

To: Mayor and Council
From: Paul Gipps, CAO

Meeting Date: April 15, 2025
Meeting Type: Regular Council Meeting

Prepared by: Trevor James, CFO, Director of Finance & Administration
Department: Finance & Administration

Title: 2024 Surplus Allocation
Description: Allocation of Surplus

RECOMMENDATION

THAT the 2024 general fund surplus of \$8,888 be allocated to the general fund surplus reserve;
AND THAT the 2024 sewer fund surplus of \$210,378 be allocated to the sewer capital reserve.

EXECUTIVE SUMMARY

The District follows Reserve Fund Policy 195, 2022 (Attachment A). The policy outlines the purpose of each reserve as well as targeted minimums and maximums.

Upon conclusion of the 2024 year end work, an unallocated surplus of \$8,888 has been recognized in the general fund and \$210,378 in the sewer fund.

In November 2020, the Province provided the District with \$2,947,000 in COVID-19 Safe Restart Grant funding. The use of those funds is restricted to specific eligible costs. \$2,648,164 in eligible costs were incurred 2020 – 2023. Staff reviewed 2024 and determined that the remaining \$298,836 in eligible costs were incurred and the grant is now fully expended.

DISCUSSION/ANALYSIS

With adequate reserves, not only can the District weather difficult financial times but Council can also fulfill its vision and mandates for the community and spread out the impact of significant financial capital projects.

Staff have completed the 2024 year end work and are currently finalizing the 2024 financial statements. The financial statements will be presented to Council at the May 6, 2025 Council Meeting. As part of the financial statements for the 2024 year end, several statements are required related to grants:

- COVID-19 Safe Restart Grant - \$2,947,000 received in November 2020
- Growing Communities Fund - \$6,778,000 received in March 2023
- Local Government Housing Initiatives Funding - \$231,057 received in January 2024

The District follows Council's Reserve Fund Policy 195, 2022. As part of that reserve policy, a number of reserves and surpluses are listed including their purposes as well as minimums and maximums. Funding for those reserves and surpluses come from a number of sources including an allocation from year end surplus and budget allocations.

With the completion of the year end work, staff has calculated the year end balances in each of the general, water and sewer funds. The balances are calculated after all budgeted transfers to and from reserves that were part of the approved 2024 financial plan and any transfers as outlined by the reserve policy (net revenue over expenses for hydroelectrical plant closes out to the Climate Action Reserve for example). Prior to completion of the financial statements, decisions must be made on allocations of those surpluses.

General Fund - \$8,888 Surplus

Surplus represents approximately a 0.03% positive variance on the total operating budget. While there were some positive and negative variances on a net basis the budget-to-actual was extremely close with a \$9k surplus on approximately a \$32.8m budget. Additional budget vs. actual detailed variances will be provided during year end reporting. Given a used fire apparatus of \$504k was funded from the general fund in 2024 it is recommended that this small surplus be closed out to the general fund.

Water Fund - \$248,585 Deficit

The water fund had a deficit of \$248,585 for 2024 representing a 3.8% variance on the \$6.6m water operating budget. Please keep in mind that this does not represent a loss, rather that it was budgeted that there would be excess revenues over expenditures of \$1,589,235 in order to transfer that amount to the water capital reserve and based on actual revenues over expenditures only \$1,340,650 is being transferred to this reserve. No resolution of Council is required to reduce a budgeted transfer to balance the water fund. Note that the water capital reserve closed 2024 with \$4.4m. Based on projected contributions coinciding with scheduled increases to water rates the long-term capital plan is not impacted.

Sewer Fund - \$210,378 Surplus

As part of borrowing through the Municipal Finance Authority (via the Regional District as per legislation), if the MFA earns more than the estimated actuarial amount associated with a loan, the borrower will be paid any excess after paying out the loan in full. In 2024 a 25 year loan associated with the Wastewater Treatment Plant matured, and given the change in investment returns over the course of a loan a \$180,000 surplus payment was received from MFA resulting in the majority of the sewer fund surplus. It is recommended that this surplus be allocated to the sewer capital reserve due to that reserve being below the recommended value per the reserve policy and a number of large capital sewer projects on the horizon.

2024 Reserve Balances

The table relating to reserves and minimum and maximum recommended balances per the reserve policy (Attachment B) has been updated to reflect anticipated 2024 amounts. The policy lays out that while not all reserves are meeting the minimum balances, the policy serves as a guide in moving the District toward the goals or targets it wishes to attain (Section 5.6, Attachment A).

Important points to note in the table:

1. The general fund surplus is below the minimum level which is why the recommendation included has this year's surplus being allocated to this fund. The surplus is critical to ensuring financial stability of the District and is relied upon in the event of emergencies. This surplus is what protects the District from cash flow issues or if a deficit is created due to revenues not being collected. It also allows for internally borrowing in the other reserves which helps with long term infrastructure planning.
2. Water surplus is exceeding the maximum recommended balance. The addition of interest annually to this reserve has pushed the balance over the maximum recommended. There are significant water related projects planned for the upcoming years and as such there will be planned expenditures to ensure this reserve stays within the recommended range.
3. Sewer surplus is not meeting the minimum recommended balance. This is being addressed through the Sanitary Sewer Regulations and Rates Amendment Bylaw 1270, 2025 with rates gradually increasing over time. Despite this not meeting the minimum recommended balance the recommendation for this year's sewer surplus is to be allocated to the sewer capital reserve due to the significant amount of upcoming sewer capital projects.
4. While there is no maximum on the Climate Action Reserve, the balance has grown significantly due to consistent net revenue earned by the Lake Country Hydroelectric Generating Station and revenue from the Local Government Climate Action Program Funding grant. There are \$842,000 of 2024 carryforward projects and \$1,280,000 of budgeted capital projects in the next 3 years.
5. Solid waste reserve fund is still exceeding the maximum recommended balance. This allows flexibility in maintaining current rates even with increasing costs.
6. Transit reserve is being used to smooth in significant increase in transit costs in 2024 & 2025.

7. Fire operations reserve fund has not been used to date. Fire facilities and equipment reserve fund is in the process of contributions being increased in order to meet requirements of 25 year equipment acquisition and replacement plan. Any excess once this plan is fully funded would go to fire operations reserve. In the meantime in the event of emergencies, general fund surplus and financial stabilization are available.
8. Other reserves not currently meeting the minimum balances include the insurance and legal fund reserve. These are not as critical for financial stability as the general fund surplus and therefore are recommended to be funded once the general surplus is meeting its minimum balance.

COVID-19 Safe Restart Grant

In November 2020, the District received a \$2,947,000 grant from the Province to assist with the cost of the COVID-19 pandemic for local governments. A prescribed list of eligible costs was provided with the grant and reporting was required in conjunction with the 2020-2024 financial statements.

The remaining \$298,836 of the grant as at December 31, 2023 was fully expended in 2024 on the Enterprise Resource Planning system and Accounting software and the grant is now at zero.

Growing Communities Fund

\$6,778,000 was received from the Province in March 2023. \$152,403 of interest income related to the grant money received was approved by Council to be spent on capital fire equipment in the fire facilities and equipment reserve. The remainder of the grant and investment income of \$7,030,000 was approved by Council to be spent on acquiring 9718 Bottom Wood Lake Road as a community amenity. This will be reported on our 2024 financial statements and the grant as at December 31, 2024 will be zero.

Local Government Housing Initiatives Funding

In January 2024, \$231,057 was received from the Province to support and supplement local government activities and projects to meet the new legislative requirements arising from Bills 44, 46 and 47. This funding must be spent by December 31, 2025 and an updated report of eligible expenditures must be included in our 2024 financial statements. The following was spent during 2024:

- \$9,800 - Interim Housing Needs Report
- \$19,960 - Zoning Amendment Bylaw 1238
- \$20,000 – Small-Scale Multi-Unit Housing Bylaw Bootcamp Program

This will be reported on our 2024 financial statements as a schedule.

FINANCIAL IMPLICATIONS

☐ None ☐ Budget Previously Approved ☒ Other (see below)

Following a reserve policy helps ensure necessary funding is in place for long term capital projects as well as ensures appropriate cash flow to continue to provide services even in the event of economic downturns and emergencies.

COMMUNICATION

Financial statements and annual report which includes the reserves and schedules are communicated out to the public.

ALTERNATE RECOMMENDATION

1. THAT Council determine the allocation of surplus and approve as amended.

Respectfully Submitted.

Trevor James, CFO, Director of Finance & Administration

Report Approval Details

Document Title:	2024 Surplus Allocation.docx
Attachments:	- Reserve Fund Policy 195, 2022-2025-04-01 Amendment.docx - Recommended Minimums and Maximum Balances.pdf
Final Approval Date:	Apr 10, 2025

This report and all of its attachments were approved and signed as outlined below:

Reyna Seabrook, Director of Corporate Services - Apr 8, 2025 - 4:43 PM

Paul Gipps, Chief Administrative Officer - Apr 9, 2025 - 9:36 AM

Makayla Ablitt, Legislative & FOI Coordinator - Apr 10, 2025 - 8:30 AM