



Background and Context

- In 2019, a Reserve Policy was established to stabilize future funding sources and minimize the impact on tax rates
 - institutes minimum and maximum balances, where appropriate, to ensure sufficient reserves are on hand at any given time
 - per Policy, the first use of surplus funds is to top reserves up to the required minimum balance
- The primary objectives of the Reserve Policy is financial resiliency by:
 - providing funds for operating emergencies
 - ensuring sustainable funding for facilities/infrastructure
 - ensuring stable and predictable property tax levies

2019 Surplus by FUND

Sewer Fund	\$ 581,616	(11% of budget)
Water Fund	\$1,069,989	(8% of budget)
General Fund	<u>\$5,927,947</u>	(4% of budget)
TOTAL	<u>\$7,579,552</u>	

Key Drivers – Sewer Fund

- User fees were higher than anticipated by \$ 279,000
- Unspent contingencies of \$71,000 and \$128,000 from debt costs made up the majority of the remaining variance
 - debt variance is due to a timing difference
- The combination has enabled \$581,616 to be transferred to the sewer reserves for future projects

Key Drivers – Water Fund

- User fees and connection fees relating to water use were higher than anticipated by \$638,000.
- Unspent water contingencies of \$115,000 and \$205,000 from position vacancies made up the majority of the remaining variance.
- The combination has enabled \$1,069,989 to be transferred to the water reserves for future projects

Key Drivers – General Fund

Type	Amount	Explanation
Wages and Benefits	\$2,066,000	Vacant positions throughout the City
Revenues:		
• Interest Income	1,116,100	Higher interest income due to rising interest rates
• Building Permits	560,400	Higher than anticipated revenues
• PRC Fees & Admissions	209,500	Higher than anticipated revenues
• Grants In Lieu	181,700	Higher than anticipated revenues
• Penalties & Interest on Taxes	114,300	Higher than anticipated revenues
Contracted Services	507,300	Expenditures were less than anticipated
Hardware, Software and Associated Licenses & Maintenance	286,700	Expenditures were less than anticipated
Janitorial Supplies	154,100	Expenditures were less than anticipated
Insurance	132,600	Expenditures were less than anticipated
Vancouver Island Conference Centre	(164,000)	Deficit due to 2017 & 2018 incentive fees paid in 2019
RCMP Contract	(232,000)	Contract settlement liability for the year was higher than anticipated

Pressures and Opportunities

Special Initiatives Reserve \$2,013,000

- *Purpose of this reserve is to fund emerging issues that require short term funding and minimize impact on future property tax increases through contributions from prior year operating surplus. Funding for the following projects are being recommended:*

1. VICC Audio Visual Upgrades \$ 1,163,000
2. SARC Building Upgrades \$ 750,000
 - built in 2012, the third floor was intended accommodate future growth
3. Sponsorship Project \$ 100,000
 - Council endorsed the Finance and Audit Committee recommendation to complete a feasibility study, develop a sponsorship strategic plan and policy.

Pressures and Opportunities

General Financial Stability Reserve \$ 759,874

- *Purpose of this reserve is to mitigate risk arising from lower than expected revenues or sudden unplanned expenditures needed to maintain delivery of City services.*
- Contributions to this reserve are from allocations of general operating surplus and/or a budget allocation.
- The minimum target balance for this reserve is calculated at 60 days of the prior year's budgeted general operating expenditures and the target is currently \$16,408,806.
- To meet this balance, \$759,874 will need to be allocated from surplus.
 - Most of this change is due to funding the Post Employment Benefits liability that is budgeted for in 2020.

Pressures and Opportunities

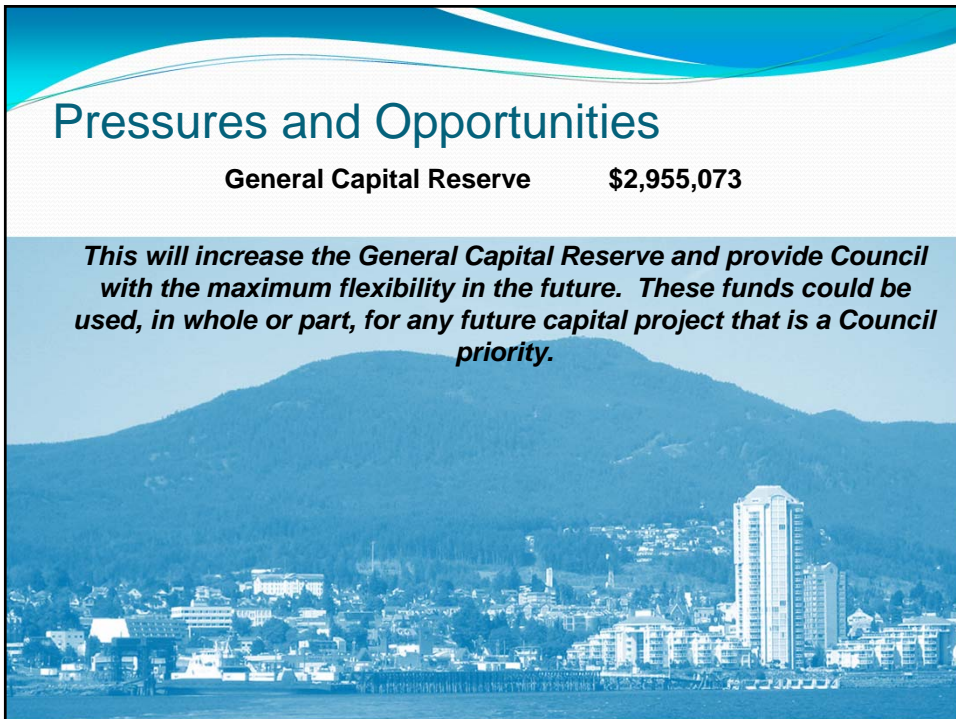
Strategic Partnership Reserve \$ 200,000

- *The Strategic Partnership Reserve was established in 2015 and provides funding for consultation with Snuneymuxw First Nation regarding joint projects.*

Pressures and Opportunities

General Capital Reserve \$2,955,073

This will increase the General Capital Reserve and provide Council with the maximum flexibility in the future. These funds could be used, in whole or part, for any future capital project that is a Council priority.



Considerations for Discussion

- The compilation of the 2019 draft financial statements is in progress and the audit by KPMG LLP started on March 9.
- To prepare final financial statements, staff need to allocate the surplus prior to finalization of the audit March 23.

OPTION 1

Allocate 2019 Surplus as follows:

1.	General Fund	
	a. Special Initiatives Reserve	\$ 2,013,000
	b. General Capital Reserve	2,955,073
	c. General Financial Stability Reserve	759,874
	d. Strategic Partnership Reserve	200,000
		=====
		\$ 5,927,947
		=====
2.	Sewer Fund	
	a. Sewer Reserve	\$ 581,616
		=====
3.	Water Fund	
	a. Water Distribution Reserve	\$ 1,069,989
		=====
	Total Surplus Allocation	\$ 7,579,552
		=====

OPTION 2

Council direct specific surplus funds to different and/or specific priorities.

Next Steps

- To provide the Finance and Audit Committee information regarding the allocation of the 2019 operating surplus
- Finance and Audit to recommend allocation to Council for approval March 23, 2020



Questions?