
To: Mayor and Council
From: Paul Gipps, CAO
Meeting Date: April 21, 2026
Meeting Type: Regular Council Meeting

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

Title: 2025 Surplus Allocation
Description: Allocation of Surplus

RECOMMENDATION

THAT the 2025 Water Fund Surplus of \$103,310 be allocated to the Water 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 2025 year end work, an unallocated surplus of \$103,310 has been recognized in the water fund.

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 2025 year end work and are currently finalizing the 2025 financial statements. The financial statements will be presented to Council at the May 5, 2026 Regular Council Meeting.

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 2025 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 - \$350,142 Deficit

This represents approximately a 1.02% negative variance on the total operating budget. While there were some positive and negative variances for which more detail will be provided as part of the May 5, 2026 Regular Council Meeting agenda regarding the year end financial statements on a net basis there was a \$350,142 deficit in the general fund. Contributing factors to the negative variance:

- 2025 was the busiest year on record for the Lake Country Fire Department including 6 significant mutual aid requests for wildfires in the summer of 2025 with only 1 resulting in cost recovery and the other 5 cases the fires being controlled within the first operation period and the BCWS not taking over primary response.

- Paid on Call firefighters had to run back-to-back recruit training classes due to high turnover in 2024 and 2025. Additionally a significant amount of training was needed to invest in meeting provincial training standards.
- Building permit revenue was under budget as a significant amount of applications came in the first quarter of 2026 rather than throughout 2025 as many developers had in stream applications prior to the increase in Development Cost Charges effective mid March 2026. We therefore had less permit revenue in 2025 but expect an influx in 2026.

Water Fund - \$103,310 Surplus

The water fund had a surplus of \$103,310 for 2025 representing a 1.42% positive variance on the \$7.3m water operating budget. Please note the department was budgeted to have \$2.1m of revenues over expenditures in order to transfer the amount to the water capital reserve and based on actual revenues over expenditures \$2.2m is being proposed to be transferred to the reserve.

Sewer Fund - \$96,973 Deficit

The sewer fund had a deficit of \$96,973 for 2025 representing a 1.9% variance on the \$4.9m sewer 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 \$515,884 in order to transfer that amount to the sewer capital reserve and based on actual revenues over expenditures only \$418,911 is being transferred to this reserve. There was a \$210,378 surplus transferred to the reserve in the previous year and as such the long term plan is not significantly impacted by this year's deficit.

2025 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 2025 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, partially due to some key strategic land acquisitions, a transfer of density bonusing fire equipment funds to the fire reserve, as well as significant cost increases faced in the past few years. Given already higher than usual tax increases, each department has been budgeting their departmental needs at a very granular level with no excess. One unfortunate byproduct of this is not having the ability to absorb higher than normal cost increases such as rising utility costs, materials, and other items that have face extreme inflationary pressures. 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. It is the hope of staff this with a more diverse tax base with higher commercial/business/light industrial assessed value (which we are starting to see in reporting from BC Assessment), this general fund surplus will be able to grow into the desired range in future years.
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.
4. The Water Capital Works reserve is below the minimum balance due to the timing of some significant capital projects in 2025. This reserve has been planned out over 25 years in the Water Master Plan and scheduled rate increases ensure adequate funding for the plan.

5. 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.
6. Solid waste reserve fund is still exceeding the maximum recommended balance. This allows flexibility in maintaining current rates even with increasing costs.
7. Transit reserve is being used to smooth in significant increases in transit costs.
8. 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.
9. 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.

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(S)

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:	2025 Surplus Allocation.docx
Attachments:	- Reserve Fund Policy 195, 2022.pdf - Recommended Minimums and Maximum Balances.pdf
Final Approval Date:	Apr 16, 2026

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

Reyna Seabrook, Director of Corporate Services - Apr 16, 2026 - 10:23 AM

Paul Gipps, Chief Administrative Officer - Apr 16, 2026 - 10:35 AM

Task assigned to Makayla Ablitt, Manager of Corporate Administration was completed by assistant Shara Glenn, Legislative and FOI Coordinator - Apr 16, 2026 - 11:12 AM