District of Lantzville

Agenda for the Committee of the Whole Meeting of the District of Lantzville to be held on Tuesday, September 24, 2024 at 6:00 pm in the Council Chamber, Municipal Hall, 2nd Floor – 7192 Lantzville Road, Lantzville, BC

Committee members may attend this meeting in person, or electronically (except for the Chair) for a hybrid meeting (per the *Community Charter* and the Council Procedure Bylaw). For in-person and hybrid meetings the Council Chamber will be open for the public to attend. Due to limited seating, the public is encouraged to view the meeting starting at **6:00 pm** via the livestream, and to provide verbal public input on agenda items by registering in advance using the Zoom Webinar link provided for each Committee of the Whole meeting event at **lantzville.ca**, written comments by **noon** the day of the meeting and emailed to **district@lantzville.ca**, or in person. Prior to attending Municipal Hall, please self-assess to ensure you are healthy and do not attend if you are ill. Members of the public must remain seated unless invited to address Council. Meetings recorded by the District of Lantzville may be viewed on demand at **lantzville.ca**.

Public input regarding personnel matters, legal action, nominated political candidates, applications for grants in aid or public hearing topics (EXCEPT DURING THE OFFICIAL PUBLIC HEARING) will not be included or will be severed.

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1. CALL TO ORDER

2. ADOPTION OF THE AGENDA

1-4 THAT the September 24, 2024, Committee of the Whole meeting agenda be adopted, as presented.

3. PUBLIC INPUT PERIOD *(Persons recognized by the Chair to speak must first state their name and address for the record, may speak once for up to 2 minutes (unless the Committee resolves otherwise), and are limited to providing comment regarding items listed on the agenda for this meeting.* ***Comments must be directed to the Chair, are not to be directed to individual Committee members, staff or the audience and must not include personnel issues.***

4. REPORTS

5-27 a) **Preparation of the 2025 Budget & Longer Term (to 2029) Financial Plan and Related Guidance**

28-31 b) **Review of COVID-19 restart grant funds**

32-73 c) **Review of Reserve, Surplus and Deferred Revenue Accounts**

THAT the Committee of the Whole recommend that Council bring forward a Reserves Funds, Surpluses & Deferred Revenue Policy for Council's consideration, which includes the rationale and bases for all the District of Lantzville's Reserve, Surplus and Deferred Revenue accounts including minimal and optimal monetary levels, as applicable, for each.

THAT the Committee of the Whole recommend that Council establish a General Capital Reserve Fund bylaw to be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council establish a Financial Stabilization Reserve Fund bylaw to be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council establish a Legal & Insurance Reserve Fund bylaw to be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council establish an Information Systems Reserve Fund bylaw to be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council discontinue the Lantzville Winter Road Maintenance Operating Reserve Fund (Reserve Account) with the monetary balance in the Reserve being transferred to the Financial Stabilization Reserve Fund, once adopted.

THAT the Committee of the Whole recommend that Council request staff to bring forward a report to rationalize the intent or purpose of the Tax Stabilization Reserve (Reserve Account), and to seek Council's guidance as to next steps related to this Reserve.

THAT the Committee of the Whole recommend that Council discontinue the One Time Projects Reserve (Reserve Account) with the monetary balance in the One Time Projects Reserve being transferred to the Financial Stabilization Reserve Fund, once adopted.

THAT the Committee of the Whole recommend that Council repeal the Accumulated General Operating Surplus Reserve Fund bylaw.

THAT the Committee of the Whole recommend that Council establish a Transportation Infrastructure Reserve Fund bylaw to be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council transfer the Roads Infrastructure Capital Reserve balance to the Transportation Infrastructure Reserve Fund, once adopted; AND FURTHER, THAT the Road Infrastructure Capital Reserve bylaw be repealed.

THAT the Committee of the Whole recommend that Council transfer the Municipal Facilities Life Cycle Reserve balance to the General Capital Reserve Fund, once adopted; AND FURTHER, THAT that the Municipal Facilities Life Cycle Reserve bylaw be repealed.

THAT the Committee of the Whole recommend that Council transfer the Administration Capital Equipment Reserve balance to the General Capital Reserve Fund, once established; AND FURTHER, THAT the Administration Capital Equipment Reserve bylaw be repealed.

THAT the Committee of the Whole recommend that Council establish a Vehicle and Equipment Reserve Fund bylaw to be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council transfer the Public Works Vehicle and Capital Equipment balance to the Vehicle and Equipment Reserve Fund, once adopted; AND FURTHER, THAT that the Public Works Vehicle and Capital Equipment Reserve establishment bylaw be repealed.

THAT the Committee of the Whole recommend that Council transfer the Fire Department Vehicle and Capital Equipment balance to the Vehicle and Equipment Reserve; once adopted; AND FURTHER, THAT that the Fire Department Vehicle and Capital Equipment Reserve bylaw be repealed.

THAT the Committee of the Whole recommend that Council establish a Land Sale Reserve Fund bylaw to be brought forward for Council's consideration, pursuant to the requirement for such a Reserve in the *Community Charter*; AND FURTHER, THAT that any monies received from the sale of land and improvements to date, including estimated earnings thereon, be transferred into this Reserve Fund.

THAT the Committee of the Whole recommend that Council establish a Park Land Acquisition Reserve Fund bylaw to be brought forward for Council's consideration, pursuant to the requirement for such a Reserve in the *Community Charter*, and that any monies received for parkland to date, including estimated earnings thereon, as per the Community Charter, be transferred into this Reserve Fund.

THAT the Committee of the Whole recommend that Council update the terms for the Property Acquisition Reserve Fund bylaw.

THAT the Committee of the Whole recommend that Council transfer the monies in the Parkland Capital Reserve Fund to the Parkland Capital Infrastructure Reserve fund.

THAT the Committee of the Whole recommend that Council update the Parkland Capital Infrastructure Reserve Fund bylaw to establish that specific, annual monetary contributions are not specified and additionally that it should include the allocation of annual interest in the earnings from the Parkland Development Cost Charge (DCC) account.

THAT the Committee of the Whole recommend that Council repeal the Sewer Infrastructure Capital Equipment bylaw; AND FURTHER, THAT a new bylaw titled "Sewer Capital Reserve Fund" be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council transfer the Phase III Sanitary Sewer Collection System Debt Reserve Fund balance to the Sewer Capital Reserve Fund, once adopted; AND FURTHER, THAT the Phase III Sanitary Sewer Collection System Debt Reserve bylaw be repealed.

THAT the Committee of the Whole recommend that Council repeal the Water Infrastructure Capital Equipment Reserve bylaw; AND FURTHER, THAT a new bylaw titled "Water Capital Reserve Fund" be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council transfer the portion of funds in the District of Lantzville / Nanaimo Water Agreement, Lower Lantzville (Lower Pressure Zone) and Non-Agreement Committed Water Connection Reserve received to date for the water distribution system (the $292.71 portion of $5,915.26 connection fee), including estimated earnings thereon, to the Water Capital Reserve Fund, once adopted; AND FURTHER, THAT the District of Lantzville / Nanaimo Water Agreement, Lower Lantzville (Lower Pressure Zone) and Non-Agreement Committed Water Connection Reserve bylaw be repealed; AND FURTHER, THAT a new Reserve titled "District of Lantzville/City of Nanaimo Water Expansion Reserve Fund" bylaw be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council repeal the Community Water Expansion Reserve bylaw; AND FURTHER, THAT a similarly named establishment bylaw, with updated terms, be brought forward for Council's consideration.

THAT the Committee of the Whole recommend that Council bring forward for Council's consideration a Reserve Fund bylaw regarding Community Amenity Contributions; AND FUTHER, THAT the District's Community Amenity Contributions policy be reviewed in light of new provincial legislation for Amenity Cost Charges (ACCs).

THAT the Committee of the Whole recommend that Council bring forward for Council's consideration a Community Works Funds Reserve bylaw.

x-x d) **Community Amenities Contribution**

6. PUBLIC CLARIFICATION/INPUT PERIOD *(Persons recognized by the Chair to speak must first state their name and address for the record, may speak once for up to 2 minutes (unless the Committee resolves otherwise), and are limited to providing comment regarding items listed on the agenda for this meeting.* ***Comments must be directed to the Chair, are not to be directed to individual Council members, staff or the audience and must not include personnel issues.***

7. ADJOURNMENT BY MAYOR

District of Lantzville

REPORT TO CHIEF ADMINISTRATIVE OFFICER

Meeting Date: September 24, 2024

SUBJECT: Preparation of the 2025 Budget & Longer Term (to 2029) Financial Plan and Related Guidance

PURPOSE

The purpose of this report is to outline the process for preparing the District of Lantzville's 2025 Budget and longer term (to 2029) Financial Plan and to seek the Committee's guidance in regards to key budget issues including strategic direction.

RECOMMENDATION

N/A

ALTERNATIVES AND IMPLICATIONS

N/A

BACKGROUND/RELEVANT HISTORY

As per the *Community Charter* the District's 2025 – 2029 Financial Plan (includes the 2025 Budget) bylaw needs to be adopted before the Tax Rates bylaw which has a deadline of May 15th, 2025. The goal however will be to adopt a 2025 – 2029 Financial Plan before or soon after the start of the 2025 calendar/fiscal year. The District has followed particular budgeting processes in the past and the intent is to take a fresh look at budgeting/financial planning with the goal of implementing best practices.

ANALYSIS/RATIONALE

Guiding Tenets

In terms of overall strategic direction, it is useful to establish some guiding tenets which will provide the basis for financial planning. The following guiding tenets are offered for discussion purposes:

Revenue Sources

- those who receive direct benefits from a good or service should pay for that good or service according to the level or value of the benefit received where possible;
- the full cost of providing a good or service should be the starting point when calculating user fees;
- the nature of a funding source should be considered to determine the appropriateness in funding a particular service or project, with the goal of matching limited funding sources with one-time or limited duration projects and matching ongoing funding sources with ongoing expenditures; and
- leveraging external funding sources and opportunities should be a priority.

Infrastructure & Asset Investments

- infrastructure/assets should be environmentally and economically sustainable;
- infrastructure/assets are a capital investment and must be responsibility managed;
- there needs to be a systematic and predictable method of budgeting for the renewal and replacement funding for infrastructure/assets;
- infrastructure/assets must be maintained in a condition that enables them to perform their intended functions;
- a priority should be placed on funding the maintenance, renewal, and replacement of existing infrastructure/assets before funding new assets/infrastructure;
- the estimated operating cost impacts of capital projects should be considered as part of the decision/approval process for capital; and
- infrastructure programs should support the values and objectives contained in plans and priorities approved by Council.

Reserves & Surpluses

- maintain adequate levels of reserves and surpluses to achieve financial stability for taxpayers and rate payers, including provision to fund emergency expenditures;
- build and maintain reserves to fund major planned and/or unforeseen expenditures;
- provide for stabilization in terms of fluctuations in operating and capital activities including offsetting cyclical and volatile revenues and expenditures;
- build up reserves to serve as internal financing and funding sources and to thus minimize external debt;
- reserves and surpluses should not be used to fund ongoing operating expenditures; and
- ensure adequate reserve levels to fund renewal and replacement of infrastructure/assets.

Borrowing & Debt Management

- pay as you go funding and internal reserve financing is preferable to external debt;
- any debt should not impact long-term financial flexibility and should limit financial risk exposure; and
- any debt should minimize the long-term cost of financing;

Operating Costs

- deliver core services efficiently and effectively ensuring value for money and the transparent stewardship of public funds;
- promote, establish, maintain and explore programs and facilities that encourage the use of alternative models and levels of delivery of services through continuous improvement;
- leverage external investments as much as possible (e.g., Community-Building Fund, Climate Action Funds, etc.);
- the estimated capital cost impacts of new operating initiatives should be considered as part of the decision/approval process for operating; and
- match one-time or limited duration operating expenses with limited funding sources; and match ongoing operating expenses with ongoing funding sources.

Review of Strategic Direction and Priorities

The allocation of the District's budget resources should be focused foremost on achieving Council's strategic priorities, therefore it is helpful to briefly review and update these at this point in time, at the start of the budgeting process. The following Council Strategic Priorities were previously developed; however, other priorities have arisen which may take precedence including the following:

- Development of recently purchased properties at 6852 Wiles Rd. and 7099 Lantzville Rd. including municipal uses for these lands;
- Improvement and operation of Costin Hall facility and property; and
- Improvement and operation of Old Church building and property.



District of Lantzville
Council Strategic Priorities 2023 – 2026

Mission Statement: Provide efficient, effective and environmentally and economically sustainable services and good governance for the public while managing growth of the community and respecting Lantzville's diverse character and charm.

PLANNING & DEVELOPMENT

1. **High-quality neighbourhood planning:** innovative/green technology (build a show case house or building); fire smart; energy efficient; social cohesion; sustainable growth.
2. **Environment first:** acquisition of parkland and greenspace; green infrastructure; environmental asset management.
3. **Affordable housing:** develop responsible housing policy (i.e. subsidized housing, co-op housing, tiny homes, small single-family homes for young families and seniors).
4. **OCP / zoning review:** develop neighbourhood plans for Future Study Areas.
5. **Acquire as much land as possible through development.**
6. **Energy Step Code as advanced as possible.**

PARKS & ENVIRONMENT

7. **Trees for future generations:** develop a Tree Management and Protection Bylaw; enhance tree canopy and biodiversity; establish Future Old Growth (FOG) zones.
8. **Pierce Woods Marine Park:** open to the public in 2024 and form a Waterfront Park Committee.
9. **Beach Road Ends:** design and complete Harper, Lavender and Jack's Roads.
10. **Invasive plants:** removal on all District owned land including parks and road ends.
11. **Local food production enhancement.**
12. **Develop a Parks, Trails, Green Space and Active Transportation Plan.**
13. **Regional District of Nanaimo:** Lantzville Foothills 'Regional Park'.

GOVERNANCE & FINANCES

14. **Continuance of Committees:** Community Safety; Parks and Trails.
15. **Establish new committees/working groups:** Pierce Woods Marine Park; Foothills Park; Green Foreshore Management and Biodiversity; Executive Committee of Council.
16. **Asset Management:** inclusion of natural assets.
17. **Continuance of Lantzville / Snaw-Naw-As joint council meetings.**
18. **Financial Planning:** Council continue all efforts to minimize tax burden to residents.

INFRASTRUCTURE GREEN & GREY

19. **Ensure adequate water standard for municipal connections:** protect the municipal aquifer; and develop a resilient well field system; keep water affordable.
20. **Road upgrades:** review of bylaw and road standards.
21. **Drainage:** develop bylaw; high environmental standards to mitigate effects of development.
22. **Water expansion:** implement the $6M grant for Winds water expansion.
23. **Promote Rainwater Harvesting.**

RESIDENT ENGAGEMENT

24. **Continuance of monthly Community Update:** add 'Council Corner' highlighting workshops or municipal services to the community.
25. **Promotion of open and transparent communication with residents:** round table meetings; town hall meetings; explore and engage in new and innovative methods to collect resident input on key issues.
26. **Volunteer built bus shelters:** develop a process including funding.
27. **Rest areas on walking routes:** artisan benches and greenery.
28. **Redesign of District of Lantzville website.**
29. **Establish a Volunteer in Parks Program.**

SERVICES

30. **Community amenities for pets:** dog park; public water bowls.
31. **Fire Safety Rebate Program** (i.e., reflective street numbers).
32. **Beach Fires:** pilot community fire pits.
33. **Community Library:** bring library outreach services and opportunities to Lantzville residents.
34. **Memorial Posts:** a legacy program to dedicate a plaque as a way to pay tribute to an individual or group.

Lantzville

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Budgeting/Financial Planning Process

Some guidelines (includes deadlines) have been developed for staff for preparing the District's 2025 – 2029 Financial Plan (see Appendix "A"). The focus is on the following:

- Searching for potential budget savings;
- Investigating new revenue opportunities;
- Eliminating any structural deficits (where expenditure commitments exceed existing budgets or where existing revenue budget targets will not be realized);
- Considering alternative or new service delivery methods;
- Separating one-time or limited duration revenues & expenditures from ongoing revenues & expenditures;
- Matching ongoing or regular expenditures with ongoing and stable revenue sources;
- Matching one-time or limited duration expenditures (projects) with limited funding sources (such as reserves or deferred revenues);
- Having Council approve core budgets (General, Sewer & Water) for maintaining existing services and service levels and any increases to core budgets (spending packages).

Staff would produce a comprehensive Draft Financial Plan/Budget Document which in part includes the results from the above and which provides other important information for Council's decision making. The Document would include the following:

- The 2025 core or based operating budgets (for General, Sewer and Water) for maintaining existing services and service levels (includes tracking of core budget changes – see below);
- Long-term operating plans (to 2029) for the above based on known factors and stated assumptions;
- 2024 year-to-date and projected year-end results for all revenue and expenses (including capital), with variance explanations, as well as three (3) years of history for the same;
- 2025 capital budgets for General, Sewer and Water as well as capital projects for the 2026 – 2029 years with any operating impacts noted;
- Projected reserve, surplus and deferred revenue levels to 2029 based on the above;
- Review of current and projected debt levels;
- A summary of historical property tax and utility rate increases;
- Estimated taxation from new development (new construction or non-market changes);
- Results from a review of fees and charges (see below);
- Results from budget scenarios as directed by the Committee and Council (see below); and
- Comparative benchmark information (see below) from other communities in terms of taxation and finances.

As an example, the following format and detail would be provided to Council in terms of tracking changes to base or core operating budgets:

EXAMPLE OF TRACKING CORE BUDGET CHANGES IN GENERAL OPERATING FUND

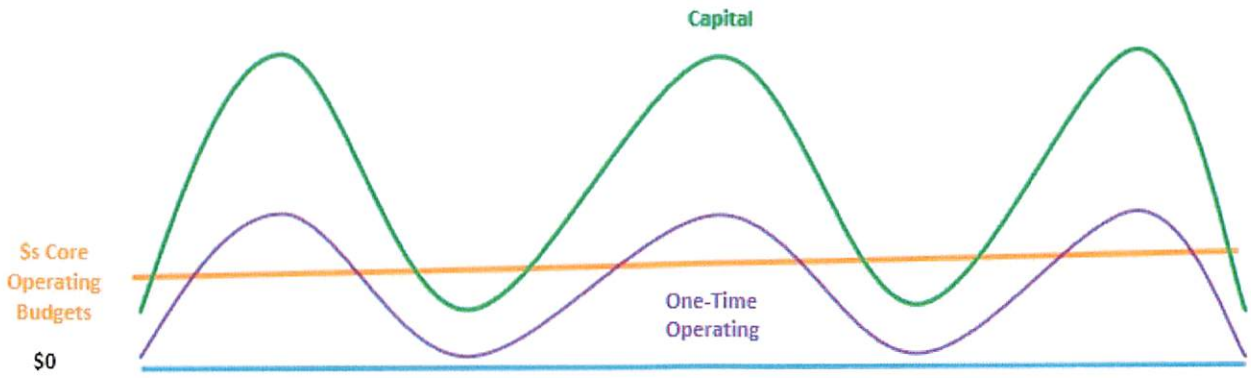
2023 Draft Budget Changes

Revenue Increases (-) and Decreases (+)	Budget Dollars	% Property Tax Impact	Comments & Notes
Increase in BC Hydro Grant	-10,000	-0.1%	Increase is based on overall property tax increases in local governments throughout the Province
1% utility taxes	13,100	0.1%	Loss of revenue
Franchise fee revenue	30,300	0.2%	Loss of revenue
Additional development & building permit revenue	-56,400	-0.4%	Based on changes in base revenue targets post Covid
Increase in lease/rental revenue	-21,900	-0.2%	
Increase in administrative cost recoveries	-26,300	-0.2%	
Net increase in interest revenue	-20,000	-0.1%	In part as a result of change in accounting practice of recording interest revenue on surplus and reserves
Reduction in Provincial unconditional grant	48,200	0.4%	Overbudgeted Small Communities Grant in 2022
Other	-74,500	-0.6%	Overall revenue results from detailed budget review
Total Revenue Increases over Prior Year	($117,500)	-0.9%	
Expenditure Increases (+) and Decreases (-)			
Wages & benefits	119,500	0.9%	As per collective agreement
Increase in public works hours	166,400	1.2%	Result from review of public works resource hours
Savings from change in benefit/overhead rates	-195,100	-1.4%	Benefit or overhead rates were budgeted too high
RCMP contract	70,000	0.5%	Mostly related to wages & benefits increases as per collective agreement
Software maintenance/licensing	38,600	0.3%	As per detailed list provided by information services
Inflationary impacts	21,100	0.2%	For contracted services
Total Expenditure Reductions over Prior Year	$220,500	1.6%	
Other Increases (+) and Decreases (-)			
Estimated new construction revenue	-40,000	-0.3%	Per latest non-market value changes from the BC Assessment Authority
Change in debt servicing cost for existing debt	-9,300	-0.1%	Net effect of Municipal Finance Authority (MFA) refinancing of debt issues up for renewal and change from 2022 budget
Increased reserve transfers	30,000	0.2%	To build up capital & operating reserves to minimize the need for future external borrowing
Total Other Increases (Decreases) over Prior Year	($19,300)	-0.1%	
Net Changes to General Operating Fund Core Budget	$83,700	0.6%	Net increase from all general core operating budget changes

One of the primary goals within the financial planning/budgeting process is to separate out one-time or limited duration operating expenses from ongoing operating expenses and to fund these items from limited source revenue (reserves or deferred revenue), so as to prevent fluctuations in the core operating budget and related taxation. Similarly, capital expenditures which fluctuate are funded from reserves and/or deferred revenue. The transfers to reserves within the core operating budgets ideally will be stable and increase over time in order to fund one-time or limited duration operating projects and capital.

The above is referred to as the matching principle and is illustrated below. The goal over the long term is to have moderated and planned increases in the core operating budgets so as to allow for gradual increases in taxation and utility fees. This is subject to financial planning over the long-term (minimum 10-year period).

Match Funding/Revenue Sources with Type of Costs (ongoing versus one-time or limited duration)



The District's ability to stabilize property tax and utility rate increases is directly related to the solidity of its long-term financial planning process including have key data around its assets and infrastructure which comes from a robust asset management plan.

Reserve, Deferred Revenue & Surplus Levels

One of the key pieces of information that will be provided to Council as part of the financial planning process are the current and projected levels (over 5-year Financial Plan timeframe) for all of the District's reserve, deferred revenue & surplus accounts. Council has control over these accounts by approving all budgeted transfers to and from these accounts as part of the budgeting process, with staff providing recommendations.

Again, the key to making the best decisions around these accounts is long-term financial planning and having reliable data around the District's assets and infrastructure. Council at year-end also makes decisions around these allocations based on any surpluses within the operating funds.

Property Tax and Utility Rate Increase Scenarios

Staff can provide various property tax and utility rate increase scenarios to Council as part of the budget decision making process including any impacts that these may have on services and service levels. If the Committee would like staff to present various scenarios it would be helpful to advise staff at this time.

The District's property tax and utility levels and related rates are directly related to the services and service levels that it provides. Budget discussions will focus on these and Council will determine the final services and levels provided. Increased costs in providing services often originate from uncontrollable contractual increases or obligations; however, there are various ways of moderating or stabilizing increases including the following:

- Using new construction revenue (non-market change) or a percentage thereof to offset budget increases;
- Raising fees and charges particularly in the development and building permit areas to recover costs and offset expenses;
- Lowering reserve transfers (has longer-term consequences);
- Maximizing interest earnings through cash flow projections and retaining the interest earned on operating surpluses in the operating funds;
- Reviewing allocation of cost recoveries from Sewer Operating and Water Operating to the General Operating Fund based on a reasonable allocation of administrative/general government costs;
- Reviewing time spent by staff in the three operating areas, General, Water and Sewer, for reasonability in terms of actual time spent in these areas; and/or
- Using specific deferred revenue, as per any terms, to offset costs such as staffing, with any savings flowing to surplus for subsequent allocation to reserves. For example, Climate Action Plan funds can be used to offset staff time and costs spent investigating and reporting on climate issues such as those within the Official Community Plan.

A history of non-market (new construction) assessments and related property tax revenue from 2019 – 2024 in the District of Lantzville is provided below. Generally speaking, these assessments have been higher over the past three (3) years with 2024 being exceptionally high. The new construction assessments for 2025 will be available on a preliminary basis later this year.

District of Lantzville - History of Non-Market Assessments & Related Taxation 2019 - 2024						
	2019		2020		2021	
Property Classes	Assessments	Taxation	Assessments	Taxation	Assessments	Taxation
01 - Residential	$27,015,800	$38,395	$24,689,400	$41,629	$15,836,400	$27,050
02 - Utilities	$0	$0	$0	$0	-$3,200	-$117
05 - Light Industry	$0	$0	$0	$0	$0	$0
06 - Business & Other	-$326,000	-$1,750	$1,661,000	$11,202	-$155,700	-$997
07 - Managed Forest Land	-$67,000	-$357	$2,000	$13	-$20,000	-$273
08 - Recreation/Non Profit	$0	$0	$0	$0	$0	$0
09 - Farm	-$5,289	-$10	$335	$1	$0	$0
Total All Classes	**$26,617,511**	**$36,278**	**$26,352,735**	**$52,844**	**$15,657,500**	**$25,662**
	2022		2023		2024	
Property Classes	Assessments	Taxation	Assessments	Taxation	Assessments	Taxation
01 - Residential	$39,274,425	$61,162	$40,011,625	$53,636	$64,771,900	$90,331
02 - Utilities	$945,000	$31,567	-$124,000	-$4,488	$0	$0
05 - Light Industry	$0	$0	$75,400	$708	-$72,100	-$704
06 - Business & Other	$111,800	$653	$246,700	$1,240	$2,403,300	$12,569
07 - Managed Forest Land	-$172,000	-$2,143	$231,000	$2,477	-$96,000	-$1,607
08 - Recreation/Non Profit	$47,000	$128	$0	$0	$131,000	$320
09 - Farm	$0	$0	-$2,302	-$4	$0	$0
Total All Classes	**$40,206,225**	**$91,367**	**$40,438,423**	**$51,095**	**$67,138,100**	**$102,196**

Fees and Charges

As part of the financial plan/budget process it is prudent to look at all of the District's fees and charges to generate non-property tax based revenues, where possible. As the District's cost of providing services increases so should its fees and charges. Generally, the greater revenue potential comes from the planning and building permit areas from development/developers.

Different communities have different philosophical approaches to cost recovery in the form of fees and charges. In the case of planning and building permit fees, some communities take the approach that the general taxpayer should not be subsidizing developers/development. However, it is recognized that most communities want to be competitive with neighbouring communities or other comparative communities in terms of their fee levels, and that raising fees beyond a certain threshold will actually result in less revenue. Fees and charges can be increased over a transitional period if desired or needed.

The following history of revenue in the planning and building permit departmental areas illustrates the cyclical nature of these types of revenue. In terms of financial planning, it is prudent to budget for a base amount of these revenues which are likely to be realized on an annual basis with any additional revenue being transferred to reserves.

	2021 Actual	2022 Actual	2023 Actual	2024 Year-to-Date	2024 Year-End Projected	2024 Budget
Planning (1) (2)						
Regular Operating Revenue						
BUSINESS LICENSE REVENUE	0	-9,300	-12,950	-7,000	-7,100	-9,300
SUBDIVISION APPLICATIONS	-26,450	-18,900	-14,000	-12,450	-13,650	-10,000
DEVELOPMENT & TUP PERMIT APPLICATIONS	-27,800	-27,500	-13,500	-6,500	-7,500	-15,000
OTHER DEVELOPMENT FEES	-8,731	-4,775	-3,400	-1,600	-1,600	-3,000
DEVELOPMENT ADMIN FEES	-76,877	-69,356	-5,473	0	0	-5,000
BYLAW AMENDMENT APPLICATIONS	-10,000	-18,000	-11,000	-3,000	-6,000	-11,000
Total Planning Regular Operating Revenue	**-149,858**	**-147,831**	**-60,323**	**-30,550**	**-35,850**	**-53,300**

(1) Not including Community Amenity Fee collections
(2) Not including Housing Initiatives grant program revenue

Building Inspection						
Regular Operating Revenue						
BUILDING PERMIT APPLICATION	-169,000	-182,000	-107,250	-76,500	-104,500	-133,000
Total Building Inspection Regular Operating Revenue	**-169,000**	**-182,000**	**-107,250**	**-76,500**	**-104,500**	**-133,000**

Summary of Budget Roles and Responsibilities

A summary of the key budget roles/responsibilities and deliverables is provided below for information.

Budget Roles/Responsibilities & Deliverables For 2025 – 2029 Budget/Financial Plan					
Key Tasks & Deliverables	**Interim Director of Finance & Deputy Director of Finance**	**Department Managers**	**CAO**	**Council**	**Comments**
Council report which outlines the budgeting /financial planning process and key issues	✓		✓		Process was reviewed with Department Managers
Committee / Council direction on key strategic issues including any property tax/rate increase scenarios				✓	Based on above report
Detailed budget compilation & review including projecting 2024 year-end revenue & expenses	✓	✓	✓		Finance to take the lead and work with Departments
Preparation of draft 2025 – 2029 Financial Plan Document with supporting information	✓				To be reviewed with Department Managers and CAO prior to submission to Council
Presentation of 2025 – 2029 Financial Plan Document to Council, with subsequent Council direction and decisions	✓	✓	✓		Includes summary of core budget changes and spending packages
Council direction, in the form of motions, based on above Document				✓	May require multiple meetings
Finalization of Draft 2025 – 2029 Financial Plan including related rate increases	✓			✓	Based on final Council decisions; draft to be presented to the public for comment (see below)
Public Budget Consultation on Draft 2025 – 2029 Financial Plan	✓	✓	✓	✓	Forum and venue to be decided upon by Council
Preparation of 2025 – 2029 Financial Plan Bylaw	✓				Based on final decisions from Council after hearing public feedback
First three reading & adoption of 2025 – 2029 Financial Plan Bylaw				✓	

Comparative Benchmarks

Various Councils like to compare property tax and utility rate levels, between their community and specific benchmark communities, as part of the budgeting process. A comparison of key financial numbers, e.g. reserve and surplus levels, net financial assets, debt, etc., with the benchmark comparators is often also provided. It would be helpful to know if this information would be useful and if so are there any particular communities that should be used as comparators. Below is a list of potential comparator communities with similar populations to Lantzville on Vancouver Island.

Municipalities	BC Stats Population Estimates
Cumberland	4,704
Duncan	5,363
Lake Cowichan	3,612
Lantzville	**3,969**
Metchosin	5,142
Port Hardy	4,426

Public Budget Consultation

As per the *Community Charter*, "a council must undertake a process of public consultation regarding the proposed financial plan before it is adopted". Different communities have different philosophies and related approaches to community public budget consultation, from the one meeting presentation of the draft Financial Plan/Budget to the more extensive public surveys, townhall meetings, etc. The important point is how to best obtain meaningful feedback that is useful for Council in its decision making process. Often the public relates more so to capital projects that they can identify with as opposed to ongoing operations.

In regards to public Financial Plan/Budget consultation in Lantzville, it would be helpful to have the Committee's direction as to any specific forums or material that would be most useful for obtaining meaningful and useful feedback from District of Lantzville taxpayers/residents.

ATTACHMENT(S)

1. Appendix "A" – Guidelines for Preparing the District of Lantzville' 2025 – 2029 Provisional Financial Plan/Budget

Prepared by:

Ken Bjorgaard
Interim Director of Financial Services

Date: September 16, 2024

Approved for submission to Council:

Glenn Morphy
Acting CAO / Director of Public Works

Date: September 16, 2024

REVIEWED WITH:			
☒ Corporate Administration	☒ Fire Rescue	☐ Public Works/Engineering	☐ RCMP
☒ Financial Services	☒ Planning	☐ Solicitor	☐ Committee:
☐ Other:			

COUNCIL AGENDA INFORMATION:		
Meeting Type	**Date**	**Agenda Item #**
Regular		
Special (COW)	September 24, 2024	
(In-Camera)		

Appendix "A"
Guidelines for Preparing the District of Lantzville's Provisional 2025 – 2029 Financial Plan/Budget



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Introduction

This document outlines the process for preparing the District of Lantzville's Provisional or Draft 2025 Budget and related Draft 5-year Financial Plan (to 2029). The services, programs and projects undertaken by the District will be foremost directed towards achieving Council's strategic priorities, as follows:



District of Lantzville

Council Strategic Priorities 2023 – 2026

Mission Statement: Provide efficient, effective and environmentally and economically sustainable services and good governance for the public while managing growth of the community and respecting Lantzville's diverse character and charm.

PLANNING & DEVELOPMENT

1. **High-quality neighbourhood planning:** innovative/green technology (build a show case house or building); fire smart; energy efficient; social cohesion; sustainable growth.
2. **Environment first:** acquisition of parkland and greenspace; green infrastructure; environmental asset management.
3. **Affordable housing:** develop responsible housing policy (i.e. subsidized housing, co-op housing, tiny homes, small single-family homes for young families and seniors).
4. **OCP / zoning review:** develop neighbourhood plans for Future Study Areas.
5. **Acquire as much land as possible through development.**
6. **Energy Step Code as advanced as possible.**

PARKS & ENVIRONMENT

7. **Trees for future generations:** develop a Tree Management and Protection Bylaw; enhance tree canopy and biodiversity; establish Future Old Growth (FOG) zones.
8. **Pierce Woods Marine Park:** open to the public in 2024 and form a Waterfront Park Committee.
9. **Beach Road Ends:** design and complete Harper, Lavender and Jack's Roads.
10. **Invasive plants:** removal on all District owned land including parks and road ends.
11. **Local food production enhancement.**
12. **Develop a Parks, Trails, Green Space and Active Transportation Plan.**
13. **Regional District of Nanaimo:** Lantzville Foothills 'Regional Park'.

GOVERNANCE & FINANCES

14. **Continuance of Committees:** Community Safety; Parks and Trails.
15. **Establish new committees/working groups:** Pierce Woods Marine Park; Foothills Park; Green Foreshore Management and Biodiversity; Executive Committee of Council
16. **Asset Management:** inclusion of natural assets.
17. **Continuance of Lantzville / Snaw-Naw-As joint council meetings.**
18. **Financial Planning:** Council continue all efforts to minimize tax burden to residents.

INFRASTRUCTURE GREEN & GREY

19. **Ensure adequate water standard for municipal connections:** protect the municipal aquifer, and develop a resilient well field system; keep water affordable.
20. **Road upgrades:** review of bylaw and road standards.
21. **Drainage:** develop bylaw; high environmental standards to mitigate effects of development.
22. **Water expansion:** implement the $6M grant for Winds water expansion.
23. **Promote Rainwater Harvesting.**

RESIDENT ENGAGEMENT

24. **Continuance of monthly Community Update:** add 'Council Corner' highlighting workshops or municipal services to the community.
25. **Promotion of open and transparent communication with residents:** round table meetings; town hall meetings; explore and engage in new and innovative methods to collect resident input on key issues.
26. **Volunteer built bus shelters:** develop a process including funding.
27. **Rest areas on walking routes:** artisan benches and greenery.
28. **Redesign of District of Lantzville website.**
29. **Establish a Volunteer in Parks Program.**

SERVICES

30. **Community amenities for pets:** dog park; public water bowls.
31. **Fire Safety Rebate Program** (i.e., reflective street numbers).
32. **Beach Fires:** pilot community fire pits.
33. **Community Library:** bring library outreach services and opportunities to Lantzville residents.
34. **Memorial Posts:** a legacy program to dedicate a plaque as a way to pay tribute to an individual or group.

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Lantzville

The overall objectives within the budgeting/financial planning process itself are to:

- look for operational budget savings;
- update the operating budget numbers to maintain current service levels (core or base operating budget);
- prepare operating spending packages for new services or increased service levels;
- update the capital plan based on best information and estimates; and
- prepare capital spending packages for new capital projects not currently in the 5-year plan.

Provisional 2025 Operating Budgets & 5-Year Financial Plan

Preparing Provisional 2025 Operating Budgets

From a high level perspective, when reviewing and updating the 2025 Provisional Operating Budgets for General, Sewer & Water we will:

- Identify potential budget savings;
- Review existing fees and charges levels and investigate new revenue opportunities;
- Eliminate structural deficits (where expenditure commitments exceed existing budgets or where existing revenue budget targets will not be realized);
- Consider alternative or new service delivery methods (if appropriate);
- Review grant opportunities;
- Separate one-time or limited duration revenues & expenditures from ongoing revenues & expenditures;
- Match ongoing or regular expenditures with ongoing and stable revenue sources;
- Match one-time or limited duration expenditures (projects) with limited funding sources (such as reserves or deferred revenues); and
- Consider the capital impacts of any new operating initiatives and the operating impacts of capital projects.

Departments will work with Finance to:

- Review their 2024 year-to-date operating revenues and expenditures and projected year-end results, in comparison to their 2024 budgets;
- Review historical departmental revenues and expenditures where applicable;
- Review departmental fees and charges;
- Identify and separate one-time or limited duration operating projects from ongoing operating budgets;
- Establish their core, ongoing operating budgets for 2025, which are needed to maintain existing services and service levels.

Core budget changes may result from the following:

- Increases in wages resulting from the collective agreement, new or changed positions, etc.
- Approved increases for inflation;
- Unexpected increases to maintain current services;
- Increases resulting from contractual obligations including those related to utilities;
- Budget savings from process reviews or completion of projects, and
- Changes in regulatory requirements; and
- New initiatives or spending approved by Council;

Finance will:

- Calculate all wage and benefit impacts and review these with Departments. All of the Provisional Operating Budget numbers and explanations will be entered into an Excel budget planning model by Finance, with the results being reviewed with the Chief Administrative Officer and Departmental Managers.
- Track all changes to the 2025 core or base operating budgets for General, Sewer and Water, and summarize these in a report to Council. All operating budgets presented will separate ongoing revenues/funding and associated expenditures from one-time or limited duration revenues and expenditures.

The above needs to be completed by Friday, October 4, 2024.

Preparing the Longer-Term (to 2029) Operating Financial Plans

Finance will work with Departments to identify any core operating budget changes and/or special projects (with specific funding sources such as grants) over the longer term (to 2029). Finance will extrapolate the Provisional 2025 Operating Budget numbers in each year to 2029 and review these with Departments. Again, all operating budgets presented will separate ongoing revenues/funding and associated expenditures from one-time or limited duration revenues and expenditures.

The above needs to be completed by Friday, October 11, 2024.

Operating Spending Packages (New Initiatives or Increases to Current Service Levels)

Spending Packages are requests to Council to increase the operating budget for either a new initiative or an increase in current service levels. Departments are encouraged to fill out operating spending packages to fulfill Council's strategic priorities and to improve operations or administration.

Two Operating Spending Package template forms have been developed and are attached. One is a narrative, and one is a financial calculation. These forms are available to Departments for completion. Both templates need to be completed for each new initiative or requested increase in service levels beyond that which is in the Departmental core operating budgets as approved by Council.

The narrative "Operating Budget Spending Package Report" provides a descriptive summary based on the answers to key questions.

The "Operating Budget Spending Package – Financial Calculations" provides a financial breakdown for the spending package.

Operating Spending Packages need to be completed and submitted to Finance by Friday, October 4, 2024.

Provisional 2025 – 2029 Capital Plan

Finance will distribute the approved or adopted 2024 – 2028 Capital Plans to Departments including the year-to date spending on 2024 Capital Projects. Departments are asked to complete the following:

- Review the status of their 2024 Capital Projects including projecting the final 2024 year-end capital spending for each project;
- Identify the 2024 Capital Projects which are in progress and which will not be completed by the end of 2024 and provide a projection of the Project budgets which will have to be carried over to 2025;
- Review all Capital Projects and identify any changes including any revised estimates. All revised estimates should be supported or justified in writing to Finance and can include updated quotes, revised calculations, etc.;
- Identify and estimate all associated operating expenditures which will result from each Capital Project;
- Identify any external funding sources for your Capital Projects including grants;
- Complete a Capital Spending Package form (see attached) for new Capital Projects or Projects to be added to the Capital Plan including for the new 2029 year; and
- Forward the results from the above to Finance.

Finance will review with Departments the list of Development Cost Charge (DCC) projects that need to be included in the 2025 – 2029 Capital Plan. Finance will then compile a Provisional 2025 – 2029 Capital Plan based on the above including the recommended funding sources.

The Capital Review including the completion of Capital Spending Packages needs to be completed and submitted to Finance by Friday, October 11, 2024.

Glossary

- **Capital or Capital Budget:** Those capital assets or expenditure which meet the PSAB accounting definition of tangible capital assets (TCA), and which meet the District's asset capitalization thresholds, as well other capital expenditures which are not capitalized (not above capitalization threshold) and which are above a minimum dollar threshold established by the District.
- **Capital Spending Packages:** Formal process of submitting and estimating costs for new capital projects so that Council can decide upon and prioritize capital spending.
- **Core or Base Budget:** The budget that is required to maintain existing services and programs at previously approved service levels.
- **Financial Forecasting or Forecasts:** The process of projecting or estimating revenues, expenditures and reserve/surplus transfers, over a period of time, using factors and assumptions related to economic conditions, future spending and revenues and other variables.
- **Funding Sources:** Those revenues and reserve/surplus transfers that are utilized to fund or pay for the District's operating and capital expenditures within the District's Financial Plan/Budget.
- **Long-Term Financial Planning:** A combination of financial forecasting and strategizing. Long-Term Financial Planning is a highly collaborative process that aligns long-term financial capacity with long-term service objectives by considering and determining future scenarios and challenges.
- **Operating Budget:** Those expenditures which are not defined as capital. Generally, expenditures for items which are not held for use in the production or supply of goods and services, and which are normally consumed as part of day-to-day activities.
- **Operating Spending Packages:** Formal process of submitting costs for approval for new services or programs or increased service levels so that the cost impacts are clear and understood.
- **Structural Deficits:** Instances where existing expenses will exceed current budget levels or where projected revenues will not meet current budget levels.
- **Tangible Capital Asset:** Non-financial assets which have physical substance that meet all the following criteria:
  - Are held for use in the production of supply of goods and/or services, for rental to others, for administrative purposes of for the development, construction, maintenance, or repair of other tangible capital assets.
  - Have useful economic lives extending beyond an accounting period.
  - Have been acquired to be used on a continuing basis.
  - Are not intended for sale in the ordinary course of business.

District of Lantzville

2025 Operating Budget Spending Package Form

(Request for Additional Operating Funds to Achieve Council's Goals and Objectives or to Become More Efficient & Effective, through New Services/Programs and/or Increased Service Levels)

Requesting Department:_____ Date:_____

CAO's Authorization:_____ Budget Request: $ _____

Title of Operating Initiative or Project: _____

1. How does this new initiative or increase to current service levels further Council's goals and objectives?

2. What operational efficiencies will be created and when will they be realized?

3. How will this spending initiative allow the Department to operate more effectively?

4. What are the benefits of this new initiative or increase to current service levels?

5. What are the ongoing operational costs (include details of how the amount was arrived at including a summary of any quotations or estimates obtained. Attach "Operating Spending Package – Financial Calculatons.xlsx" form)?

6. What are the one-time operational costs (include details of how the amount was arrived at including a summary of any quotations or estimates obtained)?

7. What are the associated capital requirements?

8. Are there any budget savings that will be realized as a result of this initiative? Please provide details.

9. What new or increased revenue can be realized as a result of this initiative?

2025 Operating Budget Spending Package Form – Financial Estimate

Title of Initiative or Project:

Complete all the Blue Cells

Department

CAO Authorization

Obj #	Budget Details	Dollars	Notes:
	Ongoing Annual Budget Costs		
	Meeting Expenses	-	
	Telephone/Communications	-	
	Advertising	-	
	Licenses	-	
	Software Support	-	
	Memberships & Dues	-	
	Conferences, Training & Travel	-	
	Office Supplies	-	
	Contracted Services	-	
	Professional Services	-	
	General Supplies	-	
	Maintenance Supplies	-	
	Other	-	
		-	
		-	
		-	
	Subtotal:	-	

These are typical costs associated with a new project. There may be other costs that are unique to this project. Add new lines or override the information as needed.

Salary	**Position Title:**		
	Number of hours per year	1,820.00	*Full Time Inside = 1820, Full Time outside = 2080*
	Hourly rate		*Rate for Year: Use 2024 rates*
	Vacation, Stat & Benefit % in-lieu		*If Applicable*
	Overhead		To be completed by Finance
	Salary budget	-	
	Full time equivalency	1.00	
	Subtotal:	-	
	Total on-going annual budget	-	

This is designed to hire a new employee, full time or part time, on benefits

For part time employees, enter the Full Time Equivalency number (***See below for details***)

One-Time Operating Costs		
	-	
	-	
One-time Budget	-	

These are typical One-time costs associated with a new project.

Estimated new or Increased Revenue		
	-	*Enter as a negative Number*
	-	*Enter as a negative Number*
New or Increased Revenue Budget	-	

Enter a description of revenue that may be generated or increased by this initiative.

Capital Spending Costs		
Office furniture		
Computer & small equipment		
Office modifications		
Setup for electronics		
One-time Capital Budget	-	

These are typical capital costs associated with a new project. There may be other costs that are unique to this project. Add new lines or override the information as needed.

BUDGET SUMMARY

This summary is for Finance Use.

Core Budget Increase	$0	
New Revenue	$0	
One-time capital costs	$0	
One-time capital funding source	$0	Finance to Complete
One-time operating costs	$0	
One-time costs funding source	$0.00	Finance to Complete
		(Enter Funding Source for One-time Costs)

Calculating Full Time Equivalency

Inside Employees

Estimate total number of hours **per week**	1820	Example
FTE Equivalency	**1.00**	

Public Works Employees

Estimate total number of hours **per year**	2080	Example
FTE Equivalency	**1.00**	

District of Lantzville

2025 Capital Budget Spending Package Form

Capital Project Title:

Department:		Year Project to Start:	

Descriptive Summary of Proposed Project:

"Insert a concise summary of the key highlights of the project."
"Consider how the project improves overall efficiency and/or effectiveness of the organization."

Net Financial Impact:

Attach detailed calculations as to how the net annual financial impact was arrived at, including any offsetting operating savings or revenue that would be generated as a result of proceeding with the project.

CAPITAL

	TOTAL	2025	2026	2027	2028	2029
Capital Costs:	$0	$0	$0	$0	$0	$0

Funding Source(s): *(If known)*

	$0	$0	$0	$0	$0	$0
	$0	$0	$0	$0	$0	$0
	$0	$0	$0	$0	$0	$0

Year 1 of capital costs refers to the first year that costs are incurred on the project and equals the year indicated above.

OPERATING - ONGOING

	2025	2026	2027	2028	2029
Incremental Operating	$0	$0	$0	$0	$0
Incremental Operating Costs:	$0	$0	$0	$0	$0
Net Revenue or Cost	**$0**	**$0**	**$0**	**$0**	**$0**

OPERATING –ONE-TIME

	2025	2026	2027	2028	2029
One-time Operating Costs:	$0	$0	$0	$0	$0

Description of one-time costs: "enter brief description of one-time operating costs"

Benefits of Project & Consequences of Not Proceeding with Project:

"State the benefits that would result from proceeding with this project and consequences of not proceeding."

Departmental Priority *(from 1 to 10, with #1 being the highest):*

"Provide a brief explanation of the assigned priority."

Council's Strategic Priorities 2023 - 2026:

✓ Check which of Council's priorities that this project addresses

Priorities:		Explanations:
Planning & Development		
Infrastructure Green & Grey		
Parks & Environment		
Governance & Finances		
Services		

Additional Information:

"Insert any additional information you think is relevant with this project."

District of Lantzville

REPORT TO CHIEF ADMINISTRATIVE OFFICER

Meeting Date: September 24, 2024

SUBJECT: Review of Covid-19 Safe Restart Grant Funds

PURPOSE

The purpose of this report is to review the status of the Covid-19 Safe Restart Grant Funds (Funds).

RECOMMENDATION

N/A

ALTERNATIVES AND IMPLICATIONS

N/A

BACKGROUND/RELEVANT HISTORY

The District of Lantzville received $1,220,000 of grant funds under the Covid-19 Safe Restart program in 2020. As per the District's annual financial statements the Funds have been used to the end of 2023 as follows:

Summary of Covid Recovery Funding

	Years				
	2023	2022	2021	2020	Totals All Years
Balances Beginning of Years	425,734	754,950	1,167,494	1,220,000	1,220,000
Eligible costs incurred:					
Information technology requirements	(19,189)	(138,709)	(71,114)	(17,377)	**(246,389)**
Facility safety improvements	(41,955)	(40,986)	(11,278)	(8,331)	**(102,550)**
Wages & benefits	(88,519)	(41,858)	(30,000)	(26,798)	**(187,175)**
Reserve fund contributions	-	(126,574)	(312,200)	-	**(438,774)**
Subtotal Eligible Costs	**(149,663)**	**(348,127)**	**(424,592)**	**(52,506)**	**(974,888)**
Interest earned	19,496	18,911	12,048	-	50,455
Balances End of Years	295,567	425,734	754,950	1,167,494	295,567

Recent discussions with the Ministry of Municipal Affairs have confirmed that the intent of the COVID-19 Safe Restart Grant has not changed - in their words: "The use of the funds and reporting requirements have not changed since the grant was introduced in 2020." The original approved uses for these Funds were as follows:

Eligible costs include:

- addressing revenues shortfalls;
- facility reopening and operating costs;
- emergency planning and response costs;
- bylaw enforcement and protective services like fire protection and police;
- computer and other electronic technology costs (to improve interconnectivity and virtual communications);
- services for vulnerable persons (e.g. persons living with disabilities, mental illness or addictions, persons experiencing homelessness or other vulnerabilities); and
- other related costs.

Attached Appendix "A" provides a detailed accounting of the use of all of the Funds since inception, including the 2024 budget amendment/motions to date. Currently, the Covid Recovery Reserve (see Appendix "A") is overcommitted by $60,637.18, based on all approved expenditures to date. To rectify this situation, staff will reduce Covid Recovery Reserve funding, when completing the 2024 year-end, for Computer Maintenance (the $70,000 allocated in the 2024 budget would be reduced as needed).

As per a Ministry issued clarification, one of the approved uses of these Funds was "to replenish statutory reserve funds where the municipality borrowed from these funds to address COVID-19 issues. While this can be paid down any time before the end of 2025, the payment must relate to borrowing that occurred in 2020."

The use of the Covid Recovery Reserve to increase reserve fund transfers or to replenish reserves, technically speaking, should conform to the above. The use of the Funds for this purpose is being rationalized on the basis that the District of Lantzville experienced some revenue shortfalls (an allowable use of the Funds) during the Covid period which impacted transfers to reserves. It should also be noted that the Covid Recovery Reserve was credited with $50,499.69 of interest earnings which can be used for any purpose, as it was not necessary to pay interest to the Covid-19 Reserve Account. It is recognized that various local governments have treated reserve fund transfers resulting from the Covid-19 Safe Restart funds differently.

Now that the District's Covid-19 Restart Grant Funds have been used in their entirety, the ongoing expenditures that have been funded from this source will require an alternate, ongoing funding source in the 2025 budget, which may impact taxation.

ATTACHMENT

- APPENDIX "A" – TRACKING OF COVID RECOVERY RESERVE

Prepared by:

Ken Bjorgaard
Interim Director of Financial Services

Date: September 12, 2024

Approved for submission to Council:

Glenn Morphy
Acting CAO / Director of Public Works

Date: September 12, 2024

REVIEWED WITH:			
☒ Corporate Administration	☐ Fire Rescue	☐ Public Works/Engineering	☐ RCMP
☒ Financial Services	☐ Planning	☐ Solicitor	☒ Committee:
☐ Other:			

COUNCIL AGENDA INFORMATION:		
Meeting Type	**Date**	**Agenda Item #**
Regular		
Special (COW)	September 24, 2024	
Closed (In-Camera)		

Appendix "A" - TRACKING OF COVID RECOVERY RESERVE

	Funding (-) & Expenditures (+)	Notes
Funds Received 2020	**(1,220,000.00)**	
Wages	28,797.04	
First Responder Supplies	5,720.44	
Information Technology	17,377.20	
Office	2,611.50	
As Per 20201 Year-End Financial Statements	**(1,167,493.82)**	
Opening Balance, January 1, 2021	**(1,167,493.82)**	
Interest Jan-Jun 2021 allocation JV280	(6,166.34)	
Interest-YE 2021 allocation JV281, 282	(5,882.29)	
COVID Recovery contribution JV54	312,200.00	In 2021, due to financial pressures created by the Pandemic, contributions to asset reserves were initially reduced by $312,200. The contributions were subsequently re-instated and funded from COVID Restart grant funds.
COVID funded photocopier purch C159 JV294	13,844.38	
COVID funded Council Chambers AV C173 JV294	52,242.33	
COVID funded beach road ends C174 JV294	11,278.50	
COVID funded Gen Cap WIP JV309	5,026.86	
Fund Deputy Director Fin Services partial year JV192	30,000.00	
As Per 2021 Year-End Financial Statements	**(754,950.38)**	
Opening Balance, January 1, 2022	**(754,950.38)**	
Interest Jan-Jun 2022 allocation JV 333	(5,274.25)	
Interest-YE 2022 allocation JV 334	(13,636.62)	
Correct 2021 COVID exp not rec in 2021 JV137	150,801.00	Various information technology & public safety costs
COVID expenses to Oct 7 2022 (RH) JV 136	61,095.00	
COVID expenses to Dec 31 2022 JV 309	9,656.76	
Tfr 2022 Clark Cr #168 water main cost overrun-funded by COVID per Council res C21-247 Sep 21/22 JV310	150,000.00	
Reverse JV310 - JV 350 replaces	(150,000.00)	
Tfr 2022 Clark Cr #168 water main actual cost overrun-funded by COVID per Council res C21-247 Sep 21/22 JV350	68,779.86	
CC 166 Mart Paving	57,794.00	
As Per 2022 Year-End Financial Statements	**(425,734.63)**	
Opening Balance, January 1, 2023	**(425,734.63)**	
JV 132 Interest allocation Jan-Jun 2023	(9,701.71)	
JV 243 Interest allocation YE 2023	(9,794.48)	
JV 214 Website upgrade cc 133	7,000.00	
JV 214 Vadim/ICity server cc 182	4,165.00	
JV 214 IT equipment replacement cc 181	8,024.32	
JV 224 COVID Capital expenses 2023	41,954.66	
JV 224 COVID funded fire chief to 1.0 FTE	6,898.00	
JV 315 Fire Patrol Summer 2023 FD internal tfr	10,758.00	
JV 320 Fund Bylaw expense for 2023	70,863.02	Bylaw services
As Per 2023 Year-End Financial Statements	**(295,567.82)**	
Opening Balance, January 1, 2024	**(295,567.82)**	
Budgeted 2024 Spending (including budget amendments)		
Comp Maint IT out of COVID Fund per Dec 4 motion	70,000.00	
From COVID Fund (Janitor etc) per Nov 29 Motion	11,200.00	Incremental charge between 2023 & 2024 budgets
From COVID Fund for Planning Cloudpermit per Jan 10 motion	4,500.00	Also approved funding in each of 2025 & 2026 of $3,500 for this
New Fire Rebate program out of COVID Fund per Council Jan 17, 2024.	10,000.00	Program to be revisited annually
Per Jan 24 motion, transfer from COVID fund to Road Reserve.	122,405.00	In 2024 Budget Bylaw
Per Bylaw Amendment Feb. 21 2024, transfer 113,100 from COVID fund to various reserves: Increase the Public Works Vehicle and Capital Equipment Reserve Fund 2024 contribution by $55,000 (01-5-10-992 Asset Replacement/PW Vehicles Reserve increasing from $25,000 to $80,000); Increase the Municipal Facilities Life Cycle Reserve Fund 2024 contribution by $13,100 (01-5-10-985 Capital Works Fire Hall Reserve increasing from $45,400 to $58,500); Increase the Fire Department Vehicle and Capital Equipment Reserve Fund 2024 contribution by $45,000 (01-5-10-993 Fire Truck Reserve increasing from $40,000 to $108,200; AND 01-5-10-991 Asset Replacement Fire Department Equipment Reserve decreasing from $40,000 to $16,800)	113,100.00	Budget amendment required
2024-07-24 THAT Council directs staff to undertake a Traffic Impact Assessment (TIA) study for the Harwood/Aulds Intersection (6717/6701/6720 Harwood Drive, and 7426 Spences Way); AND FURTHER THAT, the Traffic Impact Assessment be funded from the COVID restart fund; AND FURTHER, THAT the total funds expended do not exceed $25,000.	25,000.00	Budget amendment required
Projected Balance end of 2024 (Deficit)	**60,637.18**	Total Overspending Projected
Total Interest Earnings credited to Covid Reserve	**(52,455.92)**	

District of Lantzville

REPORT TO CHIEF ADMINISTRATIVE OFFICER

Meeting Date: September 24, 2024

SUBJECT: Review of Surplus, Reserve and Deferred Revenue Accounts

PURPOSE

The purpose of this report is to present the results of a review of the District of Lantzville's Surplus, Reserve and Deferred Revenue (also referred to as Restricted Revenue) accounts, and to provide recommendations to restructure the same with the goal of providing greater financial understanding, sustainability, transparency and flexibility.

RECOMMENDATIONS

See summary of recommendations further on in this report.

ALTERNATIVES AND IMPLICATIONS

By not proceeding with the recommendations in this report, there will continue to be ambiguity around District's Surplus, Reserve and Deferred Revenue accounts, and the buildup of Reserves to meet the District's long term financial goals may not be realized.

BACKGROUND/RELEVANT HISTORY

Legislation and Terminology

Under the *Community Charter* Reserve Funds must be established by bylaw. In addition, per subsection 188 (2) of the *Community Charter* when monies are received from the following sources a Reserve Fund must be established:

- the imposition of a development cost charge;
- the imposition of an amenity cost charge;
- the sale or disposal of park land and cash received in-lieu of providing park land in subdivisions (all of these funds must be used for acquiring park lands);
- the disposal of highway property that provides access to water;
- the funds received in-lieu of meeting the conditions for conserving or providing certain amenities;
- the funds received for providing affordable and special needs housing units;
- the fund received in-lieu of providing affordable and special needs housing units;
- the funds received for parking space requirements (must be used to provide off-street parking spaces, or transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation);
- the funds received for transportation demand management; and
- the sale of land and improvements (must be used for purposes of paying any debt remaining in relation to the property and of acquiring land, improvements and other assets of a capital nature).

The above must have Reserves are to be established pursuant to specific legislative requirements. Reserve Funds for other purposes are discretionary. Reserve Funds can be transferred from one reserve to another, via bylaw, and Reserve Funds can lend monies to other Reserves, subject to certain conditions.

Reserve Funds represent an allocation of the District's overall Accumulated Surplus as reflected in the District's consolidated financial statements. It is important to have a clear understanding of the following terms in relation to this topic so that meaningful discussion can occur.

(1) "Accumulated Surplus" represents the accumulated excess of revenues over expenditures from the current year and prior years. Generally Accumulated Surplus is comprised of three amounts – Cash or Unrestricted Accumulated Surplus, Reserve Funds (not including those Reserves classified as Restricted Revenue or Deferred Revenue) and an organization's equity investment (means net of any debt) in Tangible Capital Assets. Unrestricted Accumulated Surplus is normally segregated and accumulated under the various operating funds, e.g. general, sewer and water.

(2) "Annual Surplus" or "Annual Deficit" - in the case of Annual Surplus this means the accumulated excess of revenues over expenditures for the current year and in the case of Annual Deficit this means an excess of expenditures over revenues for the current year. Annual Surpluses increase the amount of Accumulated Surplus and Annual Deficits decrease the amount of Accumulated Surplus.

(3) "Restricted or Appropriated Accumulated Surplus" - means funds set aside from Unrestricted Accumulated Surplus for designated, future expenditures. Restricted Accumulated Surplus funds are not intended to be set aside for the long-term; they are normally intended to be used within the year for the projects which they have been set aside for. These are sometimes also referred to as Reserve Accounts as they are not established by law.

(4) "Cash or Unrestricted Accumulated Surplus versus Non-Cash or Restricted Accumulated Surplus - Cash or Unrestricted Accumulated Surplus represents real money that an organization can spend, whereas Non-Cash or Restricted Accumulated Surplus represents funds that have already been spent on Tangible Capital Assets. Cash or Unrestricted Accumulated Surplus is used to fund operations prior to collecting property taxes and utility rates, and for emergency expenditures if needed.

(5) "Reserve Funds" or "Reserves" - funds that are set aside for a specified purpose by Council bylaw pursuant to subsection 188 of the Community Charter. There are Discretionary Reserve Funds that can be established pursuant to subsection 188 (1) of the Community Charter, where Council has the choice of whether or not it wants to establish a Reserve for a specified purpose, and then there are Non-Discretionary Reserve Funds that need to be established pursuant to subsection 188 (2) of the Community Charter or pursuant to other legislation. It is financially prudent to set money aside for future one-time capital and/or operating expenditures in Reserve Funds.

(6) "Restricted or Deferred Revenue" - revenues or receipts which are restricted by legislation, or that contain stipulations that create a liability, and which are deferred. Restricted Revenue is recognized as revenue in the period in which the qualifying expenses are incurred and/or the stipulations are met. Certain Reserve Funds, e.g. Parkland Acquisition Reserve Funds and Development Cost Charges Reserve Funds, are classified as Restricted Revenues for financial accounting and reporting purposes.

Rationale, Monetary Levels and Internal Borrowing

It is important that the rationale for each of the District's Surplus, Reserve and Deferred Revenue accounts be clearly understood so that these funds can be built up and used to fulfill their intended purpose. The rationale and specific monetary target levels are often contained in a policy approved by Council. Appendix "B" to this report provides an example of such a policy.

Optimal monetary levels for Reserve Funds are directly related to projected, long-term spending from the Reserves, which means that a solid and integrated long-term/asset management plan should be in place to determine future needs and spending. The optimal level for Unrestricted Accumulated Surpluses is directly related to the funds needed to pay for or sustain operations prior to collecting property taxes or utility rates, and to provide for emergency expenditures that cannot be otherwise funded from other sources. The build-up of Reserve Funds and Unrestricted Accumulated Surpluses to optimal levels can occur over time; however, it does require financial planning and spending discipline to ensure that these balances continue to grow in order to meet an organization's financial goals.

As indicated previously, internal borrowing from one Reserve Fund to another to fund projects is allowed for under legislation. In order to create internal borrowing opportunities, the Reserve Funds need to be built up. Internal borrowing has several advantages over external Municipal Finance Authority borrowing including the following:

- Can pay-out or pay-down the debt at any time if funds are available;
- Can vary the term or length of the loan at any time; however, the term of repayment should not extend beyond the life of the asset(s);
- Can establish the interest rate on borrowed funds at a similar interest rate at which the Reserve Funds would have been earning interest, which is generally lower than external borrowing rates; and
- Can establish fixed or variable interest rates.

Interest earnings on Reserve Funds add to the fund balances. Interest earnings can be maximized through long-term financial planning, which indicates how long the Reserve Funds can be set aside for or when the funds are needed. Reserve Funds need to be paid interest; however, it is optional whether or not to pay Reserve Accounts interest.

Reserve Fund Bylaws and Allocations to Reserves

The District's Reserve Fund establishment bylaws currently include many details, such as annual amounts to be allocated and specific, defined uses in some cases. These type of details are best kept within a Reserve & Surplus Policy (Policy) (see Policy example in Appendix "B") so that when changes are needed or desired the Policy can be easily updated as opposed to adopting a new establishment or amending bylaw. The Policy can be updated or changed through Council motions and can include more of the "mechanics" or workings around specific Reserve Funds including minimal and optimal balances to be achieved.

Some of the District's Reserve Fund establishment bylaws have undergone a number of amendments. It is advisable to rescind or repeal the original establishment bylaws and enact new bylaws when changes are desired, so that the latest bylaws include all of the terms and conditions, as opposed to having to look at the historical bylaws and the amendments for all of terms. This also prevents the need to produce consolidated versions of Reserve Fund bylaws.

There are certain general clauses that are worthwhile having in all Reserve Fund establishment bylaws such as the following debt clause example, which can be invoked if and when needed.

- Monies in the "xxxx Reserve Fund" shall be used to fund xxxx capital projects and any associated debt repayments incurred as a result of borrowing for such projects, and for the retirement of any related debt.

Reserve Funds can be more general in nature to allow for greater financial flexibility in terms of the allowable uses. For example, it is common to have a "General Capital Reserve Fund" which can provide for many different types of capital expenditures. The broader Reserve Funds can always be broken down into segregated uses with the Policy. For example, the General Capital Reserve Fund can be in part segregated to set aside funds for other more specific uses, e.g. a new facility, capital upgrades for municipal facilities, etc.

Council has control over the yearly contributions to Reserve Funds through the annual budgeting process, by approving the annual financial statements and at year-end when they approve any distribution of the Annual Surpluses (from General, Sewer and Water). When making decisions around the allocations to specific Reserve Funds, it is advisable for Council to take a holistic view of all of the Reserve Funds by reviewing current, minimum and optimal monetary levels and by reviewing longer term financial projections for all Reserves.

Operating Reserves

Reserve Funds can be set aside for operating or capital purposes. Having a general Operating Reserve such as a Financial Stabilization Reserve Fund, is very helpful in funding the following:

Major Emergent Operating Issues – local government are exposed to major non-reoccurring costs related to various emergency events or situations, e.g. inclement weather, environmental hazards, etc. It is not possible to anticipate or budget for these emergent situations and it is not feasible to absorb the cost of such events in other budget areas in any given year.

One-Time and Intermittent Projects – local governments undertake certain one-time and/or limited duration projects that are larger in terms of costs. Funding these projects from property taxation would result in annual spikes and subsequent declines in taxation; therefore, it is not prudent to fund these projects from on-going property taxation revenue.

To Offset Unrealized Revenues - some local government revenue sources, e.g. development fees, building permits, and subdivision inspection fees, are cyclical in nature and thus are subject to downturns in the economy. Local governments try to anticipate economic downturns by budgeting for a base dollar amount of these revenues. Despite their best efforts, local governments can be exposed to unrealized revenues and/or declines in base revenues from year to year. One cannot always count on budgetary savings or other revenues to offset these revenue shortfalls.

A general Operating Reserve can serve to mitigate the effects of the above and allow for budgeting that is "closer to the line".

It is not advisable to fund ongoing operating expenditures, e.g. new positions, etc.; from limited Operating Reserves and to thus defer property tax increases, as this automatically builds and accumulates tax increases into future budgets. This practice can also result in structural deficits in the form of unfunded operating expenses.

Other Operating Reserves which are common for many local governments are those for legal & insurance and information technology costs. Legal costs can be variable and insurance costs can be reduced by raising deductibles if there is a safeguard in place, such as an Operating Reserve. In terms of information technology, this area is subject to rampant development and progress, and having a Reserve in place for special information system costs will allow the organization to take advantage of information technology advancements in order to operate more efficiently and effectively.

Recommendations & Account Balances

An analysis of all of the District of Lantzville's Reserve, Surplus and Deferred Revenue accounts is provided in Appendix "A", including a number of recommendations for Council's consideration. A summary of all the recommendations resulting from this review are as follows:

Recommendations	Comments
a. That a Reserves Funds, Surpluses & Deferred Revenue Policy be brought forward for Council's consideration, which includes the rationale and bases for all of the District of Lantzville's Reserve, Surplus and Deferred Revenue accounts including minimal and optimal monetary levels, as applicable, for each.	See Appendix "B" for example Policy.
b. That a General Capital Reserve Fund establishing bylaw be brought forward for consideration.	A new, broader Capital Reserve Fund aimed at consolidating other existing Capital Reserve Funds.
c. That a Financial Stabilization Reserve Fund establishing bylaw be brought forward for consideration.	New Operating Reserve Fund to address variable or cyclical expenses and revenue, to provide for operating projects.
d. That a Legal & Insurance Reserve Fund establishing bylaw be brought forward for consideration.	New Operating Reserve Fund to address higher risk costs and to allow for higher insurance deductibles.
e. That an Information Systems Reserve Fund establishing bylaw be brought forward for consideration.	New Operating Reserve Fund to take advantage of information technology development.
f. That the Lantzville Winter Road Maintenance Operating Reserve Fund (Reserve Account) be discontinued with the monetary balance in the Reserve being transferred to the Financial Stabilization Reserve Fund, once established.	Reserve Account therefore no bylaw to be repealed. A variable cost that can be provided for within the new Reserve Fund.
g. That a staff report be brought forward to rationalize the intent or purpose of the Tax Stabilization Reserve (Reserve Account), and to seek Council's guidance as to next steps related to this Reserve.	The terms or purpose of this Reserve Account needs to be clarified so that it meets Council's intended objectives.
h. That the One Time Projects Reserve (Reserve Account) be discontinued with the monetary balance in the One Time Projects Reserve being transferred to the Financial Stabilization Reserve Fund, once established.	A Council motion to support the founding of this Reserve was not located. A transfer bylaw is not needed as this a Reserve Account.

Recommendations (cont'd)	Comments
i. That the Accumulated General Operating Surplus Reserve Fund establishing bylaw be repealed.	These funds are not currently separated from the District's Accumulated Surplus. An analysis needs to take place to isolate available General Operating Accumulated Surplus funds. Any excess funds can be transferred to other Reserve once determined.
j. That a Transportation Infrastructure Reserve Fund establishing bylaw be broad forward for consideration.	This is broader Reserve than the current Roads Infrastructure Capital Reserve, which would include expenditures for improvements, rehabilitation and renewal of roads, trails and pathways.
k. That the Roads Infrastructure Capital Reserve balance be transferred to the Transportation Infrastructure Reserve Fund, once established; and that the Road Infrastructure Capital Reserve establishment bylaw be repealed.	See above. A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
l. That the Municipal Facilities Life Cycle Reserve balance be transferred to the General Capital Reserve Fund, once established; and that the Municipal Facilities Life Cycle Reserve establishment bylaw be repealed.	A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
m. That the Administration Capital Equipment Reserve balance be transferred to the General Capital Reserve Fund, once established; and that the Administration Capital Equipment Reserve establishment bylaw be repealed.	A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
n. That a Vehicle and Equipment Reserve Fund establishing bylaw be brought forward for consideration.	The Vehicle and Equipment Reserve Fund can be segregated for Public Works Vehicles/Equipment and Fire Department Vehicles/Equipment.
o. That the Public Works Vehicle and Capital Equipment balance be transferred to the Vehicle and Equipment Reserve Fund, once established; and that the Public Works Vehicle and Capital Equipment Reserve establishment bylaw be repealed.	A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
p. That the Fire Dept Vehicle and Capital Equipment balance be transferred to the Vehicle and Equipment Reserve; once established; and that the Fire Dept Vehicle and Capital Equipment Reserve establishment bylaw be repealed.	A transfer bylaw is required as per subsection 189 (2) of the Community Charter.

Recommendations (cont'd)	Comments
q. That a Land Sale Reserve Fund establishing bylaw be brought forward for consideration, pursuant to the requirement for such a Reserve in the Community Charter; and that any monies received from the sale of land and improvements to date, including estimated earnings thereon, be transferred into this Reserve Fund.	As required under the Community Charter. Funds. A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
r. That a Park Land Acquisition Reserve Fund establishing bylaw be brought forward for consideration, pursuant to the requirement for such a Reserve in the Community Charter, and that any monies received for parkland to date, including estimated earnings thereon, as per the Community Charter, be transferred into this Reserve Fund.	Monies can be segregated for Waterfront Parkland purchases and non-Waterfront Parkland purchases within this Reserve if so desired. A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
s. That the terms for the Property Acquisition Reserve Fund establishment bylaw be updated.	Based on the establishment of a Land Sale Reserve Fund (see above).
t. That the monies in the Parkland Capital Reserve Fund be transferred to the Parkland Capital Infrastructure Reserve fund.	There is no establishing motion or bylaw for this Reserve, therefore a transfer bylaw is not required as per subsection 189 (2) of the Community Charter.
u. That the establishment bylaw for the Parkland Capital Infrastructure Reserve Fund be updated so that specific, annual monetary contributions are not specified and so that it includes the allocation of annual interest the earnings from the Parkland Development Cost Charge (DCC) account.	Interest earnings from the Parkland DCC can be allocated for park infrastructure.
v. That the Sewer Infrastructure Capital Equipment establishment bylaw be repealed; and that a new bylaw titled "Sewer Capital Reserve Fund" be brought forward for consideration.	The bylaw terms would be updated and would provide for similar and broader uses than the current bylaw.
w. That the Phase III Sanitary Sewer Collection System Debt Reserve Fund balance be transferred to the Sewer Capital Reserve Fund, once established; and that the Phase III Sanitary Sewer Collection System Debt Reserve establishment bylaw be repealed.	The accumulated funds will never be used for debt retirement. A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
x. That the Water Infrastructure Capital Equipment Reserve establishment bylaw be repealed; and that a new bylaw titled "Water Capital Reserve Fund" be brought forward for consideration.	The bylaw terms would be updated and would provide for similar and broader uses than the current bylaw.

Recommendations (cont'd)	Comments
y. That the portion of funds in the District of Lantzville / Nanaimo Water Agreement, Lower Lantzville (Lower Pressure Zone) and Non-Agreement Committed Water Connection Reserve received to date for the water distribution system (the $292.71 portion of $5,915.26 connection fee), including estimated earnings thereon, be transferred to the Water Capital Reserve Fund, once established, that the District of Lantzville / Nanaimo Water Agreement, Lower Lantzville (Lower Pressure Zone) and Non-Agreement Committed Water Connection Reserve bylaw be repealed, and that a new Reserve titled "District of Lantzville/City of Nanaimo Water Expansion Reserve Fund" establishment bylaw be brought forward for consideration.	A portion of connection funds (the $292.71 from each connection) are meant for general water infrastructure costs and should be directed accordingly. A transfer bylaw is required as per subsection 189 (2) of the Community Charter.
z. That the Community Water Expansion Reserve establishment bylaw be repealed; and that a similarly named establishment bylaw, with updated terms, be brought forward for consideration.	Update of bylaw wording.
aa. That a Reserve Fund establishment bylaw for Community Amenity Contributions be brought forward for consideration; and that the District's Community Amenity Contributions policy be reviewed in light of new provincial legislation for Amenity Cost Charges (ACCs).	No bylaw exists currently.
bb. That a Community Works Funds Reserve establishment bylaw be brought forward for consideration.	No bylaw exists currently. Currently treated as Deferred Revenue; however, the grant funds more closely meet the terms for a Reserve Fund.

The above recommendations are aimed at clarifying, simplifying and refocusing the District's all-important Surplus, Reserve and Deferred Revenue accounts, while at the same time meeting legislative requirements and providing for greater financial flexibility. As at December 31, 2023 the District had $16.86 million in its Surplus, Reserve & Deferred Revenue accounts (see below). With prudent long-term financial planning these accounts can grow and be utilized over time to provide for the long-term financial sustainability of the community.

Surplus, Reserve & Deferred Revenue Summary – Account Balances

(as at December 31, 2023)

Category	$s	Comments
Unappropriated Accumulated Surplus	1,761,229	Includes General, Sewer & Water Surplus
General Fund Reserve Accounts (Restricted Surplus)	452,031	Includes Covid-19 Restart Grant Funds
General Fund Reserve Funds	7,085,793	
Sewer Reserve Funds	1,151,914	
Water Reserve Funds	1,980,115	
Climate Action Program Reserve	134,164	Should be reclassified as Deferred Revenue
Community Works Funds (Deferred Revenue)	1,470,485	Should be reclassified as a Reserve Fund
Development Cost Charges -Drainage (Deferred Revenue)	527,899	
Development Cost Charges -Highway (Deferred Revenue)	239,774	
Development Cost Charges -Parkland (Deferred Revenue)	468,299	
Development Cost Charges -Sewer (Deferred Revenue)	601,538	
Development Cost Charges -Water (Deferred Revenue)	683,734	
Other Deferred Revenue	304,159	
Total	**16,861,134**	

Budgeted Transfers to Reserve Accounts and Funds

The following General, Sewer and Water Reserve Fund transfers are included in the District's 2024 budget (includes budget amendments):

2024 Budgeted General Operating Fund Transfers	
Name of Reserve	**Budgeted $ Transfers**
Admin Equipment Reserve	$10,200
Fire Hall Reserve – now part of Municipal Facilities Life Cycle Reserve (1)	$45,400
Fire Hall Reserve – now part of Municipal Facilities Life Cycle Reserve (2)	$13,100
Costin Hall Reserve – now part of Municipal Facilities Life Cycle Reserve (1)	$30,400
Heritage Church Reserve – now part of Municipal Facilities Life Cycle Reserve (1)	$21,600
Municipal Hall Reserve – now part of Municipal Facilities Life Cycle Reserve (1)	$21,600
Roads Reserve (3)	$680,000
Public Works Trucks & Equipment Reserve	$25,000
Public Works Trucks & Equipment Reserve (2)	$55,000
Parkland Capital Reserve	$10,000
Property Acquisition Reserve	$1,600
Tax Stabilization Reserve	$20,000
One-Time Projects Reserve	$107,400
Fire Department Contribution to Reserve	$80,000
Asset Replacement Fire Department Equipment Reserve (2)	($23,200)
Fire Department Vehicle & Capital Equipment Reserve (2)	$68,200
Housing Initiatives ($167,793 - $60K- 75K) (4)	$32,793
Total Budgeted General Operating Fund Transfers	**$1,199,093**
2024 Budgeted Sewer Operating Fund Transfers	
Sewer Infrastructure Capital Equipment Reserves	**$188,800**
2024 Budgeted Water Operating Fund Transfers	
Water Connection Reserve	**$167,714**
Water System Expansion Reserve	**$9,700**
Water Infrastructure Capital Equipment Reserves	**$265,000**
Total Budgeted Water Operating Fund Transfers	**$442,414**
Total Budgeted Transfers (General, Sewer & Water)	**$1,830,307**

(1) Total transfers of $119,000 to be directed to the Municipal Facilities Reserve
(2) Budget amendments approved which total $113,100 from Covid Reserve
(3) Includes $122,405 from Covid Reserve

(4) Should be Deferred Revenue not Reserve

The above Reserve Fund transfers in the General Operating Fund were increased by $235,505 in 2024 through the use of the Covid Reserve Funds ($122,405 increased transfer to the Road Reserve and $113,100 of increased transfers to other Reserves from the Covid Reserve). As the Covid Reserve Funds are now depleted another funding source would have to be identified if the Reserve transfers in the General Operating Fund are to remain at the 2024 levels.

As indicated earlier, it is difficult to know how much to transfer or allocate to specific Reserve Funds without a long-term financial plan, which projects future capital and project spending from those Reserve Funds. Based on the changes to Reserve Funds that are being recommended and that may result from this review, the above allocations should be revisited and if necessary, adjusted through a financial plan amendment.

Any excess funds generated from Annual Surpluses are also normally considered for transfer to specific Reserve Funds at year-end. Council needs to approve these allocations at year-end, which would be iterated within a Policy.

Conclusion

By reaching a clearer understanding of the District of Lantzville's Reserve and Surplus objectives, and by moving towards those objectives based on a solid long-term financial plan, and by continually measuring progress towards achieving those objectives, the District can attain greater fiscal stability and prosperity. This review and the resulting recommendations are aimed at achieving these objectives.

FINANCIAL IMPLICATIONS

The financial implications have been outlined in this report.

ATTACHMENTS

1. Appendix "A" – Review of Reserve, Surplus & Deferred Revenue Accounts
2. Appendix "B" – Example Reserve Funds and Surpluses Policy

Prepared by:

Ken Bjorgaard
Interim Director of Financial Services

Date: September 12, 2024

Approved for submission to Council:

Glenn Morphy
Acting CAO / Director of Public Works

Date: September 12, 2024

REVIEWED WITH:			
☒ Corporate Administration	☐ Fire Rescue	☐ Public Works/Engineering	☐ RCMP
☒ Financial Services	☐ Planning	☐ Solicitor	☐ Committee:
☐ Other:			

COUNCIL AGENDA INFORMATION:		
Meeting Type	**Date**	**Agenda Item #**
Regular		
Special (COW)	September 24, 2024	
Closed (In-Camera)		

Appendix "A" – Review of Reserve, Surplus & Deferred Revenue Accounts

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Unappropriated & Appropriated General Operating Fund Accumulated Surplus			
Unappropriated Accumulated General Operating Fund Surplus	Undesignated, accumulation from all prior annual surpluses; needed to fund operations prior to collecting property taxes and for emergency expenditures.	**Not Available as District of Lantzville does not break down Cash Accumulated Surplus into the three operating funds (general, sewer & water). As shown in Note 9 in the District's financial statements the total Unrestricted Operating Surplus was $1,761,229 as at the end of 2023.**	The District's Accumulated Surplus should be broken down into the three (3) operating funds, General, Sewer & Water, and be allocated accordingly, as the overall Operating Surplus has arisen from these three (3) operating funds. An analysis needs to take place as to the breakdown of these funds into the operating areas as noted.
Covid-19 Restart Grant Reserve (Reserve Account or Appropriated Surplus)	Grant funds received. Eligible uses include: 1. addressing revenues shortfalls; 2. facility reopening and operating costs; 3. emergency planning and response costs; 4. bylaw enforcement and protective services like fire protection and police; 5. computer and other electronic technology costs (to improve interconnectivity and virtual communications); 6. services for vulnerable persons (e.g. persons living with disabilities, mental illness or addictions, persons experiencing homelessness or other vulnerabilities); and 7. other related costs.	**$295,568**	A separate report has been prepared for Council's information as to the balance in this Reserve Account.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Appropriated General Operating Fund Accumulated Surplus			
Lantzville Winter Road Maintenance Reserve Fund (Reserve Account or Appropriated Surplus)	**Established by Motion C19 – 143 (Sep 9, 2019)** THAT a non-statutory reserve fund, cited for all purposes as "District of Lantzville Winter Road Maintenance Operating Reserve Fund", shall be and is hereby established to be known as the "District of Lantzville Winter Road Maintenance Operating Reserve Fund"; AND FURTHER THAT money from current revenue or annual unexpended Snow Removal operating funds shall be paid into this reserve fund to a maximum balance of $150,000 and a $75,000 minimum annual balance must be maintained in this reserve **fund**; AND FURTHER THAT money set aside, and interest earned on it, may only be used for winter road maintenance expenditures in excess of the amount budgeted in any year.	**$99,051**	**It is recommended that a Financial Stabilization Reserve be established to address this variable cost.** Winter snow clearing costs can vary widely from year to year. A base line budget can be established for snow clearing but costs may exceed the base line. The District also has other costs which are subject to fluctuations.
Tax Stabilization (Reserve Account)	Establishing motion not found.	**$57,413**	**The intent or purpose of this Reserve Account needs to be clarified through a staff report to Council.**
One Time Projects (Reserve Account)	Establishing motion not found.	**$101,647**	**It is recommended that these funds be transferred to a new Financial Stabilization Reserve Fund,** which is intended, in part, to be utilized for special projects.
Local Government Climate Action Program (Reserve Account)	Grant funds to support local climate action initiatives aligned with the CleanBC Roadmap and the draft Climate Preparedness and Adaptation Strategy. Special purpose grant funds - received 2022 funding of $67,082, 2023 funding of $67,082 and advance 2024 – 2026 funding of $196,555. The 2022 and 2023 funding needs to be spent by March 31, 2025 and the $196,555 needs to be spent by March 31, 2028.	**$134,164**	This grant funding will be reclassified as Deferred Revenue as the funding has stipulations that meet the definition of Deferred Revenue. **A separate staff report will come forward to Council as to how to options for utilizing these funds.**

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Reserve Funds – General Fund			
Accumulated General Operating Surplus Reserve Fund	**Original Bylaw # 215 - 2019; amended to Bylaw # 340 – 2023** As per bylaw - once this reserve fund has a balance of $1,000,000 any additional annually accumulated operating surplus funds, including interest earned on this reserve fund, shall only be allocated by Council to operational expenses, special projects, or capital reserves. This does not apply to the annual budget snow removal line item surplus which shall be deposited to the Non-statutory Winter Road Maintenance Operating Reserve Fund. Funds in this reserve fund and the interest earned are permitted to be used from time to time as determined by Council for the purpose of balancing an annual budget including operational, and capital project expenditures.	**The available balance in this Reserve Fund will be determined based on an analysis of the District's Cash Accumulated Surplus (see above)**	**Based on the recommendations in this review to establish a Financial Stabilization Reserve and a General Capital Reserve, both of which are ultimately controlled by Council, the need for this Reserve no longer exists.** Approximately six (6) months of cashflow is needed in Unappropriated General Operating Surplus to fund operations prior to collecting taxes. At year-end Council ultimately decides how any excess Surplus will be distributed.
Growing Communities Fund Reserve	**Establishment Bylaw # 356 – 2023** As per bylaw – must be used only for eligible capital and planning purposes expenditures as defined by the Province of British Columbia's Growing Communities Fund program.	**$1,967,551**	These funds in part have been used for land purchases. Any proceeds from land resold and not retained by the District for park or other infrastructure purposes will have to be returned to this Reserve.
Roads Infrastructure Capital Reserve Fund	**Establishment Bylaw # 202 – 2019** As per bylaw – must only be used for the improvement, rehabilitation and construction of roads or road rights of way owned by the District of Lantzville; annually by December 31st the District of Lantzville Council will deposit a minimum of $370,000 to this reserve and may also from time to time deposit additional funds to this reserve.	**$2,020,714**	**It is recommended that the reserve be renamed the Transportation Infrastructure Reserve and be broadened to include improvements, renewals and maintenance, including those related to roads, trails and pathways**. The historical cost or value of the District's road network is large ($19.4 million) therefore a separate reserve is justified.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
	Reserve Funds – General Fund		
Municipal Facilities Life Cycle Reserve Fund	**Establishment Bylaw # 324 – 2022** Other reserves were amalgamated into this reserve, namely: the Fire Hall Life Cycle reserve, Community Bldg A (Costin Hall) – Life Cycle reserve, the Community Bldg B (former Church) – Life Cycle reserve & the Municipal Hall Life Cycle reserve. As per bylaw - annually the District of Lantzville will deposit a minimum of $119,000 to this reserve and may also from time to time deposit additional funds to this reserve; funds in this reserve fund, and the interest earned on it, must only be used for building upgrades and renewal or replacement of municipal owned facilities.	$1,901,338	**It is recommended that a General Capital Reserve be established for these types of expenditures so that the funds can be used for a range of purposes.** A general description for such a reserve is as follows: "To fund general capital projects not specifically funded from other established Reserves which are included in the District's long-term capital program and for general debt retirement."
Administration Capital Equipment Reserve Fund	**Original Bylaw # 201 - 2019; amended to Bylaw # 257 – 2020** As per bylaws - annually by December 31st the District of Lantzville Council will deposit a minimum of $10,000 to this reserve, with the exception of the year 2021 due to COVID-19, and may also from time to time deposit additional funds to this reserve; funds from this reserve and interest earned on it must only be used for the purchase of Administration capital equipment.	$49,681	**It is recommended that a General Capital Reserve be established for these types of expenditures so that the funds can be used for a range of purposes.** See above.
Public Works Vehicle and Capital Equipment Reserve Fund	**Bylaw # 205 – 2019** As per bylaw - annually by December 31st the District of Lantzville Council will deposit a minimum of $25,000 to this reserve and may also from time to time deposit additional funds to this reserve; must only be used for the purchase of Public Works vehicles and capital equipment.	$153,743	**It is recommended that one Vehicle and Equipment Replacement Reserve be established to allow more flexibility for the replacement of all fleet vehicles including fire department apparatus.** Vehicle and equipment capital reserve levels should be directly related to the future replacement cost schedule of the same.
Fire Dept Vehicle and Capital Equipment Reserve Fund	**Original Bylaw # 199 - 2019; amended to Bylaw # 258 – 2020** As per bylaws - annually minimum of $40,000 allocated to this reserve. Proceeds received from the sale or disposal of any Fire Department vehicles or capital equipment shall be deposited into this reserve; used for the replacement of Fire Department vehicles and capital equipment.	$552,561	**It is recommended that one Vehicle and Equipment Replacement Reserve be established to allow more flexibility for the replacement of all fleet vehicles including fire department apparatus.** See above.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Reserve Funds – General Fund			
Waterfront Park Land Acquisition Reserve Fund	**Bylaw # 179 – 2019** As per bylaw - annually: all funds resulting from the sale of the District-owned land in the District of Lantzville shall be deposited in this reserve; all money paid in lieu of Park Land dedication in accordance with section 510 of the Local Government Act shall be deposited in this reserve; all community amenity financial contributions as a result of development and specifically identified for Waterfront Park Land Acquisition shall be deposited in this reserve; money from current revenue or as available from general revenue surplus may be paid into this reserve fund as directed by Council; funds from this reserve may only be used for the purchase of waterfront lands and dedicated as Park Land as directed by Council and may not be used for any other purpose. "Park Land Acquisition Reserve Fund Bylaw No. 11 2003" is hereby rescinded.	**$60,957**	**It is recommended that a Land Sales Reserve Fund and a Park Land Acquisition Reserve Fund, both be established for the purposes identified.** As per the Community Charter sales of land and improvements need to be directed to a separate Reserve, which can be used for property purchases (see below). In addition, all sales of park land including money received in-lieu of park land need to be directed into a separate Reserve. The Park Land Acquisition Reserve Fund can be segregated and used for Waterfront and non-Waterfront park land acquisitions.
Property Acquisition Reserve Fund	**Bylaw # 214 – 2019** Starting in 2021 Council will deposit at a minimum of the equivalent of a 1% general tax increase annually into this reserve fund up to a maximum reserve fund balance of $1.5 million. Funds in this reserve and interest earned on it may be used for the purchase of Real Property as directed by Council and may not be used for any other purpose.	**$46,030**	**It is recommended that the terms for the Real Property Acquisition Reserve Fund be updated based on the establishment of a Land Sale Reserve Fund (see above)**. Any funds in the Land Sales Reserve Fund can also be used for property purchases. It is not advisable to commit to automatic, annual tax increases for this purpose. All reserve transfers to each of the Reserve Funds should be evaluated on an annual basis, to determine how best to meet Council long terms reserve goals.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Reserve Funds – General Fund			
Parkland Capital Reserve (new in 2022)	**No Establishment Bylaw** An establishing bylaw was not located for this Reserve.	**$10,458**	**It is recommended that the monies in the Parkland Capital Reserve Fund be transferred to the Parkland Capital Infrastructure Reserve fund, which can accommodate the any intended purpose.** See comments below and above also.
Parkland Capital Infrastructure Reserve Fund	**Bylaw # 181 - 2019** A per bylaw - **Annually, 10% of any new tax revenue generated by non-market change as reported by BC Assessment Authority shall be deposited in this reserve.** Annually all community amenity financial contributions as a result of development specifically identified for Park Land Capital Infrastructure shall be deposited in this reserve. Money from current revenue or as available from general revenue surplus may be paid into this reserve fund as directed by Council. This reserve shall not accumulate funds greater than $500,000. Funds from this reserve may only be used for the purchase and installation of parks related capital infrastructure, infrastructure upgrading or replacement and may not be used for any other purpose.	**$4,518**	**It is recommended that the terms for the Parkland Capital Infrastructure Reserve Fund establishing bylaw be updated, including the use of interest earning for this purpose from the Parkland DCC account as follows.** Under subsection 567 (6) of the Local Government Act which states "Despite section 566 (2) *[use of money in development cost charge reserve fund]*, interest earned on money in the park land development cost charge reserve fund may be used by the local government to provide for fencing, landscaping, drainage and irrigation, trails, restrooms and changing rooms, playground and playing field equipment on park land owned by the local government or owned by the Crown and managed by the local government', interest earnings can be used for general park improvements throughout the community. Pre-committing annual new construction revenue (non-market change) to specific reserves is not advisable as it does not consider the bigger picture as to where funds should be directed, e.g. to mitigate a tax increase, other reserves which may have a greater, need, etc.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Sewer Unappropriated Accumulated Surplus & Reserve Fund			
Sewer Operating Fund Unappropriated Surplus	Undesignated, accumulation of all prior annual surpluses; needed to fund operations prior to collecting sewer user rates, etc., and for emergency sewer expenditures.	**Not Available as District of Lantzville does not break-down Cash Accumulated Surplus into the three operating funds (general, sewer & water). As shown in Note 9 in the District's financial statements the total Operating Surplus was $1,761,229 as at the end of 2023.**	The District's Accumulated Surplus should be broken down into the three (3) operating funds, General, Sewer & Water, and be allocated accordingly, as the overall operating surplus has arisen from these three (3) operating funds. An analysis needs to take place as to the break-down of these funds into the operating areas as noted.
Sewer Infrastructure Capital Equipment Reserve Fund	**Bylaw # 203 - 2019** As per bylaw - Annually by December 31st the District of Lantzville Council will deposit a minimum of $40,000 to this reserve and may also from time to time deposit additional funds to this reserve; funds from this reserve and interest earned on it must only be used for the purchase of sewer infrastructure capital equipment.	**$709,997**	**It is recommended that this Reserve be renamed the Sewer Capital Reserve Fund so that the funds can be used for equipment and non-equipment sewer capital expenditures.**

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Sewer Reserve Fund			
Phase III Sanitary Sewer Collection System Debt Reserve Fund	**Bylaw # 274 - 2019** All unused borrowing related to the "District of Lantzville Phase III Sanitary Sewer Collection System Loan Authorization Bylaw No. 144, 217, Amendment Bylaw No. 22l, 2019", shall be deposited in this reserve. All one-time cash payments, (commuted payments), as per "District of Lantzville Phase III Sanitary Sewer Collection System Local Area Service Establishment Bylaw No. 143. 2O17 Amendment Bylaw NO. 220, 2019", shall be deposited in this reserve. Funds from this reserve must only be used to retire debentures issued or to purchase and cancel debentures issued for the purpose of "District of Lantzville Phase III Sanitary Sewer" Collection System loan authorization bylaw 144, 217, Amendment Bylaw No. 221, 2019" and may not be used for any other purpose.	**$441,917**	**It is recommended that these funds be transferred to a new Sewer Capital Reserve Fund (see above).** These funds arose as the borrowed funds were greater than capital project costs. There is no opportunity to pay off the borrowing early so these funds will not be used for debt retirement, as noted in the Reserve establishment bylaw.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Water Unappropriated Accumulated Surplus & Reserve Fund			
Water Operating Fund Unappropriated Surplus	Undesignated, accumulation of all prior annual surpluses; needed to fund operations prior to collecting sewer user rates, etc., and for emergency sewer expenditures.	**Not Available as the District of Lantzville does not break-down Cash Accumulated Surplus into the three operating funds (general, sewer & water). As shown in Note 9 in the District's financial statements the total Operating Surplus was $1,761,229 as at the end of 2023.**	The District's Accumulated Surplus should be broken down into the three (3) operating funds, General, Sewer & Water, and be allocated accordingly, as the overall operating surplus has arisen from these three (3) operating funds. An analysis needs to take place as to the break-down of these funds into the operating areas as noted.
Water Infrastructure Capital Equipment Reserve Fund	**Bylaw # 204 - 2019** As per bylaw - annually by December 31st the District of Lantzville Council will deposit a minimum of $235,000 to this reserve and may also from time to time deposit additional funds to this reserve. Funds from this reserve and interest earned on it must only be used for the purchase of water infrastructure capital equipment.	**$730,593**	**It is recommended that this Reserve be renamed the Water Capital Reserve Fund, so that the funds can be used for both equipment and non-equipment water capital expenditures.**

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Water Reserve Funds			
District of Lantzville / Nanaimo Water Agreement, Lower Lantzville (Lower Pressure Zone) and Non-Agreement Committed Water Connection Reserve Fund	**Original Bylaw # 174 - 2019; amended to Bylaw # 354 - 2023** As per bylaw: Each Connection fee of $5,912.26 collected for this reserve may only be used for: a) $5,619.55 payment to the City of Nanaimo to expand the Lantzville/Nanaimo Water Agreement to include Lantzville (Lower Pressure Zone) as directed by Council, and b) $292.71 for District water distribution system capital repairs, replacement and maintenance. In the event the City of Nanaimo or the District of Lantzville decide not to expand the Lantzville/Nanaimo Water Agreement to include Lower Lantzville, any funds in this reserve plus interest earned shall be credited to the Waterworks Replacement Reserve Fund as directed by Council and may not be used for any other purpose.	**$1,197,990**	**It is recommended that the funds that have accumulated in this Reserve from the $292.71 portion of the connection fee be transferred into the new Water Capital Reserve Fund, and that the $292.71 portion received in the future be directed similarly. It is also recommended that the terms for this establishing bylaw be updated.** As the $292.71 portion of the connection fee is meant for general water system improvements and rehabilitation, it makes sense to direct these funds to a Water Capital Reserve Fund.
Community Water Expansion Reserve Fund (New in 2022)	**Bylaw # 323 - 2022** Annually by December 31st the District of Lantzville Council will deposit a minimum of $5,000 to this reserve and may also from time to time deposit additional funds to this reserve; Funds from this reserve and interest earned on it must only be used for expenditures related to the expansion of the Lantzville Water System.	**$51,532**	**No substantive changes to this Reserve are recommended; however, it is recommended the Reserve wording be updated to eliminate any reference to amounts to be allocated**; as the amounts to be allocated should be determined by Council at year-end based on the annual Water Operating Surplus and all needs with the water area.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Recommended Actions/ Rationale & Comments
Other Reserves & Deferred Revenue			
Community Amenity Contributions	COMMUNITY AMENITY CONTRIBUTIONS policy - approved by Council June 15, 2020, amended October 11, 2023. Policy wording - community amenity contributions will be negotiated for all Zoning Bylaw amendment applications, unless exempted; for proposed development in Residential designated areas, the target financial community amenity contribution is $10,000 per new additional parcel or primary dwelling unit that can be achieved as a result of the Zoning Bylaw Amendment	**$216,595**	**It is recommended that a "Community Amenity Contributions Reserve Fund" establishment bylaw be adopted for these funds.** These funds are treated as a Reserve Fund in the District's financial statements/books; however, a reserve establishment bylaw has not been adopted to formalize this Reserve fund. **It is recommended that the District's Community Amenity Contributions policy could be reviewed in light of new provincial legislation for Amenity Cost Charges (ACCs)**, with ACCs being defined as: *A facility or feature that provides social, cultural, heritage, recreational or environmental benefits to a community, including, without limitation,* *(a) a community, youth or seniors' centre,* *(b) a recreational or athletic facility,* *(c) a library,* *(d) a daycare facility, and* *(e) a public square,* *but does not include a facility or feature within a class of facilities or features that are prescribed by regulation not to be amenities.*
Community Works Funds (formerly referred to as Gas Tax funds)	Part of Canada Community-Building Fund. New Agreement took effect on April 1, 2024. The tripartite Agreement between Canada, British Columbia, and UBCM replaces the 2014-2024 Agreement and provides the administrative framework for the delivery of the Canada Community-Building Fund (formerly the federal Gas Tax fund) to local governments and other recipients in British Columbia from 2024 to 2034. Per capita formula with a funding delivered to the local governments directly, twice annually; local governments make local choices about which eligible projects to fund	**$1,470,485**	**It is recommended that a "Community Works Reserve Fund" establishing bylaw be adopted for these funds.** Currently treated as Deferred Revenue in District's financial statements/books. As funds are distributed on a per capital basis, as yearly contributions or payments are ongoing, as the funds can be used for a number of eligible projects and as funds are not subject to claw back a Reserve Fund for these monies is appropriate.

Name	Bylaws, Motions & Descriptions	2023 Year-End Balances	Comments
Deferred Revenue (also referred to as Restricted Revenue) from DCC Reserves			
Development Cost Charges - Drainage	**Bylaw No. 206** A Bylaw to Establish a Drainage Development Cost Charge Reserve Fund	**$527,899**	Development Cost Charges are currently under review.
Development Cost Charges - Highway	**Bylaw No. 207** A Bylaw to Establish a Highway facilities Development Cost Charge Reserve Fund	**$239,744**	Development Cost Charges are currently under review.
Development Cost Charges - Parkland	**Bylaw No. 208** A Bylaw to Establish a Parkland Development Cost Charge Reserve Fund	**$468,299**	Development Cost Charges are currently under review.
Development Cost Charges - Sewer	**Bylaw No. 209** A Bylaw to Establish A sewer Development Cost Charge Reserve Fund	**$601,538**	Development Cost Charges are currently under review.
Development Cost Charges - Water	**Bylaw No. 210** A Bylaw to Establish a Water Development Cost Charge Reserve Fund	**$683,734**	Development Cost Charges are currently under review.

Name	Descriptions	2023 Year-End Balances	Details
Deferred Revenue (also referred to as Restricted Revenue)			
First Nations Agreement	Unused portion of C2C grant received in 2007.	**$2,161**	Staff will review as to how to best utilize funds.
Cash in lieu of sidewalks received	Held for frontage improvements; R#81242 for 7170 Lantzville Rd, received Feb 7, 2019.	**$28,814**	"THAT Council waive the requirement to construct frontage improvements at 7170 Lantzville Road under Section 5 of Subdivision and Development Bylaw No. 55, subject to the owner of the subject property providing cash-in-lieu to the District equivalent to a Professional Engineer's estimated value of the works." Holding "$28,813.96 in deferred revenue from a previous project, which the owners could use towards frontage improvements".
Cash for frontage works	Held for future works; R#90819 for 6935 & 6943 Dickinson Road, received Apr 6, 2021.	**$19,037**	Staff have been advised and will review.
Cash for future works	Held for future offsite works relate to 7360 Harby Road, Lot 7 subdivision, received Oct 5, 2021.	**$265,698**	Engineer's cost estimate for works: Road Works - $136,797.74; Water Distribution System - $4,000.00; Storm Sewer System - $94,500.00; Roadway Lighting & Electrical - $30,400.00; Total $269,697.74
Business License Revenue Deferred	Part of year-end process.	**$1,150**	No action required as deferred revenue from business licenses is transferred to revenue on an annual basis.
Next Generation 911	Grant funds are being administered by the UBCM. The intent of the funds is to support local preparedness for the implementation of NG911 and to provide funding to support the transition and operational readiness of existing 911 services to NG911.	**$22,500**	Staff will bring forward a report as to how to best utilize funds.

Appendix B – Example of Reserve Funds and Surpluses Policy

Level of Approval		**Policy Title:** **Reserve Funds and Surpluses**
Approval Date		
Next Review Date		
1. Amend Date		
2. Amend Date		
Department	**Finance**	

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1. PURPOSE

This Reserve and Surplus Policy (Policy) outlines the City's philosophy, guiding principles and objectives, in terms of its various reserves and surpluses. By reaching a clear understanding of its reserve/surplus objectives, and by continually measuring progress towards achieving those objectives, the City aims to attain greater financial stability and prosperity.

2. DEFINITIONS

"Accumulated Surplus" means the accumulated excess of revenues over expenditures from prior years.

"Non-Statutory Reserves" means those Reserves that may be established by bylaw if Council so desires, pursuant to the *Community Charter*.

"Restricted Surplus" means funds set aside from Accumulated Surplus to complete specific budgeted projects that could not be completed in a particular fiscal year and that are expected to be completed in the following fiscal year. Bylaws are not required or needed for Restricted Surplus funds as these monies are expected to be used in the short term for their original budgeted purpose.

"Annual Surplus" means the accumulated excess of revenues over expenditures for the current year.

"Reserve Fund(s) or Reserve(s)" means all of the City's Statutory and Non-Statutory Reserve Funds that have been set aside by bylaws for specified purposes by Council pursuant to legislation.

"Restricted Revenue" means revenues or receipts which are restricted by legislation, or that contain stipulations that create a liability, and which are deferred. Restricted Revenue is recognized as revenue in the period in which the qualifying expenses are incurred and/or the stipulations are met. Certain Statutory Reserve Funds, e.g. Parkland Acquisition Reserve Funds and Development Cost Charges Reserve Funds, are classified as Restricted Revenues for financial accounting and reporting purposes.

"Statutory Reserve Funds" means funds received from specific sources that are set aside for specified purposes as required by legislation. If monies are received from specific sources, certain Reserve Funds must be established for administering these funds. These Reserves are non-discretionary or mandatory.

"Trust Funds" are set up for the purpose of accounting for money and/or property received and held by the local government as trustee, custodian or agent. A Trust Fund is usually in existence over a long period of time. The City has a Cemetery Perpetual Care Reserve (Trust) Fund which is classified as a Statutory Reserve Fund.

"Unrestricted Accumulated Surplus" means the Accumulated Surplus amounts built up in the City's various operating funds that have not been designated for specific uses or purposes like Restricted Surplus.

3. PHILOSOPHY AND GUIDING PRINCIPLES

3.1 Reserve/Surplus Philosophy

The City's reserve/surplus philosophy represents its rationale for establishing reserve and surplus monetary balances.

The City believes that it is financially prudent to set aside funds in Non-Statutory Reserves, in addition to those Statutory Reserves required under legislation, for the following reasons:

- The use of reserves to pay for one-time capital and/or operating expenses reduces the need to fund these expenses from taxation, user fees, debt, etc. Use of reserve funding also minimizes debt and related interest costs which have an ongoing budget impact;
- Funding non-reoccurring, one-time capital and/or operating expenses through operating budgets, as opposed to reserves, results in unnecessary fluctuations in property taxes and/or user fees;
- The establishment of regular, stable and incremental operating budget contributions to reserves results in reserve balances that can be used to fund one-time capital and/operating expenses. These contributions then have predictable impact on property taxes and/or user fees;
- Budgeting "closer to the line" within operating budgets is possible when reserves are in place to fund operating irregularities or spikes. The reserves thus serve as a safety net;
- Having to set aside funds annually in reserves for major, future one-time costs reinforces the need to think, plan and save ahead of time for longer term expenditures; and
- Once reserves are built up to a certain level the interest earnings on these funds can be used to partially fund one-time capital and/or operating project costs which results in less pressure on operating budgets and related taxation and user fees.

The City believes that it is necessary to set aside funds in Unrestricted Accumulated Surplus accounts for the following reasons:

- Unrestricted Accumulated Surpluses can be used to pay for operating expenses before property taxes, user fees and/or other revenues are collected, which allows one to avoid borrowing and related interest costs for operating purposes; and
- Having Unrestricted Accumulated Surplus funds in place to respond to unforeseen emergencies safeguards the organization and the community.

3.2 Guiding Principles

The following guiding principles, which have shaped this Policy, build upon the City's reserve/surplus philosophy:

- Healthy reserve/surplus levels are important in achieving community goals including financial health and stability;
- The City will strive to be a leader, among local governments, in terms of financial health and stability;
- Actual reserve/surplus balances need to be benchmarked with other jurisdictions and with pre-determined targets on an ongoing basis to gauge whether financial health is being achieved;
- Reserve/surplus goals need to be consistent with and supportive of realistic longer-term financial plans;
- Reserve/surplus appropriations need to conform to the statutory/legal requirements of the *Local Government Act* and the *Community Charter*, generally accepted accounting principles (GAAP) and public sector accounting board (PSAB) recommendations.

4. NON-STATUTORY RESERVE FUNDS

Pursuant to subsection 188 (1) of the *Community Charter*, Council may, by bylaw, establish a Reserve Fund for a specified purpose and direct that money be placed to the credit of the Reserve Fund. The following Reserve Funds have been established under this legislation for the purpose(s) indicated:

4.1 Affordable Housing Reserve Fund

The Affordable Housing Reserve Fund has been established to foster Affordable Housing, as defined by policy, within the City, through:

a) grants in support of Affordable Housing concept development;
b) acquiring, constructing, and/or renovating Affordable Housing;
c) acquiring, improving or developing the land used for, or intended to be used for, Affordable Housing; and/or
d) other Affordable Housing opportunities as may be permitted by senior levels of government.

4.2 Arena Re-Development Project Capital Reserve Fund

The Arena Re-Development Project Capital Reserve Fund has been established to fund the City's Arena Re-Development Project (Project), including any land, machinery or equipment necessary for the Project.

4.3 Community Works Gas Tax Reserve Fund (renamed Canada Community-Building Fund)

The Community Works Gas Tax Reserve Fund has been established to account for funds received and used pursuant to the Community Works Gas Tax Agreement. Funds in this Reserve may only be used for projects allowed for under the Community Works Gas Tax Agreement.

4.4 Financial Stabilization Reserve Fund

The Financial Stabilization Reserve Fund has been established for the following purposes:

For Major Emergent Operating Issues - the City is exposed to major non-reoccurring costs related to various emergency events or situations, e.g. inclement weather, environmental hazards, etc. It is not possible to anticipate or budget for these emergent situations and it is not feasible to absorb the cost of such events in other budget areas in any given year.

For One-Time and Intermittent Projects - the City undertakes certain one-time and/or limited duration projects that are larger in terms of costs. Funding these projects from property taxation would result in annual spikes and subsequent declines in taxation; therefore, it is not prudent to fund these projects from on-going property taxation revenue.

To Offset Unrealized Revenues - some of the City's revenue sources, e.g. development fees, building permits, and subdivision inspection fees, are cyclical in nature and thus are subject to downturns in the economy. The City tries to anticipate economic downturns by budgeting for a base dollar amount of these revenues in its general operations. Despite its best efforts, the City is exposed to the possibility of unrealized revenues and/or declines in base revenues from year to year. One cannot always count on budgetary savings or other revenues to offset these revenue shortfalls.

4.5 General Capital Project Reserve Fund

The General Capital Reserve Fund has been established to fund general capital projects that are not specifically funded from other established reserves. Capital projects that will be funded from this Reserve are budgeted for within the City's long-term capital plan. This Reserve can also be used for the early retirement of general debt, as funds permit.

4.6 "Greening City" Reserve Fund

The "Greening City" Reserve Fund has been established to provide for environmental and sustainability projects within the City including energy efficiency initiatives in City owned facilities.

4.7 Growing Communities Reserve Fund

The Growing Communities Reserve Fund has been established to account for the growing Communities Fund Grant monies received from the Province of BC, which are to be used to pay for one-off infrastructure and amenity costs as detailed by the Province of BC.

4.8 Information Technology Reserve Fund

The Information Technology Reserve Fund has been established for information system and technology projects including communications systems, which are capital in nature. Technology can change rapidly within the information systems sphere and often comes at a large cost. This Reserve helps the City keep pace with information technology and take advantage of improvement/efficiency opportunities in this area.

4.9 Insurance and Legal Reserve Fund

The Insurance and Legal Reserve Fund has been established to offset the cost of liability and property insurance claims and deductibles and to offset the cost of major legal costs/claims, the magnitude and timing of which are often indeterminable. The City's insurance exposure is in part due to the fact that the City has the option of maintaining higher insurance deductibles and thus to self-insure up to a pre-determined dollar amount, so as to reduce annual insurance premiums.

4.10 Public Art Reserve Fund

The Public Art Reserve Fund has been established to further the goals of the City's public art program by creating public art throughout the community.

4.11 Transportation Infrastructure Reserve Fund

The Transportation Infrastructure Reserve Fund has been established for transportation infrastructure improvements, renewals and maintenance, including those related to roads, trails and pathways.

4.12 Vehicle and Equipment Reserve Fund

The Vehicle and Equipment Reserve Fund has been established to pay for the replacement of municipal vehicles and equipment included in the City's fleet.

4.13 Sewer Capital Reserve Fund

The Sewer Capital Reserve has been established for sewer utility capital projects including sewer treatment plant and sewer conveyance system projects, and any capital equipment/systems required for sewer operations. This Reserve can also be used for the early retirement of any sewer debt, as funds permit.

4.14 Water Capital Reserve Fund

The Water Capital Reserve Fund has been established for water utility capital projects including water treatment, conveyance and storage projects, water distribution system projects and any capital equipment/systems required for water operations. This Reserve can also be used for the early retirement of any water debt, as funds permit.

5. STATUTORY RESERVE FUNDS

Pursuant to legislation, Council must establish certain Reserve Funds, if funds are received from specific sources. The City has established the following Statutory Reserve Funds as required by legislation:

5.1 Cemetery Perpetual Care Reserve (Trust) Fund

The Cemetery Perpetual Care Reserve (Trust) Fund is established in accordance with the Cemeteries Act, to upkeep the cemetery grounds/facilities upon closure of the cemetery. As per this legislation, current interest income earned on the Reserve balance may be used to offset cemetery operating and capital expenditures. Annual cemetery operating and capital expenditures are approved by Council through the annual budgeting process. In accordance with Public Sector Accounting Board (PSAB) guidelines, the Cemetery Perpetual Care Reserve (Trust) Fund is excluded from the City's consolidated financial statements.

5.2 Development Cost Charge (DCC) Reserve Funds (Restricted Revenue)

Per subsection 188 (2) (a) of the *Community Charter,* separate DCC Reserves need to be established for DCC collections and uses in accordance with section 566 of the *Local Government Act*. The following DCC Reserves have been established pursuant to the City's DCC bylaw and related legislation:

Roads Network DCC
Water System DCC
Sewage System DCC

5.3 Land Sale Reserve Fund

Per subsection 188 (2) (e) of the *Community Charter*, funds received from the sale of land and improvements must be set aside to pay for any debt remaining in relation to the property and for acquiring land, improvements and other assets of a capital nature. The Land Sale Reserve Fund has been established for accumulating and expending monies as per this requirement.

5.4 Parking Spaces and Alternate Transportation Infrastructure Reserve Fund (Restricted Revenue)

Per subsection 188 (2) (d) of the Community Charter, funds received under section 525 (2) [parking space requirements] of the *Local Government Act* for off-street parking spaces must be set aside

to pay for off-street parking spaces or transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation. The Parking Spaces and Alternate Transportation Infrastructure Reserve Fund has been established for accumulating and expending monies as per this requirement.

5.5 Parkland Acquisition Reserve Fund (Restricted Revenue)

Per subsection 188 (2) (b) of the *Community Charter*, funds received from the sale or disposal of parkland as well as funds received pursuant to section 510 of the *Local Government Act* (cash received in-lieu of parkland funds upon subdivision) must be set aside in a Reserve Fund and must be used exclusively to purchase parkland. The Parkland Acquisition Reserve Fund has been established for accumulating and expending monies as per this requirement.

6. UNRESTRICTED ACCUMULATED SURPLUSES

The City needs to maintain Unrestricted Accumulated Surplus balances in its four operating funds (the General Operating Fund, the Sewer Operating Fund, the Water Operating Fund, and the Big Eddy Water Operating Fund), for working capital purposes, i.e. to provide for operating expenditures before property taxes, user fees or other revenues are collected. Maintaining minimum working capital levels eliminates or reduces the need to borrow externally and/or internally for operations.

The City may also require emergency funds from time to time, from any one of its Unrestricted Accumulated Surplus balances, for unforeseen costs. When this occurs, the City needs to rely upon sufficient balances being available in the applicable Unrestricted Accumulated Surplus Fund.

7. RESTRICTED SURPLUSES

The City may set aside surplus operating funds at year-end, from time to time, which are termed Restricted Surpluses. These funds are used to complete specific budgeted projects that could not be completed in a particular fiscal year and are expected to be completed in the following fiscal year. Specific Reserve Fund bylaws are not established for these designated funds at these funds are expected to be used in the short term and for their original budgeted purpose.

8. ADMINISTRATION

8.1 Reserve Contributions

Annual and/or periodic contributions to Reserve Funds shall be specific to each reserve, as approved by Council through the City's annual financial planning/budgeting process.

8.2 Minimum and Optimal Reserve Balances

Minimum and optimal balances have been established for some of the City's Reserves Funds and for its Unrestricted Accumulated Surpluses, as shown in Schedule "A". These balances serve as guidelines. This schedule also shows the purpose of each Reserve Fund and Unrestricted Accumulated Surplus and the source(s) of funding applicable to each. The minimum balances ensure that the respective reserves are not depleted to the point where those balances are no longer able to serve their intended purpose(s). The optimal balances ensure that the City's guiding principles are achieved and that the respective balances do not grow beyond their intended purpose(s), creating idle assets that could be otherwise utilized for other corporate priorities. A formal comparative review of actual, minimum and optimal fund balances shall be undertaken annually.

8.3 Internal Borrowing

Internal borrowing from specific Reserve Fund and Unrestricted Accumulated Surplus accounts shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is in place, as internal borrowing allows for more flexibility in terms of payback amounts and loan duration than that of external borrowing. Paybacks shall be executed according to plan.

8.4 Year-End

At the end of each fiscal year, the City will review its Unrestricted Accumulated Surplus and Reserve Fund balances to determine whether there should be an allocation of Unrestricted Accumulated Surplus funds to specific Reserves to meet the City's reserve and surplus objectives including attaining or maintaining the optimal balances.

8.5 City versus Departmental Surpluses

The City will not generally set aside specific departmental surpluses achieved in a particular year by a department for the use of the department that generated the surplus, as the City operates as an overall corporate body whereby the overall operating surplus is allocated on the basis of the greatest need(s) within the organization. Departmental surpluses in any year may also be needed to offset other departmental deficits, so that the overall organization remains in a surplus position. However, funds may be set aside as Restricted Surplus to complete certain priority departmental projects in the following year (see Section 6 above).

8.6 Responsibilities

The City's Director of Finance shall be responsible for:

- Recommending the necessary contributions and transfers so that the City's Reserve Funds and, Unrestricted Accumulated Surpluses are maintained in accordance with this Policy;
- Conducting an annual review of all Reserve Fund and Unrestricted Accumulated Surplus balances including comparing actual levels with the established minimum and optimal levels within this Policy and with other jurisdiction benchmarks, and reporting the results of such a review to Council;
- Recommending changes to the minimum and optimal balance guidelines shown in this Policy; and,
- Recommending any revisions or amendments to this Policy, as may be required from time to time, as a result of changes in applicable statutes, accounting standards, economic conditions, etc.

8.7 Interest

Reserves Funds and Unrestricted Accumulated Surpluses shall be paid and allocated interest based on their average annual balances and on the City's average rate of return on investments.

8.8 Guide and Transition

The minimum and optimal fund balance guidelines shown in this Policy serve as a guide in moving the City towards the goals or targets it wishes to attain, in terms of individual fund balances. The City's fund balances are not at the minimum or optimal levels at the time of enacting this Policy, however, the City is committed to transitioning towards its optimal targets.

Schedule "A" – Reserve/Surplus Summary

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS					
4.1 Affordable Housing Reserve Fund	To foster Affordable Housing, as defined by policy, within the City.	▪ Monies from the general operating fund budget as provided for in the financial plan. ▪ General operating fund surplus, as determined by Council. ▪ Donations to the Municipality for the purposes of the "Affordable Housing Reserve Fund. ▪ Funds generated through density bonusing, strata conversion and/or other development processes. ▪ Funds generated from public/private partnerships. ▪ Monies as otherwise directed by Council or provided for in the Community Charter or Local Government Act.	N/A	N/A	Projects supported will be dependent upon monies generated for the reserve.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.2 Arena Re-Development Capital Reserve Fund	To fund the City's Arena Re-Development Project (Project) including any land, machinery or equipment necessary for the Project.	▪ Monies from the general operating fund budget as provided for in the financial plan. ▪ General operating fund surplus, as determined by Council. ▪ Funds as otherwise directed by Council.	50% of total Project cost (estimated a $20 – $50 million depending on type of facility).	80% of total Project cost (estimated at $20 – $50 million depending on type of facility).	Higher internal reserve contributions will reduce borrowing for the Project and related debt servicing costs.
4.3 Community Works Gas Tax Reserve (renamed Canada Community-Building Fund)	To account for funds received and used pursuant to the Community Works Gas Tax Agreement. Funds in this reserve need to be used for projects allowed for under the Community Works Gas Tax Agreement.	▪ Community Works Gas Tax funds distributed on a per capita basis.	N/A	N/A	The intent is to spend all funds received, with all contributions received by 2024 to be substantially used by the end of 2024.
4.4 Financial Stabilization Reserve	For major emergent operating issues, one-time or intermittent projects (operating or capital), and to offset unrealized revenues.	▪ Annual budget allocations from the general operating fund as provided for in the financial plan. ▪ Transfer of any development/building revenues over and above established base amounts, if and when available. ▪ Other budgeted contributions from operations including any paybacks as a result of funds advanced for specific projects.	$550,000 2% of General Operating Fund budget revenues.	$1,100,000 4% of General Operating Fund budgeted revenues.	The Stabilization Reserve in part funds emergent issues and offsets unrealized revenues which generally do not exceed a percentage of the General Operating Fund budget.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.5 General Capital Reserve	To fund general capital projects not specifically funded from other established Reserves which are included in the City's long-term capital program and for general debt retirement.	▪ Annual budget allocations from the general operating fund as provided for in the financial plan.	$3,750,000 Interest generated from reserve (at assumed 4% return) is funding 1.5% of estimated $10 million annual general capital program budget.	$11,250,000 Interest generated from reserve (at assumed 4% return) is funding 4.5% of estimated $10 million annual general capital program budget.	Using interest earnings to fund a percentage of the general capital program allows for less reliance on general tax revenue for capital.
4.6 "Greening City" Reserve	To provide for environmental and sustainability projects within the City including energy efficiency initiatives in City owned facilities.	▪ Annual budget allocations from the general operating fund as provided for in the financial plan. ▪ Funds received under the provincial CARIP (Climate Action Revenue Incentive Program).	N/A	N/A	Project spending will be limited to the balance in the Reserve.
4.7 Growing Communities Reserve Fund	To account for the growing Communities Fund Grant monies received from the Province of BC, which are to be used to pay for one-off infrastructure and amenity costs as detailed by the Province of BC.	▪ Communities Fund Grant monies received from the Province of BC.	N/A	N/A	All funds received from Province will be utilized for authorized projects.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.8 Information Technology Reserve	For priority information systems and technology projects within the information technology plan.	▪ Annual budget allocations from the general operating fund, sewer operating fund, water operating fund, and the Big Eddy water operating fund as provided for in the financial plan.	$150,000 Sufficient funds to pay for high priority information technology projects on an annual basis.	$300,000 Fully funded long-term information technology program.	Having a fully funded program will provide for a more efficient and effective operation.
4.9 Insurance and Legal Reserve	To offset the cost of liability and property insurance claim deductibles, and major legal costs/claims.	▪ Annual budget allocations from the general operating fund, sewer operating fund, water operating fund, and the Big Eddy water operating fund as provided for in the financial plan.	$100,000 2 liability insurance claim deductibles, 1 property claim deductible plus 30% of the legal services budget.	$250,000 3 liability insurance claim deductibles, 2 property claim deductibles plus 50% of the legal services budget.	The City's exposure is related to the level of the liability and property insurance deductibles and historical claims as well as and the level of the legal budget.
4.10 Public Art Reserve	To further the goals of the City's public art program by creating public art throughout the community.	▪ Annual budget allocation from the general operating fund. ▪ Donations or contributions from other parties.	N/A	N/A	Public Art created is dependent upon actual collections.
4.11 Transportation Infrastructure Reserve	For transportation infrastructure improvements, renewals and maintenance, including those related to roads, trails and pathways.	▪ Annual budgeted allocation from the general operating fund.	$4,500,000 Two (2) years of advance funding to pay for average annual planned capital expenditures for transportation infrastructure.	$6,750,000 Three (3) years of advance funding to pay for average annual planned capital expenditures for transportation infrastructure.	Need sufficient funds to pay for the ongoing replacement or rehabilitation of transportation infrastructure.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.12 Vehicle and Equipment Reserve	To replace municipal vehicles and equipment included in the City's fleet.	▪ Net of vehicle & equipment charges recovered from various departments (usage rates) and vehicle/equipment operating expenditures. ▪ Proceeds from the sale of fleet vehicles and equipment.	$2,800,000 Two (2) years of advance funding to pay for average annual planned vehicle & equipment replacement costs.	$4,200,000 Three (3) years of advance funding to pay for average annual planned vehicle & equipment replacement costs.	Need to fund vehicle and equipment replacements without borrowing.
4.13 Sewer Capital Reserve	For Sewer Utility capital and for sewer debt retirement.	▪ Net revenue/expense transfer available from sewer operations after budgeted amounts transferred to sewer operating surplus and/or other reserves.	$4,200,000 Two (2) years of advance funding to pay for average annual planned capital expenditures for sewer capital.	$6,300,000 Three (3) years of advance funding to pay for average annual planned capital expenditures for sewer capital.	Borrowing should be avoided for the replacement of existing sewer infrastructure.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.14 Water Capital Reserve	For Water Utility capital and for water debt retirement.	▪ Net revenue/expense transfer available from water operations after any budgeted amounts transferred to water operating surplus and/or other reserves.	$4,200,000 Two (2) years of advance funding to pay for average annual planned capital expenditures for water capital.	$6,300,000 Three (3) years of advance funding to pay for average annual planned capital expenditures for water capital.	Borrowing should be avoided for the replacement of existing water infrastructure.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
STATUTORY RESERVE FUNDS					
5.1 Cemetery Perpetual Care Reserve (Trust)	To provide for perpetual care of cemetery after closure.	▪ Care fund contributions as per bylaw.	N/A	To be determined. Adequate balance to provide for perpetual care of the cemetery after closure.	Requirement is legislated.
5.2 Development Cost Charge (DCC) Reserves for: - Roads network - Sewer system - Water system	Holding account(s) for levies from developers to be used for approved DCC program projects.	▪ DCC collections and credits.	N/A	N/A Borrowing to be minimized or avoided for DCC projects.	Spending is dependent upon actual DCC collections and credits.
5.3 Land Sale Reserve	To acquire land and/or, improvements, or other assets of a capital nature.	▪ Funds received from the sale of land and improvements.	N/A	N/A	Acquisitions are ultimately dependent upon land/property sales.
5.4 Parking Spaces and Alternate Transportation Infrastructure Reserve	To pay for off-street parking spaces or transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation.	▪ Developer payments under the *Local Government Act* for off-street parking spaces	N/A	N/A	Spending is dependent upon actual collections.
5.5 Parkland Acquisition Reserve	To purchase parkland pursuant to the requirements of the *Community Charter.*	▪ Developer cash contributions as per the requirements under the *Local Government Act* cash-in-lieu option.	N/A	N/A	Acquisitions are dependent upon collections.

Surplus Fund(s)	Purpose	Funding Source(s)	Minimum $ Level	Optimum $ Level	Rationale for $ Levels Established and/or Comments
UNRESTRICTED ACCUMULATED SURPLUSES					
6. Unrestricted General Operating Fund Accumulated Surplus	For working capital purposes within the general operating fund and for unforeseen general operating emergency expenditures.	▪ Any excess general operating fund revenues (including property taxes) over expenditures and transfers at the end of each fiscal year.	$4,000,000 25% of general fund property tax revenue less regular non-property tax revenue (estimated at $16 million).	$8,000,000 50% of general fund property tax revenue less regular non-property tax revenue (estimated at $16 million).	Need to fund operating expenses before collecting property taxes and other revenues, and in doing so avoid borrowing for general operations. Also need to provide a balance for general emergency expenses that could not be provided for through other general reserves.
6. Unrestricted Sewer Operating Fund Accumulated Surplus	For working capital purposes within the sewer operating fund and for unforeseen sewer operating emergency expenditures.	▪ Any excess sewer operating fund revenues (including user fees) over expenditures and transfers (including capital transfers) at the end of each fiscal year.	$650,000 50% of annual budgeted cash sewer operating expenses (estimated at $1.3 million).	$975,000 75% of annual budgeted cash sewer operating fund expenses (estimated at $1.3 million).	Need to avoid borrowing for sewer operations. Also need to provide a balance for sewer emergency expenses that could not be provided for through other sewer reserves.
6. Unrestricted Water Operating Fund Accumulated Surplus	For working capital purposes within the water operating fund and for unforeseen water operating emergency expenditures.	▪ Any excess water operating fund revenues (including user fees) over expenditures and transfers (including capital transfers) at the end of each fiscal year.	$750,000 50% of annual budgeted cash water operating expenses (estimated at $1.5 million).	$1,125,000 75% of annual budgeted cash water operating expenses (estimated at $1.5 million).	Need to avoid borrowing for water operations. Also need to provide a balance for water emergency expenses that could not be provided for through other water reserves.