVICE BOARD

### INTRODUCTION

The Eastern Regional Service Board (ERSB) was formally established through the *Regional Service Board Act* in 2011. The Board is tasked with the implementation and delivery of regional municipal services in the eastern region of Newfoundland and Labrador.

The ERSB publishes a budget and financial statements annually per its legislative requirements as an arms-length agency of the Government of Newfoundland and Labrador. Since 2015, the ERSB has worked diligently in creating a strong financial position for itself by utilizing operational surpluses to fund capital and operational reserve accounts. These accounts are categorized as a Capital Reserve and an Operational Reserve. Under the Capital Reserve, funding is allocated for Regional Operations and Curbside Operations.

Why are reserves required? Well, the answer is simple. The ERSB must ensure it can continue to operate in the event of unforeseen circumstances. You can't simply stop delivering municipal services. To appreciate the scope of the day to day cost of the delivery of these services, note that ERSB requires over \$800,000 a month to operate (pay contractors and staff, maintain equipment, tipping fees at the Regional Waste Management Facility at Robin Hood Bay, etc.). Without a reserve fund, the ERSB would have much more risk in the event of an emergency or impact to its revenue stream.

### WHAT DO THESE RESERVES COVER

The capital and operational reserves of the ERSB may contribute to the following purposes (if required based on the purpose of reserve accounts outlined above):

1. **Regional Capital Reserve (for regional waste recovery facilities):** Building replacements (operational buildings such as transfer station attendant hut and sheds); Equipment replacements (grapple trucks, walking floor trailers, floats, backhoes, pick-up trucks, shipping containers) and future site closures.

**Curbside Capital Reserve (for curbside waste collection):** Garbage trucks, as well as pick-up trucks and trailers related to curbside waste collection activities.

2. **Operational Reserve:** year-to-year operational funding for use if cost of delivering regional waste management services is higher than the fees collected from property owners.

Currently the Board has tangible capital assets (land, buildings, heavy equipment, computer equipment, etc...) with an invested cost of \$8,098,007. Heavy equipment represents \$5,256,498 of the total invested in assets. Each year this equipment depreciates in value and at the end of 2017 had a value of \$4,726,647. At the end of 2018 ERSB will have sufficient reserve funds to replace up to 30% of its current assets or invest in new assets.

## WHY IS IT DIFFICULT TO SEE THE RESERVES ON THE ERSB FINANCIAL STATEMENTS

Unfortunately, the ERSB’s current and historical financial statements do not capture the balance of its reserves clearly or effectively. Financial statements are not the tool many portray them to be, primarily because they are difficult to interpret effectively unless you know how each account connects to the day-to-day operation of the organization. For example, the ERSB financial statements regularly show a cash surplus, when in fact this “surplus” is (in part) the reserves the ERSB has established as well as the value of the property and equipment held by the Board.

So why do the financial statements not portray the ERSB reserve accounts in a way that the general public can understand. The reason is that ERSB must, as an arms-length government agency, follow the Public Sector Accounting Board (PSAB) accounting standards for the public sector. These independently set financial reporting standards are critical to promoting confidence in public sector entities. High-quality accounting standards contribute to transparent and accountable information that is made available to the public, as well as quality financial information to support decision making.

## WHAT IS THE CURRENT VALUE OF THE ERSB’S RESERVE ACCOUNTS

The following chart outlines the annual operating and capital budget of the ERSB since capital and operating reserves were implemented.

| Year                            | Operating Budget | Capital Budget | Contribution to Capital Reserve (Regional) | Contribution to Capital Reserve (Curbside) | Contribution to Operational Reserve | Total Contribution (by year) |
|---------------------------------|------------------|----------------|--|--|-------------------------------------|------------------------------|
| 2015                            | 6,994,546.92     | 4,204,643.63   | 366,233.74                                 |  |                                     | 366,234                      |
| 2016                            | 9,609,547.32     |                | 170,000.00                                 | 130,000                                    | 390,000.00                          | 690,000                      |
| 2017                            | 9,609,251.73     | 3,004,000.00   | 320,000.00                                 | 150,000                                    | 350,000.00                          | 820,000                      |
| 2018 (Budgeted)                 | 9,079,894.70     | 1,950,000.00   | 320,000.00                                 | 150,000                                    |                                     | 470,000                      |
| Total Contribution (by account) |                  |                |  |  |                                     | 2,346,234                    |

## WHO CAN I CONTACT IF I HAVE QUESTIONS ABOUT RESERVES

The Manager of Corporate Services and Chief Administrative Officer are responsible for all financial matters related to the operation of the ERSB. Please call 709-579-7960, or e-mail [info@ersbnl.ca](mailto:info@ersbnl.ca), if you have questions.