
MEETING TYPE AND DATE: SPECIAL COUNCIL MEETING JANUARY 4, 2022
AUTHOR: CHIEF FINANCIAL OFFICER
SUBJECT: **DRAFT 2022 - 2026 FINANCIAL PLAN**

KEY ISSUE AND ESSENTIAL QUESTION:

Does the 2022-2026 Financial Plan meet the strategic and operational needs of the District?

OPTIONS:

- A. THAT 2022-2026 Financial Plan Bylaw 1179, 2022 be read a first time;
AND THAT Reserve Fund Policy 149, 2016 be repealed and Reserve Fund Policy 195, 2022 be adopted.
- B. THAT 2022-2026 Financial Plan Bylaw, 1179, 2022 be amended as outlined by Council;
AND THAT 2022-2026 Financial Plan Bylaw, 1179, 2022 be read a first time as amended;
AND THAT Reserve Fund Policy 149, 2016 be repealed and Reserve Fund Policy 195, 2022 be adopted.
- C. THAT 2022-2026 Financial Plan Bylaw, 1179, 2022 and Reserve Fund Policy 149, 2016 be referred back to staff.

EXECUTIVE SUMMARY:

Key Information:

Proposed Timeline:

January 4, 2022	5 Year Financial Plan 1 st reading and detailed review of the 2022 Budget and 2022 Capital Plan Consideration of Early Approval Requests
January & February 2022	Public Input Opportunities
February 22, 2022	Summary of Public Input for Council's consideration and 2 nd and 3 rd Readings of 5 Year Financial Plan as amended
March 2022	Adoption of the 5 Year Financial Plan

A base tax increase of 4.85% is being proposed including:

- \$364,182 required for the District's road maintenance contract increase including \$50,000 for an excess snow removal contribution to the road reserve
- \$247,333 to fund inflationary, contractual and wage rate increases.
- \$205,785 to support RCMP costs primarily due to a new RCMP collective agreement being ratified which also includes retroactive payments
- \$147,585 to fund additional IT service contracts recently implemented as part of past capital budgets
- \$100,000 to cover the net impact of the loss of a fire servicing contract
- \$40,000 to fund the additional costs in the District's joint use agreement resulting from a larger shared space at the new H.S. Grenda school
- \$21,524 in other miscellaneous inflationary increases

- These increases are partially offset by an estimated 2% of taxes from assessment growth (non-market change) or \$313,832. As the growth in the community represents an additional burden on both the infrastructure and the ability to provide services, this funding is being used to partially offset some of the additional costs above.

The average single-family home in 2021 is valued at \$760,000 per BC Assessment, up from \$711,000 in 2020. The cost to that average home of a 4.85% increase is approximately \$91.

As in the prior year, there are additional requests Council can consider over the base tax increase of 4.85% proposed.

Added to the base increase, Council may consider adding the following:

- 1.25% or \$205,000 to fund the Parks and Recreation Master Plan and the identified funding shortfall in that plan.
- 1.25% or \$205,000 to fund additional operating supplementals as outlined on page 20 of the 2022 Financial Plan
- 1.15% or \$182,933 to fund some additional staffing requests as outlined on page 20 of the 2022 Financial Plan

As council was made aware of during 2021 two new reserves were identified as being deemed necessary related to budget items for 2022 and going forward:

- The aforementioned road maintenance contract requires the District pay for excess snow removal by the hour. As this cost could fluctuate significantly year over year based on weather conditions it is advisable that a reserve be established to maintain consistent road maintenance costs year over year.
- BC Transit has moved from billing the District based on budgeted expenditures using an established reserve to paying out the reserve and billing based on actuals going forward. It is advisable that a reserve be established to ensure consistent transit costs year over year and reduce the impact of severe fluctuations.

In addition to establishing these reserves, some other minor changes are being proposed to the Reserve Fund Policy. The redlined 2016 policy is included in **Attachment C** of this report and proposed new policy is included in **Attachment D**.

Relevant Observations:

Increasing property taxes in a community is a balance between delivering services, meeting the needs of the residents, affordability and ensuring the long-term fiscal sustainability of the District.

Council reviews and sets priorities annually and the financial plan along with additional requests, support these priorities.

The addition of new lots, houses and commercial buildings in the community adds new taxes to the tax base but also creates additional infrastructure that needs to be operated, maintained, and eventually replaced. New growth also adds strain to existing services and infrastructure.

The COVID-19 pandemic has had a significant impact on operations at the District as well as reduced revenues and increased expenditures. In November 2020, the Provincial Government distributed funds to local governments under the COVID-19 Safe Restart Grant. The District received \$2.947 million under this grant program. \$424,752 was spent/used to cover revenue shortfalls in 2020 and approximately \$1.7 million has been spent/used to cover revenue shortfalls in 2021 leaving approximately \$825,000 in the fund going forward. There will be further discussion in this report and at the presentation of the Draft Financial Plan on the use of those funds.

Strategic Questions:

Does the financial plan support the strategic priorities of Council?

Does the financial plan support the long-term financial sustainability of the District?

Does the financial plan provide adequate funding to provide the levels of service as determined by Council?

Strategic Relevance & Community Sustainability:

Financial sustainability is key to ensuring long term operation of the District. The District has completed a number of long-term plans and those plans have been incorporated into the financial plan.

Key Result:

The District follows a financial plan that reflects the priorities of Council and ensures continuity of services and operations.

Desired Benefit of Key Result:

That certainty of funding be provided for 2022 to advance strategic priorities, capital projects and staffing changes.

Requisites:

None.

Unintended Outcomes:

None.

BACKGROUND/HISTORY

The legislative requirements of producing a financial plan bylaw include identifying the proportion of total revenue associated with each revenue source type, the distribution of taxes amongst the property classes, use of permissive tax exemptions and separating transfers from revenues and expenses.

Local governments are required to produce a balanced budget annually that ensures no deficit or surplus is created. Section 165 (5) of the *Community Charter* states:

(5) The total of the proposed expenditures and transfers to other funds for a year must not exceed the total of the proposed funding sources and transfers from other funds for the year.

In order to balance the budget for each of the five years of the plan, adjustments are made to the transfers to or from reserves.

Bylaw 1136, 2021 (**Attachment A**) contains all the information required in a financial plan bylaw as per legislation.

Proposed Tax Increase

Road Maintenance Contract

- A \$364,182 budget increase is required for the road maintenance contract to ensure established levels of service are maintained. Included in this number is a \$50,000 contribution to our road reserve with the intention of building a \$100,000 balance going forward to handle fluctuations that come with excess snow removal being charged to the District at an hourly rate.

CPI

- The consumer price index (CPI) for British Columbia averaged 3.8% in October 2021 over the prior year (has fluctuated from year-over-year average of 3.5% - 4% over the past few months). While most local government purchases do not fit within the “basket of goods” that CPI is calculated on, it is an indicator of increases that will be recognized on wages, contracts, and purchases of goods.
- To maintain existing service levels, a \$247,333 increase is required to the base budget for inflationary/contractual increases and salaries, wages, and benefits.

Policing

- RCMP members ratified a new collective agreement that is applied retroactively to April 1, 2017. The District had been told to expect an increase of 2.5% year over year when the actual increase ended up being 3.56% year over year. This has resulted in approximately \$206,000 in additional policing costs for 2022. The District budgets for 18 requested officers when we are charged based on actual staffing. We have been only receiving the equivalent of approximately 11-12 actual officers. The excess that has been budgeted for has been transferred to an RCMP reserve in anticipation for the significant increase in costs that will occur once our population crosses the 15,000 person threshold bringing our share of RCMP costs to 90% compared to our current 70% (with the remaining portion covered by the province). Even if we cross the 15,000 person threshold per the latest census, we do not anticipate the increase from 70% to 90% to occur until April 1, 2023 due to RCMP billing cycles.

IT Service Contracts

Most software is now billed under the “Software as a Service” model meaning significant capital projects related to IT result in much of the costs being in the form of annual license and subscription fees as opposed to upfront like in the past. Several significant IT projects are coming online at the District such as the Enterprise Resource Planning (ERP) system that was implemented with COVID 19 Restart Grant funds that results in significant annual subscription costs.

Phase Out – Fire Servicing Contract

- The Kelowna fire servicing contract was phased out between 2020 – 2021. This results in a net decrease in revenue of \$100,000 compared to the 2021 financial plan.

General Note

- We are seeing much higher increases than even inflation in building materials and construction costs. If we do not at least maintain existing levels and consequently reserve contributions, the financial pressures we will face for capital projects down the road will be even further magnified.

Additional Requests

- Additional requests have been separated for Council's consideration. Council can choose whether to add each of these items to the financial plan by resolution.
- No additional request has been made at this time to address anticipated funding deficit in the Mobility Master Plan program. It was determined that while there is a deficit due to significant increases in construction costs since performing the initial Transportation for Tomorrow study, due to our Road Development Cost Charge (DCC) program not having been updated since 2016 it is not yet determined what portion of the deficit is appropriate to fund through development via DCCs versus through taxation of existing taxpayers. As such, a DCC update for Roads, Water and Sewer has been included in the 2022 capital budget. After performing this analysis, a determination can be made on the funding required to meet the original program objectives and levels of service. Any future increases requested can be made based on that determination.

2022 Non-Market Change

There are additional taxes received from new assessment growth in the community, also called non-market change. Non-market change is the term applied to all change in assessment in the District that is not related to market increases. Almost all the non-market change in the District is related to new inventory being added to the roll including new properties (as a result of subdivisions) and the construction of new homes and commercial buildings. The early estimation from BC Assessment is 2.1% of non-market change or growth for the 2022 roll. As this is an early estimation and still subject to appeals after the January 1, 2022 assessments are sent out, staff is conservatively estimating the non-market change at 2.0% for 2022 (growth was 2.63% for 2021). This will result in \$313,832 in additional tax dollars in 2022. Staff is proposing to use this growth to partially offset some of the additional costs related to growth such as the increase in RCMP costs. These funds have been used for the last few years to offset the costs of maintaining and providing new services related to growth and the recommendation is the same in 2022.

The non-market change is less than last year. Despite the large amount of building construction dollars being recognized, there is not a direct correlation to assessment growth in the District. This is due to:

- Despite building permits being taken out, actual construction may lag, resulting in a delay in assessment growth.
- Not all building construction dollars are equal – some renovations, swimming pools, out buildings or civic buildings (a new school) do not necessarily directly correspond to equal amounts of assessment growth.
- Higher growth figures are generally achieved from subdivision of land, not building permits. The building permits generally follow the subdivision.

2022 – Staffing

There are several staffing requests for 2022, we have broken them down into positions that will be funded through offsetting revenues (building permits, user fees etc.) and those that would need to be funded through taxation. Please see page 20 of the 2022 Financial Plan for these two lists.

Wages & Benefits are budgeted at approximately \$9.9 million (including the new positions funded through revenue other than taxation, not including the potential positions funded through taxation) for all service functions of the District which represents approximately 30% of the operating costs.

2022 – Capital Plan

Council has been provided with a 5 Year Capital Plan contained in the 2022 Financial Plan document. There are 70 projects and equipment requests identified for 2022 totaling \$26,768,610. It should be noted however, that of this amount \$16,493,410 relates to grant funded or grant dependent capital expenditures. Detailed capital project sheets have been included for all the capital projects proposed in the 2022 Capital Plan. Council can debate the projects

being proposed and approve, remove, or change the year of any of the projects. It is important to note that capital funding is “one time” funding and cannot be used to offset any “ongoing” requirements such as tax increases.

If Council chooses to remove a capital project, a resolution is required to reallocate the funding.

Reserves

The District adopted a Reserve Fund Policy in 2016. One of the key issues is the District is not currently meeting the minimum reserve balances in some areas. Each year, as the work on the fiscal year end winds down in April, a report is brought to Council that outlines the state of the reserves and recommendations for allocation of surpluses, if any. The District has enjoyed surpluses over the last number of years and these surpluses have assisted in funding reserve balances that do not yet meet the minimum. When the District reaches a point that it is not recognizing surpluses due to revenues over budgeted amounts (as we have seen with building permit revenues), a strategy will have to be considered to fund reserve balances not meeting minimums. There is no strategy considered in 2022 due to the surpluses previously recognized.

Contained within the financial plan are several transfers to reserves that support the reserve fund policy, ensure the continuity of the capital project program and ensure fiscal sustainability for the District.

A review of the reserve policy has been completed see **Attachment D** for the updated policy.

COVID-19 Safe Restart Grant

In November 2020, the District received notification of an award of \$2.947 million under the COVID-19 Safe Restart Grant. The grant is intended to support local governments as they deal with increased operating costs and lower revenue due to COVID-19.

There are specific eligible costs for response and recovery including but not limited to:

- facility reopening and operating costs;
- emergency planning and response costs;
- protective services and bylaw enforcement costs;
- programs for vulnerable populations;
- computer and other electronic technology costs;
- budgeted revenues that have not been collected.

The grant is conditional, meaning the eligible costs must fall within the conditions, however these conditions are extremely broad. The directives for this Grant have also dictate what it cannot be used for. The Grant cannot be used to replace funds that Councils and Boards chose not to include in financial plans in 2020 & 2021. For example, the grant cannot be used to top up any decrease in property taxation that resulted if a Council chose to lower their tax increase in 2021.

As has been reported to Council, the District did have significant financial impacts as a result of the pandemic. In 2020 \$424,752 of the grant was recognized due to lost revenue and additional expenses. Revenue loss occurred at the arena and curling club, theatre, recreation, parks, and transit. Additional expenses occurred for safety and personal protective equipment, contracted cleaning, cleaning materials and supplies, signage, physical barriers, IT capital etc.

In 2021 the District spent \$1,245,250 of the grant on some significant grant eligible capital projects including our new Enterprise Resource Planning system (Property System Software), financial software, cloud-based meeting management & live streaming software and Mic/Audio Upgrades for Council Chambers.

The impacts on revenue and expenses for 2021 have not been finalized however we are conservatively estimating a net impact of \$450,000. This would leave the District with approximately \$825,000 left over in the grant.

The financial impacts of COVID-19 into 2022 on operations (lost revenue, additional expenditures) have not been recognized in the draft financial plan. Given the unknowns in when services may resume as normal, the financial impacts are difficult to estimate. It is proposed that the financial plan can be amended with transfers from the grant when the numbers can be better estimated.

While there is no time limit in the regulation for this grant, the Province anticipates that local governments will use these funds by the end of 2022. Given the broad categories for the use of the funds there are some options that Council could consider for the remaining funds.

Considering the pandemic has had approximately \$450,000 of a negative net impact on the District in both 2020 and 2021 it would likely be prudent to keep at least this amount to offset the potential negative impact in 2022. This would leave \$375,000 that could either be used to offset other costs or continue to hold for 2023 in the event there continues to be an impact.

The funds could be used to offset the cost of policing increase in 2022. Alternatively, the funds could also be used to offset the large IT Service Contract increases in 2022. The largest impacts of these IT Service Contract increases come from the ERP and Financial System which the initial capital funding was covered using this same COVID 19 Restart Grant and as such covering the first year or two of the service would be consistent with how the grant has been applied in 2021. Using the funds to offset either of these would allow the use of the taxation that will be freed up to transfer to other reserves as a one-time option. This does not provide an ongoing source of funding but could be used to top up or delay another increase. An example would be the 1.25% increase proposed for the Parks & Recreation master plan transfer to the facilities reserve. The increase for that could be delayed to another year and the freed-up taxation funds placed in the reserve for 2022. Another example would be some of the additional optional requests such as the Community Engagement Grant, Private Lands Wildfire Mitigation Program, Invasive Plant Species Management etc. This would allow these programs to be funded for one year and then for the next council to determine whether to fund these going forward having the knowledge of the outcome of those projects essentially approving them on a one-year trial basis.

DISCUSSION/ANALYSIS

Legislation & Applicable Policies

The 2022-2026 Financial Plan incorporates all relevant District policies. These policies include the Reserve Fund Policy, Council Remuneration & Expenses Policy as well as other policies relating to expenses.

Section 165 of the *Community Charter* sets out the requirements for a financial plan and section 166 states that public consultation must occur prior to the adoption of the financial plan. Adoption of the financial plan must occur prior to the adoption of the tax rates bylaw and prior to May 15 each year.

Technical Considerations:

- **Impact on Infrastructure and Other Municipal Services**
The financial plan sets the levels of service and determines the renewal or replacement of infrastructure.
- **Impact on Staff Capacity and Financial Resources (Cost/Benefit Analysis)**
Each director had input on the Financial Plan and has planned both operations and capital projects considering staff capacity and resources.

Comments from Other Government Agencies, Council Committees and Relevant Stakeholders:

Both the Parks & Recreation Committee and the Water Advisory Committee have reviewed projects specific to those areas.

Consultation, Public Feedback, and Communication to and from the Public and the Applicant:

Public consultation is a required part of the Financial Plan Bylaw adoption process. Despite the current restrictions in place on public gatherings, the communications department has developed a plan.

2022 Budget Communication and Engagement Plan:

Background:

With the implementation of all municipal budgets, the need for community engagement and input is a vital part of the process. Council must be provided with opportunities for meaningful dialogue with constituents prior to finalizing the budget. The 2021 budget was a challenge as traditional methods of engagement were not permitted due to the pandemic. The new normal was an opportunity for the communication and engagement team to be creative and use new methods in addition to more traditional methods to reach community members with a public education campaign. Equally important is providing safe and effective ways for members of the public to ask questions and receive clarity on budgeted items. The methods used in 2021 were very successful and the communications team will take a similar approach in 2022.

Following is a framework of how the 2022 budget will be delivered to the community.

Date	Topic	Communication Channel	Platform
December 23, 2021	News release explaining proposed 2022 budget. See Attachment B for article.	Article	Website Email subscribers Facebook posting
December 23, 2021 <i>Date corresponds with publication of the agenda.</i>	Let's Talk-Lake Country 2022 Draft Budget <ul style="list-style-type: none"> Information on budget process Documents related to the budget Space to leave a comment or ask questions 	Online engagement platform	Let's Talk – Lake Country Website
January 4 th	Special Council meeting	In person & Video	Live via Teams Recording available for future viewing
January 5 th	Outcomes of the January 4 th Council meeting to review the draft budget	Article	Website Email subscribers Facebook posting
January 5 th	Updated information to Let's Talk – Lake Country	Online engagement platform	Let's Talk – Lake Country Website
January 13, 20, 27 February 4	Submit questions & comments about the budget	Lake Country Calendar	Local weekly newspaper
January 28	Budget information and details on the virtual town hall – February 8 th	Postal code mailout 4,500 homes and businesses in Lake Country	Canada post
February 8 th	Virtual town hall	Online	Facebook LIVE
January & February	Facebook & Instagram stories	Online	Facebook & Instagram
February 22 nd	2022 Budget – 2 nd and 3 rd Reading	In person & video	Live via Teams Recording available for future viewing

February 23 rd	Outcomes of the 2 nd and 3 rd Readings	Article	Website Email subscribers Facebook posting
March	Final Adoption of 2022 Budget	In person & video	Live via Teams Recording available for future viewing
March	Recap of 2022 budget. Notify the community that Council has adopted the 2022 Budget	Article	Website Email subscribers Facebook & Instagram

Respectfully Submitted,

Trevor James, CPA, CA
Chief Financial Officer
Administration & Finance

This report has been prepared with the collaboration of the following individuals:

COLLABORATORS	
TITLE	NAME
Chief Administrative officer	Tanya Garost
Director of Utilities	Greg Buchholz
Director of Engineering & Environmental Services	Matthew Salmon
Director of Protective Services	Steve Windsor
Director of Parks, Recreation & Culture	Matt Vader
Director of Corporate Services	Reyna Seabrook
Information Manager	Dave Philp

This report has been prepared in consultation with the following departments:

CONCURRENCES	
DEPARTMENT	NAME
Chief Administrative Officer	Tanya Garost

ATTACHMENTS:

Attachment A – 2022-2026 Financial Plan Bylaw 1179, 2022

Attachment B – 2022 Budget 1st Communication

Attachment C – Redlined Reserve Fund Policy 149, 2016

Attachment D – Reserve Fund Policy 195, 2022

DISTRICT OF LAKE COUNTRY

BYLAW 1179

A BYLAW TO ADOPT A FINANCIAL PLAN FOR THE YEARS 2022 - 2026

WHEREAS, pursuant to Section 165 of the Community Charter, Council shall, before the 15th day of May in each year, before the annual property tax bylaw is adopted, adopt a financial plan;

The Council of the District of Lake Country, in open meeting assembled, enacts as follows:

1. This Bylaw may be cited for all purposes as "2022-2026 Financial Plan Bylaw 1179, 2022."
2. The schedules marked as Schedule A and B attached hereto, and forming part of this bylaw, are hereby declared to be the Financial Plan for the District of Lake Country for the period January 1, 2022 to December 31, 2026.

READ A FIRST TIME this 4th day of January, 2022.

READ A SECOND TIME this _____ day of _____, 2022.

READ A THIRD TIME this _____ day of _____, 2022.

ADOPTED this _____ day of _____, 2022.

Mayor

Corporate Officer

I hereby certify the foregoing to be a true and correct copy of the Bylaw cited as the "2022 - 2026 Financial Plan Bylaw 1179, 2022" as adopted by Council on the ____ day of _____, 2022.

Dated at Lake Country, BC

Corporate Officer

**Schedule "A" attached to
2022-2026 Financial Plan
Bylaw 1179, 2022**

	2022	2023	2024	2025	2026
Revenue					
Property Taxes	(16,763,675)	(17,718,851)	(18,507,811)	(19,332,551)	(20,195,121)
Parcel Taxes	(2,327,683)	(2,329,265)	(2,382,521)	(2,437,118)	(2,493,092)
Fees and Charges	(10,141,987)	(10,464,438)	(10,773,547)	(11,095,720)	(11,431,679)
Other Revenue	(18,995,286)	(6,602,769)	(6,732,469)	(6,837,329)	(6,944,499)
Transfer from DCC Reserves	(1,436,659)	(102,965)	(102,965)	(35,932)	(35,932)
Total Revenue	(49,665,290)	(37,218,288)	(38,499,313)	(39,738,650)	(41,100,323)
Expenses					
General Government Services	3,881,192	3,960,142	4,055,672	4,154,166	4,273,731
Protective Services	6,168,462	6,683,422	7,028,759	7,199,119	7,373,768
Transporation Services	6,383,641	6,542,462	6,724,692	6,909,715	7,100,451
Environmental Services	1,945,398	1,994,089	2,045,368	2,099,355	2,154,825
Development Services	1,905,991	1,944,111	1,986,569	2,033,612	2,081,778
Parks and Recreation	5,280,284	5,426,797	5,554,827	5,690,984	5,827,811
Water Operations	4,242,402	4,335,457	4,434,298	4,539,224	4,646,954
Sewer Operations	2,357,114	2,417,692	2,469,171	2,521,835	2,575,717
Interest Expense	632,309	687,582	687,583	408,239	408,240
Total Expenses	32,796,793	33,991,755	34,986,937	35,556,249	36,443,275
Annual Surplus	(16,868,497)	(3,226,533)	(3,512,376)	(4,182,401)	(4,657,048)
Proceeds from Borrowing	(4,000,500)	-	-	-	-
Transfer from Reserves	(9,439,193)	(775,000)	(625,000)	(375,000)	(320,000)
Transfer from Surplus	(8,431)	(8,736)	(9,102)	(9,534)	(9,984)
Principal Repayment	500,659	740,056	741,700	551,293	551,294
Capital Expenditures	26,768,610	-	-	-	-
Transfer to Surplus and Non-Statutory Reserve	6,960,471	7,323,607	7,603,392	8,364,615	8,940,388
Actuarial Adjustment on Long Term Debt	423,069	423,069	423,069	423,069	423,069
Amortization of tangible capital assets	(4,336,189)	(4,476,463)	(4,621,683)	(4,772,042)	(4,927,719)
Debt, Capital and Reserve/Surplus transfers	16,868,497	3,226,533	3,512,376	4,182,401	4,657,048
Financial Plan Balance	-	-	-	-	-

Statement of Objectives and Policies

In accordance with Section 165(3.1) of the Community Charter, the District of Lake Country is required to include in its Five-Year Financial Plan (2022 - 2026), objectives and policies regarding each of the following:

- A. The proportion of total revenue that comes from each of the funding sources described in Section 165(7) of the Community Charter;
- B. The distribution of property taxes among the property classes; and
- C. The use of permissive tax exemptions.

1. Funding Sources

The objectives and policies pertaining to municipal revenue which are incorporated into the District of Lake Country's Financial Plan include:

- The build-up of reserves to minimize the need to borrow for future capital projects;
- Provide sufficient operating funds to ensure existing infrastructure is properly maintained to maximize its lifespan;
- Pursue infrastructure grants from senior levels of government to lessen the impact on local property taxation and user fees;
- Review user fees to match operational costs, where appropriate;
- Examine business opportunities to raise revenue for the District of Lake Country; and
- In year 1 (2022) of the five-year plan, the proportion or percentage of total revenue from the various revenue sources, as detailed in the Financial Plan, is summarized in Table 1 below.

Table 1: Sources of Revenue

Revenue Sources	2022
Property Taxes	33.75%
Parcel Taxes	4.69%
Fees & Charges	20.42%
Other Revenue	38.25%
Transfers from DCC Restricted Revenue	2.89%
Total Revenue	100%

2. Distribution of Property Taxes

It is Council's goal to ensure there is a fair and equitable apportionment of taxes to each property class. The objectives and policies pertaining to the distribution of property taxes among the property classes and incorporated into the Financial Plan include:

- Regular reviews and comparisons of the District of Lake Country's tax burden relative to other BC municipalities and its neighbours to ensure a competitive tax structure and rates;

- Adjustments to taxation levels for specific property classes, where appropriate, based upon the reviews;
- Application of the general municipal tax increase to each property class individually so that each property class is impacted equally, relative to other property classes;
- Decrease (or increase) tax rates to offset the market increase (or decrease) in average taxable assessment within each property class compared to the previous year prior to applying the general municipal tax increase; and
- The use of non-market growth in the assessment roll due to new construction and development to assist in covering expenditures required to service the additional burden on the infrastructure and services within the District of Lake Country.

Table 2 below highlights the estimated municipal property tax dollars and the respective percentages to be collected from each of the tax classes for 2022.

Table 2: Approximate Distribution of 2022 Municipal Property Taxes

Property Class	Property Tax Dollars Raised (General & Fire Protection)	% of Total Property Taxation	Ratio
(1) Residential	\$14,659,835	87.45%	1.0
(2) Utility	\$212,899	1.27%	15.7
(5) Light Industrial	\$415,739	2.48%	5.4
(6) Business/Other	\$1,377,973	8.22%	2.6
(8) Recreation/Non-Profit	\$90,524	.54%	2.3
(9) Farm	\$6,705	.04%	0.2
Totals	\$16,763,675	100.00%	

3. Permissive Tax Exemptions

The Annual Report details the extent of permissive tax exemptions provided by the District of Lake Country. The administration and approval of permissive tax exemptions is set by Council policy. Some of the eligibility criteria within the policy include the following:

- The paramount consideration for a permissive tax exemption is the benefit to the community and the residents of Lake Country;
- Permissive exemptions will also be granted where an organization provides a service that the District of Lake Country would provide given sufficient financial resources;
- Permissive tax exemptions are based on the principal use of the property;
- The goals, policies or principles of the organization must not be inconsistent or conflict with those of the District of Lake Country;
- Membership in the organization and/or use of the property must be reasonably open to all Lake Country residents; and
- The organization must be a registered non-profit society. The support of the municipality will not be used for commercial or private gain.

Council to consider property tax increase with an emphasis on road maintenance

On [January 4th, 2022](#) Council will be considering the five (5) year financial plan which includes the 2022 budget. Council will consider a proposed base tax increase of 4.85% along with other budget items that require attention. Council will deliberate on the budget proposal and make the final decisions after carefully reviewing community input gathered throughout the months of January and February -- including a virtual town hall scheduled for February 8th, 2022. Everyone in the community is encouraged to get involved and share their interests and concerns in a meaningful and constructive manner to help shape the 2022 budget.

Proposed Community Needs	Proposed 2022 Increase	Dollar Value Attributable to Existing Properties	Approximate Average Home Increase <i>(\$760,000 – BC Assessment 2021 Avg in Lake Country)</i>
Road Maintenance Contract	1.57%	\$262,716	\$29.32
Consumer Price Index	1.15%	\$193,950	\$21.64
RCMP Staff Increase	0.89%	\$148,451	\$16.57
IT Services Contracts	0.64%	\$106,466	\$11.88
Phase Out - Fire Servicing Contract	0.43%	\$72,139	\$8.05
Ecole H.S. Grenda Maintenance of Shared Spaces Increase	0.17%	\$28,855	\$3.22

For each 0.01% added to the budget - the average home will pay approximately an additional \$0.19 towards municipal services.

Municipalities in BC are governed by the Province and have a requirement to provide the community roads, water, waste water and policing. Each year the District must have an approved budget that is linked to a five (5) year financial plan. The proposed yearly budget is linked to population growth as well as a careful review of what services and facilities the community requires throughout the calendar year.

Road Maintenance Contract:

With severe weather events becoming increasingly frequent and the safety of the community being paramount, the need to plan for additional snow clearing of both roads and sidewalks is necessary. In addition, the District is responsible for de-icing, street sweeping, and maintenance of gravel roads, while continuously ensuring established levels of service are maintained. These services all come with a cost. Local to Lake Country- the team at Digg'N 4 U, provides the community with timely and responsive road maintenance, with the goal of keeping Lake Country safe year-round.

Consumer Price Index:

Consumer Price Index also known as CPI, is used to measure the average cost change over time in the prices paid for goods and services, and accounts for inflation. Inflation for services has risen significantly over the past 12 months ranging from 3.5% - 4% in BC. As a result, there has been increases on most goods and services costs in addition to wage and benefit increases.

RCMP Staff Increase:

In 2020 Council approved the cost of acquiring five (5) additional RCMP officers. Half the cost of the new officers was incorporated into the 2020 budget and the second half in 2021. Currently the Lake Country detachment has a compliment of 14 RCMP members and adequate budget to recruit additional members to support the community as we continue to grow. In 2021 the collective agreement for the RCMP was ratified resulting in a 23.7% wage increase over six years. RCMP wages and wage increases are to be budgeted by the municipality they support.

IT Service Contracts:

Streamlining building and development permit applications, improving data management processes, and boosting efficiencies requires substantial upgrades to the District's technology platforms. In addition to implementing service contracts with vendors, annual fees must be budgeted for. Technology along with process improvements will result in enhanced customer service levels.

Phase Out - Fire Servicing Contract:

In 2021 the City of Kelowna phased out the fire protection contract they had in place with the District of Lake Country Fire Department. This resulted in a net reduction in revenue from the prior year budget.

École H S Grenda Middle Maintenance of Shared Spaces:

Earlier this year the new middle school opened its doors welcoming grade six (6) and seven (7) students as well as offering the French immersion program. The District has the opportunity to utilize common areas of the middle school to offer programming to the community. The proposed lease arrangement will be similar to the agreement that has provided community programming at George Elliot Secondary School.

Share your Viewpoint:

Council wants to hear what you think about the five (5) year financial plan and the 2022 budget. On [January 4th beginning at 4:30 pm](#) Council will review the proposed financial plan in detail at the Special Council Meeting, and you are invited to join in person or virtually from the comfort of your home on any device. On [February 8th](#) join Council for a virtual town hall. This will be an excellent opportunity to ask questions and tell Council what your priorities are for Lake Country. Review the five (5) year financial plan, documents, important meeting dates, links, and to submit questions or comments visit [Let's Talk-Lake Country](#).

Stay Informed:

Receive updates directly sent to your inbox, as Council goes through the five (5) year financial plan and 2022 budget process. Subscribe at www.lakecountry.bc.ca/subscribe



Reserve Fund Policy ~~149~~¹⁹⁵, ~~2016~~²⁰²²

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Date

The following ~~repeals and replaces Reserve Fund Policy 149, 2016 which~~ was adopted as Policy by **Resolution No. ~~16.11.278~~** at the **Special Council Meeting** held on ~~November 29, 2016~~.

Purpose

The Policy provides guidance on the development, maintenance and use of financial reserve funds.

Policy

1. PRINCIPLES

It is essential that local governments maintain adequate levels of reserve balances to mitigate current and future risks, ensure stable tax rates and demonstrate financial commitment to long range infrastructure and master plans. The following guiding principles form the basis of this policy:

- 1.1. Sufficient reserve funds are important in achieving financial health and stability for the District.
- 1.2. Reserve goals need to be consistent with and support established long term financial plans.
- 1.3. Reserve fund management needs to conform to the statutory and legal requirements of the *Local Government Act* and the *Community Charter*, generally accepted accounting principles (GAAP) and public sector accounting board (PSAB) recommendations.

2. DEFINITIONS

"annual surplus" means the accumulated excess of revenues over expenditures for the current year.

"District" means the organization of the District of Lake Country.

"reserve funds" means funds that are set aside for a specified purpose by Council pursuant to subsection 188 (1) the *Community Charter*. These reserves are established via District bylaws and are discretionary on the part of Council. The reserve funds can be operating or capital in nature.

"reserves" means all of the District's reserve funds and statutory reserve funds.

"statutory reserve funds" means funds set aside for specified purposes as required by and pursuant to specific legislation. These reserves are established via District bylaws and are non-discretionary on the part of Council.

"unappropriated surplus" means the accumulated surplus built up in the District's various operating funds that has not been designated for specific uses.

3. RESERVES

3.1. OPERATING RESERVE FUNDS

(a) Financial Stabilization Reserve Fund

Purpose:

To offset unrealized revenues – some of the District’s revenue sources (i.e. development fees, building permits) are cyclical in nature and thus are subject to downturns in the economy. The District tries to anticipate economic downturns during budget processes but despite best efforts may be exposed to the possibility of unrealized or declining revenues. Funds may be used during the budget process as a transfer from reserves to offset cyclical revenue declines.

One time and intermittent projects – the District undertakes certain on time and/or intermittent projects that are larger in terms of costs. If these projects were funded from property taxation, annual spikes and declines in taxation would result, therefore, it is not prudent to fund these projects from on-going property taxation revenue. Examples include master plan updates and [Official Community Plan \(OCP\)](#) updates.

Cyclical expenditures – the District has some cyclical expenditures that do not reoccur annually but may reoccur every two ~~to four~~[or more](#) years. An annual cost would be determined and included as an expenditure in the Financial Plan with an offsetting transfer to the reserve until the year required. Some examples include elections or satisfaction surveys.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none">Annual allocation from general operating budget as provided for in financial planTransfer of any development revenues over and above established base amounts, if and when available	1% of general operating fund revenues, rounded to the nearest \$100,000	2.5% of general operating fund revenues, rounded to the nearest \$100,000

(b) Policing Reserve Fund

Purpose:

To offset the cost of special policing major crimes, DNA analysis costs or other unexpected expenditures. Major policing expenditures can come forward without any forewarning and it is often not possible to fund these projects via taxation or other reserves. Funds can also be used for capital expenditures as related to policing. As the District’s population grows, the funds in this reserve can be used in assisting with smoothing of additional policing costs to prevent spiking of tax rates related to policing.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from the RCMP budget as provided for in financial plan Excess traffic fine sharing revenue not utilized within the annual policing operations Savings from the policing operational budget 	10% of RCMP contract expenditures rounded to the nearest higher \$100,000	50% of RCMP contract expenditures rounded to the nearest higher \$100,000

(c) Solid Waste Reserve Fund

Purpose:

To assist with the funding of solid waste containers, which are required to be replaced or upgraded on a regular two to three year cycle. This reserve could also be used to assist with capital costs related to establishing infrastructure for the purposes of solid waste or recycling services.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from solid waste operating budget as provided for in financial plan Savings from the solid waste operational budget 	5% of annual revenue from garbage and recycling user fees, rounded to the nearest higher \$10,000	25% of annual revenue from garbage and recycling user fees, rounded to the nearest higher \$10,000

(d) Fire Operations Reserve Fund

Purpose:

To offset the cost of wildfire events not covered under other emergency funding. Major wildfire expenditures can happen in any year without any forewarning and it is often not possible to fund these events via taxation or other reserves.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from Fire operational budget as provided for in financial plan <u>Increases in Unbudgeted revenue received as a result of fire crews being redeployed to fires outside of the District</u> 	5% of fire operational expenditures rounded to the nearest higher \$100,000	10 20% of fire operational expenditures rounded to the nearest higher \$100,000

<ul style="list-style-type: none">• Savings from the fire operational budget		
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(f)(e) Insurance and Legal Reserve Fund

Purpose:

To provide a source of funds for liability claims not covered under our insurance policies and to offset the cost of major legal costs or claims of which the magnitude and timing is often indeterminable.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan Savings from legal and insurance operational budget 	\$10,000	\$50,000

3.2. CAPITAL RESERVE FUNDS**(a) Capital Reserve Fund**

Purpose:

To fund general capital projects that are not specifically funded from other established reserves or user fees. Capital projects that will be funded from this reserve are budgeted within the District's long term capital plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan 	Adequate to fund capital projects identified as capital funded for the next fiscal year of the 5 year capital plan	Adequate to fund all capital projects identified as capital funded in the 5 year capital plan

(b) Climate Action Reserve Fund

Purpose:

The District recognizes the importance of reducing greenhouse gas (GHG) emissions through projects that reduce fossil fuel consumption. Reducing GHG emissions is part of Lake Country's commitment as a signatory to the BC Climate Action Charter. ~~Signing on to the BC Climate Action Charter is a commitment to becoming carbon neutral (in operations) by 2012, measuring and reporting GHG emissions and planning complete, compact, more energy efficient communities. Local governments who have signed on to the Climate Action Charter are eligible for the Climate Action Revenue Incentive Program (CARIP) grant equal to 100 percent of the carbon tax paid as a direct expenditure in the previous year.~~ Funds in this reserve will be used for projects that reduce greenhouse gas emissions, replacement of equipment in the Hydroelectric Generating Station or early retirement of related debt, as funds permit.

Commented [TJ1]: Climate Action Revenue Incentive Program has been discontinued. Have been informed that it is being replaced with something new with financial support but no actual commitment yet.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Net revenue earned by the Lake Country Hydroelectric Generating Station Revenue from the Climate Action Revenue Incentive grant Equivalent of what would be paid to purchase carbon offsets for the carbon produced 	Adequate to fund capital projects as related to renewal of the Hydroelectric Generating Station in the 5 year capital plan.	No maximum – the source of funds for this reserve cannot be reallocated if there is a maximum on this reserve fund.

(c) Transportation Infrastructure Reserve Fund

Purpose:

To fund designated road capital projects required for road operations or as identified in the transportation for tomorrow plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan and as determined by Council resolution 15.12.301 	Adequate to fund capital projects identified as roads reserve funded for the next fiscal year of the 5 year capital plan	Adequate to fund all capital projects identified as roads reserve funded in the 5 year capital plan

(d) Equipment Acquisition and Replacement Reserve Fund

Purpose:

To fund the acquisition of municipal vehicles and equipment in accordance with an acquisition plan and the replacement of municipal vehicles and equipment according to planned replacement schedules.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan Proceeds from the sale of municipal vehicles and equipment 	Minimum funds available to fund the next year of vehicle and equipment acquisitions and replacements.	Funds for all scheduled vehicle and equipment acquisitions and replacements in the 5 year financial plan.

(e) Fire Facilities and Equipment Reserve Fund

Purpose:

To fund the replacement of fire vehicles and equipment according to planned replacement schedules and planned maintenance, upgrades, additions or improvements to fire buildings.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from fire operating budget as provided for in financial plan Proceeds from the sale of fire vehicles and equipment Funds received for amenity provisions under the Density Bonusing clause in the Zoning Bylaw 	Minimum funds available to fund the next year of fire facilities, vehicle and equipment replacements and capital expenditures.	Funds for all scheduled fire facility capital expenditure and vehicle and equipment replacements in the 5 year financial plan.

(f) Information Technology (IT) Reserve Fund

Purpose:

To fund information system and technology projects including communications systems, ~~which are capital in nature.~~ Technology can change rapidly within the information technology area and often comes at a large cost. This reserve is needed to keep pace with technology and to take advantage of technological improvement/efficiency opportunities. Due to the industry trend towards Software as a Service (SaaS) compared to Software as a Product more and more IT systems that used to be capital in nature are now considered operating and as such this reserve is intended to fund both capital and SaaS operating IT projects.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan 	Adequate to fund capital projects identified as IT related capital-funded for the next fiscal year of the 5-year <u>5-year financial</u> capital plan.	Adequate to fund all capital projects identified as IT related capital-funded in the 5-year <u>capital-financial</u> plan.

(g) Facilities Reserve Fund

Purpose:

To fund expenditures for major repairs, upgrading, replacement or expansion of municipal buildings, ancillary structures and site services that serve as public spaces.

Funding Source	Minimum Level	Maximum Level
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<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan 	Adequate to fund capital projects identified as facilities capital funded for the next fiscal year of the 5 year capital plan.	Adequate to fund all capital projects identified as facilities related capital funded in the 5 year capital plan.
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(h) Community Works Gas Tax Reserve Fund

Purpose:

To account for funds received and used pursuant to the Community Works Gas Tax Agreement. Projects funded by this account must be in compliance with acceptable uses as defined in the community Works Gas Tax Agreement.

The intent is to spend all funds received, per our Community Works Gas Tax Agreement.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Federal Community Works Gas Tax Funds 	N/A – intend to spend all funds received	N/A – funds from this source have specified use and cannot be reallocated to other reserves if there was a maximum value placed on this fund.

(i) Water Capital Reserve Fund

Purpose:

To fund water utility capital projects required for water operations or as identified in the Water Master Plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from water operating budget as provided for in financial plan 	Adequate to fund capital projects identified as water capital funded for the next fiscal year of the 5 year capital plan.	Adequate to fund all capital projects identified as water capital funded in the 5 year capital plan.

(j) Sewer Capital Reserve Fund

Purpose:

To fund sewer utility capital projects required for sewer operations or identified in the Sewer Master Plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from sewer operating budget as 	Adequate to fund capital projects identified as sewer capital funded for the next	Adequate to fund all capital projects identified as sewer

provided for in financial plan	fiscal year of the 5 year capital plan.	capital funded in the 5 year capital plan.
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(k) Roads Maintenance Services Reserve Fund

Purpose:

If snow accumulations along roadways from clearing operations reach a level that impede further snow clearing operations, it is the responsibility of the District to remove (or pay a contractor to remove) the snow to a storage area. The frequency and cost of this is entirely dependent on unpredictable weather patterns. This reserve is to account for the risk being borne by the District and ensure funds are in place in the event of a heavy snowfall year.

<u>Funding Source</u>	<u>Minimum Level</u>	<u>Maximum Level</u>
• <u>Annual allocation from transportation budget as provided for in financial plan</u>	<u>Maintain balance of \$100,000</u>	<u>Maintain balance of \$100,000</u>

Commented [TJ2]: Established as our road maintenance contract has us pay hourly for excess snow removal

(m) Transit Reserve Fund**Purpose:**

BC Transit bills are based on actual expenditures instead of budgeted expenditures. As ridership and expenses can fluctuate, the transit reserve fund is intended to allow the District to absorb the financial impact of unfavorable years and unforeseen events and provide the financial flexibility to pursue new opportunities in transit when they arise.

<u>Funding Source</u>	<u>Minimum Level</u>	<u>Maximum Level</u>
• Annual allocation from transit budget as provided for in financial plan	5% of budgeted net operating expenditures	10% of budgeted net operating expenditures

Commented [TJ3]: Established as BC Transit has switched from billing based on budget and using an established to reserve to handle year-over-year fluctuations to paying out the reserve and billing based on actual going forward.

3.3. STATUTORY RESERVE FUNDS**(a) Development Cost Charge (DCC) Reserve Funds****Purpose:**

As per subsection 188(2)(a) of the *Community Charter*, separate Reserves need to be established for DCC collections and use, under section 566 of the *Local Government Act*. The following DCC Reserves have been established for the purpose so identified in the associated DCC bylaw and are as follows:

- (i) Roads DCC
- (ii) Sewer DCC
- (iii) Parks DCC
- (iv) Drainage DCC
- (v) Water DCC

(b) Parkland Acquisition Reserve Fund**Purpose:**

As 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* (parkland funds received upon subdivision) must be set aside in a reserve and be used exclusively to purchase parkland. The Parkland Acquisition Reserve has been established for accumulating and expending monies as per this requirement.

(c) Land Sale Reserve Fund**Purpose:**

As per subsection 188(2)(e) of the *Community Charter* funds received from the sale of land and improvements must be set aside for paying any debt remaining in relation to the property and for

acquiring land, improvements and other assets of a capital nature. The Land Sale Reserve has been established for accumulating and expending monies as per this requirement.

(d) Access to Body of Water Reserve Fund

Purpose:

As per section 41(1)(d) of the Community Charter funds received from the sale of highway must be placed to the credit of reserve fund to be used to acquire property that Council considers will provide public access to the same body of water that is of at least equal benefit to the public."

4. UNAPPROPRIATED SURPLUSES

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

The District may also require emergency funds from time to time, from any one of its Unappropriated Surplus balances, for unforeseen costs. When this occurs, the District needs to rely upon sufficient balances being available in the applicable Unappropriated Surplus area (general operating, water or sewer).

Funding Source	Minimum Level	Maximum Level
General Fund <ul style="list-style-type: none"> Any excess general operating fund revenues over expenditures and transfers at the end of each fiscal year 	Two months of regular general fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular general fund operating expenditures, rounded to the nearest higher \$100,000
Sewer Fund <ul style="list-style-type: none"> Any excess sewer operating fund revenues over expenditures and transfers at the end of each fiscal year 	Two months of regular sewer fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular sewer fund operating expenditures, rounded to the nearest higher \$100,000
Water Fund <ul style="list-style-type: none"> Any excess water operating fund revenues over expenditures and transfers at the end of each fiscal year 	Two months of regular water fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular water fund operating expenditures, rounded to the nearest higher \$100,000

5. ADMINISTRATION

5.1. Reserve Contributions

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

5.2. Minimum and Maximum Reserve Balances

Minimum and maximum fund balance guidelines have been set for some of the District's Reserve Funds, Statutory Reserve Funds and Unappropriated Surpluses. The minimum balances ensure that the respective balances are not depleted to the degree that those balances are no longer able to serve their intended purpose(s). The maximum balances ensure the District's guiding principles are achieved and the respective balances do not grow beyond their intended purpose(s) and thus create 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.

5.3. Internal Borrowing

Internal borrowing from specific Reserve Fund, Unappropriated Surplus and Statutory Reserve Fund balances shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is in place. 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.

5.5.5.4. Responsibilities

The District's Chief Financial Officer shall be responsible for:

- Recommending the necessary contributions and transfers so that the District's Reserve Funds, Statutory Reserve Funds and Unappropriated Surpluses are maintained in accordance with this policy;

- (b) Conduct an annual review of all Reserve Fund, Statutory Reserve Fund and Unappropriated Surplus balances and reporting the results of such a review to Council; and
- (c) Recommending revisions or amendments to this Policy, as may be required from time to time, as a result in changes in applicable statutes, accounting standards, economic conditions, etc.

~~5.6.5.5.~~ Interest

Reserve Funds and Statutory Reserve Funds shall be paid and allocated interest based on average annual balances and the District's average rate of return on investments.

~~5.7.5.6.~~ Guide ~~and Transition~~

~~The minimum and maximum fund balance guidelines shown in this Policy serve as a guide in moving the District towards the goals and targets it wishes to attain in terms of individual fund balances. It is recognized that the District's fund balances are not all within these ranges at the time of amending this Policy, however the District is working towards achieving these ranges. It should also be noted that in certain instances it will be in the best interest of the District to purposely build certain reserve balances above the maximums outlined above such as in the case of major multi-year projects. These should be identified during the annual formal review of the reserve balances.~~

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

Mayor

Corporate Officer



Reserve Fund Policy 195, 2022

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Date

The following repeals and replaces Reserve Fund Policy 149, 2016 which was adopted as Policy by **Resolution No. 16.11.278** at the **Special Council Meeting** held on **November 29, 2016**.

Purpose

The Policy provides guidance on the development, maintenance and use of financial reserve funds.

Policy

1. PRINCIPLES

It is essential that local governments maintain adequate levels of reserve balances to mitigate current and future risks, ensure stable tax rates and demonstrate financial commitment to long range infrastructure and master plans. The following guiding principles form the basis of this policy:

- 1.1. Sufficient reserve funds are important in achieving financial health and stability for the District.
- 1.2. Reserve goals need to be consistent with and support established long term financial plans.
- 1.3. Reserve fund management needs to conform to the statutory and legal requirements of the *Local Government Act* and the *Community Charter*, generally accepted accounting principles (GAAP) and public sector accounting board (PSAB) recommendations.

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“reserves” means all of the District’s reserve funds and statutory reserve funds.

“statutory reserve funds” means funds set aside for specified purposes as required by and pursuant to specific legislation. These reserves are established via District bylaws and are non-discretionary on the part of Council.

“unappropriated surplus” means the accumulated surplus built up in the District’s various operating funds that has not been designated for specific uses.

3. RESERVES

3.1. OPERATING RESERVE FUNDS

(a) Financial Stabilization Reserve Fund

Purpose:

To offset unrealized revenues – some of the District’s revenue sources (i.e. development fees, building permits) are cyclical in nature and thus are subject to downturns in the economy. The District tries to anticipate economic downturns during budget processes but despite best efforts may be exposed to the possibility of unrealized or declining revenues. Funds may be used during the budget process as a transfer from reserves to offset cyclical revenue declines.

One time and intermittent projects – the District undertakes certain on time and/or intermittent projects that are larger in terms of costs. If these projects were funded from property taxation, annual spikes and declines in taxation would result, therefore, it is not prudent to fund these projects from on-going property taxation revenue. Examples include master plan updates and Official Community Plan (OCP) updates.

Cyclical expenditures – the District has some cyclical expenditures that do not reoccur annually but may reoccur every two or more years. An annual cost would be determined and included as an expenditure in the Financial Plan with an offsetting transfer to the reserve until the year required. Some examples include elections or satisfaction surveys.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan Transfer of any development revenues over and above established base amounts, if and when available 	1% of general operating fund revenues, rounded to the nearest \$100,000	2.5% of general operating fund revenues, rounded to the nearest \$100,000

(b) Policing Reserve Fund

Purpose:

To offset the cost of special policing major crimes, DNA analysis costs or other unexpected expenditures. Major policing expenditures can come forward without any forewarning and it is often not possible to fund these projects via taxation or other reserves. Funds can also be used for capital expenditures as related to policing. As the District’s population grows, the funds in this reserve can be used in assisting with smoothing of additional policing costs to prevent spiking of tax rates related to policing.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from the RCMP budget as provided for in financial plan Excess traffic fine sharing revenue not utilized within the annual policing operations Savings from the policing operational budget 	10% of RCMP contract expenditures rounded to the nearest higher \$100,000	50% of RCMP contract expenditures rounded to the nearest higher \$100,000

(c) Solid Waste Reserve Fund

Purpose:

To assist with the funding of solid waste containers, which are required to be replaced or upgraded on a regular two to three year cycle. This reserve could also be used to assist with capital costs related to establishing infrastructure for the purposes of solid waste or recycling services.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from solid waste operating budget as provided for in financial plan Savings from the solid waste operational budget 	5% of annual revenue from garbage and recycling user fees, rounded to the nearest higher \$10,000	25% of annual revenue from garbage and recycling user fees, rounded to the nearest higher \$10,000

(d) Fire Operations Reserve Fund

Purpose:

To offset the cost of wildfire events not covered under other emergency funding. Major wildfire expenditures can happen in any year without any forewarning and it is often not possible to fund these events via taxation or other reserves.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from Fire operational budget as provided for in financial plan Unbudgeted revenue received as a result of fire crews being redeployed to fires outside of the District Savings from the fire operational budget 	5% of fire operational expenditures rounded to the nearest higher \$100,000	20% of fire operational expenditures rounded to the nearest higher \$100,000

(e) Insurance and Legal Reserve Fund

Purpose:

To provide a source of funds for liability claims not covered under our insurance policies and to offset the cost of major legal costs or claims of which the magnitude and timing is often indeterminable.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan Savings from legal and insurance operational budget 	\$10,000	\$50,000

3.2. CAPITAL RESERVE FUNDS**(a) Capital Reserve Fund**

Purpose:

To fund general capital projects that are not specifically funded from other established reserves or user fees. Capital projects that will be funded from this reserve are budgeted within the District's long term capital plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan 	Adequate to fund capital projects identified as capital funded for the next fiscal year of the 5 year capital plan	Adequate to fund all capital projects identified as capital funded in the 5 year capital plan

(b) Climate Action Reserve Fund

Purpose:

The District recognizes the importance of reducing greenhouse gas (GHG) emissions through projects that reduce fossil fuel consumption. Reducing GHG emissions is part of Lake Country's commitment as a signatory to the BC Climate Action Charter. Funds in this reserve will be used for projects that reduce greenhouse gas emissions, replacement of equipment in the Hydroelectric Generating Station or early retirement of related debt, as funds permit.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Net revenue earned by the Lake Country Hydroelectric Generating Station 	Adequate to fund capital projects as related to renewal of the Hydroelectric	No maximum – the source of funds for this reserve cannot be reallocated if there is a

<ul style="list-style-type: none"> Revenue from the Climate Action Revenue Incentive grant Equivalent of what would be paid to purchase carbon offsets for the carbon produced 	Generating Station in the 5 year capital plan.	maximum on this reserve fund.
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(c) Transportation Infrastructure Reserve Fund

Purpose:

To fund designated road capital projects required for road operations or as identified in the transportation for tomorrow plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan and as determined by Council resolution 15.12.301 	Adequate to fund capital projects identified as roads reserve funded for the next fiscal year of the 5 year capital plan	Adequate to fund all capital projects identified as roads reserve funded in the 5 year capital plan

(d) Equipment Acquisition and Replacement Reserve Fund

Purpose:

To fund the acquisition of municipal vehicles and equipment in accordance with an acquisition plan and the replacement of municipal vehicles and equipment according to planned replacement schedules.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan Proceeds from the sale of municipal vehicles and equipment 	Minimum funds available to fund the next year of vehicle and equipment acquisitions and replacements.	Funds for all scheduled vehicle and equipment acquisitions and replacements in the 5 year financial plan.

(e) Fire Facilities and Equipment Reserve Fund

Purpose:

To fund the replacement of fire vehicles and equipment according to planned replacement schedules and planned maintenance, upgrades, additions or improvements to fire buildings.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from fire operating budget as provided for in financial plan Proceeds from the sale of fire vehicles and equipment Funds received for amenity provisions under the Density Bonusing clause in the Zoning Bylaw 	Minimum funds available to fund the next year of fire facilities, vehicle and equipment replacements and capital expenditures.	Funds for all scheduled fire facility capital expenditure and vehicle and equipment replacements in the 5 year financial plan.

(f) Information Technology (IT) Reserve Fund

Purpose:

To fund information system and technology projects including communications systems. Technology can change rapidly within the information technology area and often comes at a large cost. This reserve is needed to keep pace with technology and to take advantage of technological improvement/efficiency opportunities. Due to the industry trend towards Software as a Service (SaaS) compared to Software as a Product more and more IT systems that used to be capital in nature are now considered operating and as such this reserve is intended to fund both capital and SaaS operating IT projects.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget as provided for in financial plan 	Adequate to fund projects identified as IT related for the next fiscal year of the 5-year financial plan.	Adequate to fund all projects identified as IT related in the 5-year financial plan.

(g) Facilities Reserve Fund

Purpose:

To fund expenditures for major repairs, upgrading, replacement or expansion of municipal buildings, ancillary structures and site services that serve as public spaces.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from general operating budget 	Adequate to fund capital projects identified as facilities	Adequate to fund all capital projects identified as facilities

as provided for in financial plan	capital funded for the next fiscal year of the 5 year capital plan.	related capital funded in the 5 year capital plan.
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(h) Community Works Gas Tax Reserve Fund

Purpose:

To account for funds received and used pursuant to the Community Works Gas Tax Agreement. Projects funded by this account must be in compliance with acceptable uses as defined in the community Works Gas Tax Agreement.

The intent is to spend all funds received, per our Community Works Gas Tax Agreement.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Federal Community Works Gas Tax Funds 	N/A – intend to spend all funds received	N/A – funds from this source have specified use and cannot be reallocated to other reserves if there was a maximum value placed on this fund.

(i) Water Capital Reserve Fund

Purpose:

To fund water utility capital projects required for water operations or as identified in the Water Master Plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from water operating budget as provided for in financial plan 	Adequate to fund capital projects identified as water capital funded for the next fiscal year of the 5 year capital plan.	Adequate to fund all capital projects identified as water capital funded in the 5 year capital plan.

(j) Sewer Capital Reserve Fund

Purpose:

To fund sewer utility capital projects required for sewer operations or identified in the Sewer Master Plan.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from sewer operating budget as provided for in financial plan 	Adequate to fund capital projects identified as sewer capital funded for the next fiscal year of the 5 year capital plan.	Adequate to fund all capital projects identified as sewer capital funded in the 5 year capital plan.

(k) Roads Maintenance Services Reserve Fund

Purpose:

If snow accumulations along roadways from clearing operations reach a level that impede further snow clearing operations, it is the responsibility of the District to remove (or pay a contractor to remove) the snow to a storage area. The frequency and cost of this is entirely dependent on unpredictable weather patterns. This reserve is to account for the risk being borne by the District and ensure funds are in place in the event of a heavy snowfall year.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from transportation budget as provided for in financial plan 	Maintain balance of \$100,000	Maintain balance of \$100,000

(l)

(m) Transit Reserve Fund

Purpose:

BC Transit bills are based on actual expenditures instead of budgeted expenditures. As ridership and expenses can fluctuate, the transit reserve fund is intended to allow the District to absorb the financial impact of unfavorable years and unforeseen events and provide the financial flexibility to pursue new opportunities in transit when they arise.

Funding Source	Minimum Level	Maximum Level
<ul style="list-style-type: none"> Annual allocation from transit budget as provided for in financial plan 	5% of budgeted net operating expenditures	10% of budgeted net operating expenditures

3.3. STATUTORY RESERVE FUNDS**(a) Development Cost Charge (DCC) Reserve Funds**

Purpose:

As per subsection 188(2)(a) of the *Community Charter*, separate Reserves need to be established for DCC collections and use, under section 566 of the *Local Government Act*. The following DCC Reserves have been established for the purpose so identified in the associated DCC bylaw and are as follows:

- (i) Roads DCC
- (ii) Sewer DCC
- (iii) Parks DCC
- (iv) Drainage DCC
- (v) Water DCC

(b) Parkland Acquisition Reserve Fund

Purpose:

As 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* (parkland funds received upon subdivision) must be set aside in a reserve and be used exclusively to purchase parkland. The Parkland Acquisition Reserve has been established for accumulating and expending monies as per this requirement.

(c) Land Sale Reserve Fund

Purpose:

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

(d) Access to Body of Water Reserve Fund

Purpose:

As per section 41(1)(d) of the *Community Charter* funds received from the sale of highway must be placed to the credit of reserve fund to be used to acquire property that Council considers will provide public access to the same body of water that is of at least equal benefit to the public.

4. UNAPPROPRIATED SURPLUSES

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

The District may also require emergency funds from time to time, from any one of its Unappropriated Surplus balances, for unforeseen costs. When this occurs, the District needs to rely upon sufficient balances being available in the applicable Unappropriated Surplus area (general operating, water or sewer).

Funding Source	Minimum Level	Maximum Level
General Fund <ul style="list-style-type: none"> Any excess general operating fund revenues over expenditures and transfers at the end of each fiscal year 	Two months of regular general fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular general fund operating expenditures, rounded to the nearest higher \$100,000
Sewer Fund <ul style="list-style-type: none"> Any excess sewer operating fund revenues over expenditures and transfers at the end of each fiscal year 	Two months of regular sewer fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular sewer fund operating expenditures, rounded to the nearest higher \$100,000
Water Fund <ul style="list-style-type: none"> Any excess water operating fund revenues over expenditures and transfers at the end of each fiscal year 	Two months of regular water fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular water fund operating expenditures, rounded to the nearest higher \$100,000

5. ADMINISTRATION

5.1. Reserve Contributions

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

5.2. Minimum and Maximum Reserve Balances

Minimum and maximum fund balance guidelines have been set for some of the District's Reserve Funds, Statutory Reserve Funds and Unappropriated Surpluses. The minimum balances ensure that the respective balances are not depleted to the degree that those balances are no longer able to serve their intended purpose(s). The maximum balances ensure the District's guiding principles are achieved and the respective balances do not grow beyond their intended purpose(s) and thus create 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.

5.3. Internal Borrowing

Internal borrowing from specific Reserve Fund, Unappropriated Surplus and Statutory Reserve Fund balances shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is in place. 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.

5.4. Responsibilities

The District's Chief Financial Officer shall be responsible for:

- Recommending the necessary contributions and transfers so that the District's Reserve Funds, Statutory Reserve Funds and Unappropriated Surpluses are maintained in accordance with this policy;
- Conduct an annual review of all Reserve Fund, Statutory Reserve Fund and Unappropriated Surplus balances and reporting the results of such a review to Council; and

- (c) Recommending revisions or amendments to this Policy, as may be required from time to time, as a result in changes in applicable statutes, accounting standards, economic conditions, etc.

5.5. Interest

Reserve Funds and Statutory Reserve Funds shall be paid and allocated interest based on average annual balances and the District's average rate of return on investments.

5.6. Guide

The minimum and maximum fund balance guidelines shown in this Policy serve as a guide in moving the District towards the goals and targets it wishes to attain in terms of individual fund balances. It is recognized that the District's fund balances are not all within these ranges at the time of amending this Policy, however the District is working towards achieving these ranges. It should also be noted that in certain instances it will be in the best interest of the District to purposely build certain reserve balances above the maximums outlined above such as in the case of major multi-year projects. These should be identified during the annual formal review of the reserve balances.

Mayor

Corporate Officer