



**VILLAGE OF BELCARRA
FINANCE STANDING COMMITTEE MEETING
AGENDA
Village Hall
July 17, 2023**



*This meeting is live streamed and recorded by the Village of Belcarra
To view the meeting click: [Village of Belcarra - YouTube](#)*

Committee Members

Mayor Jamie Ross
Councillor Carolina Clark
Councillor Joe Elworthy
Councillor Janet Ruzycki
Councillor Liisa Wilder

1. Call to Order

The Chair will call the meeting to order.

2. Approval of Agenda

2.1 Agenda for July 17, 2023

Recommendation:

That the Agenda for July 17, 2023 be approved as circulated.

3. Adoption of Minutes

No Items

4. New and Unfinished Business

4.1 Ken Bjorgaard, Financial Consultant, report dated July 17, 2023 regarding budget variances for the period ending June 30, 2023.

Recommendations:

That the report dated July 17, 2023 titled "Budget Variance Report Based on Results to June 30, 2023" be received into the record for information; and

That the report be forwarded to the July 24, 2023 Regular Council Meeting.

- 4.2** Ken Bjorgaard, Financial Consultant, report dated July 17, 2023 regarding Terms of Reference Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report

Recommendations:

That the report on the Terms of Reference Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability be forwarded to the July 24, 2023 Regular Council Meeting; and further

That the Finance Standing Committee recommend that the Terms of Reference for the Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report be approved by Council.

- 4.3** Ken Bjorgaard, Financial Consultant, verbal report regarding Implementing Financial Plan amendments via Council motions.
- 4.4** Ken Bjorgaard, Financial Consultant, verbal report regarding budgeting practices for capital projects and operations Including the use of contingencies.

5. Adjournment

Recommendation:

That the July 17, 2023 Finance Standing Committee Meeting be adjourned.



FINANCE STANDING COMMITTEE REPORT

Date: July 17, 2023
From: Ken Bjorgaard, Financial Consultant
Subject: Budget Variance Report Based on Results to June 30, 2023

Recommendations:

That the report dated July 17, 2023 titled "Budget Variance Report Based on Results to June 30, 2023" be received into the record for information; and

That the report be forwarded to the July 24, 2023 Regular Council Meeting.

Purpose:

Village of Belcarra Policy No. 195 states that "the Financial Officer will prepare a Report to Council, for periods ending June, September and December, comparing and analyzing the approved budget with actuals to date (Budget Variance Report)."

This Budget Variance Report for the period ending June 30th provides actual 2023 results year to date, estimated year-end results and estimated budget/actual variances. The year-end estimates are derived from an extrapolation of revenues and expenditures to date and from other information known at this particular point in time.

Background:

The following attached Appendices represent a detailed budget review of all of the Village's operating and capital funds:

- Appendix "A" – General Operating Fund Budget Review
- Appendix "B" – Water Operating Fund Budget Review
- Appendix "C" – Waste & Recycle Depot (WARD) Operating Fund Budget Review
- Appendix "D" – Capital Budget Review

A summary of budget/actual variance results and an explanation of the major variances follows. Overall, the Village is on track to meet its budget targets in the General Operating Fund and WARD Operating Fund in terms of the respective operating revenues and expenditures, and reserve/surplus transfers. The Village's Water Operating Fund (Fund) is experiencing increased costs related to an increase in District of North Vancouver infrastructure charges and from an increase in projected water usage and related costs (including flushing program), and the Fund should be monitored closely for the balance of the year. It should be noted that it is early in the fiscal year and other, unexpected impacts could still materialize before year-end.

General Operating Fund Summary

An increase (9.6%) in projected revenue partially offset by increased operating expenses (3.8%) is resulting in more funds available for transfer to general reserves. The Growing Communities Funds received (\$759,000) are also being transferred to reserves.

General Operating Fund						
	A	B	C	D = C-A	E = D/A	
Description	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget \$ Variances	Projected Year-End/Budget % Variances	Explanations/Comments
Regular Operating Revenues ¹	\$1,445,067	\$1,441,689	\$1,584,081	\$139,014	9.6%	Increased interest earnings, building permit fees and other revenues, e.g. filming, cost recoveries, sale of asset, etc.
Regular Operating Expenses ¹	\$1,290,896	\$665,385	\$1,340,047	\$49,151	3.8%	Benefit & strategic planning costs; increase in building inspection costs (recovered through increased revenues), bylaw enforcement costs and legal costs
Allocation of Centralized Support Costs to MRN, Water & WARD	\$(299,739)	\$(156,841)	\$(313,474)	\$(13,735)	4.6%	Increased recoveries based on higher expenses allocated to MRN, Water and WARD
Transfers to General Reserves & Surplus	\$516,884	Not applicable	\$1,379,482	\$862,598	166.9%	Includes \$759,000 from Growing Communities Fund to be transferred to reserve. Other transfers are up by about \$104,000 based on net increase in revenue/expenses

¹ Not including one time project revenues & expenses

Water Operating Fund Summary

An increase in water operating costs (2.5%) is resulting in less funds available for transfer to reserves and surplus.

Water Operating Fund						
	A	B	C	D = C-A	E = D/A	
Description	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget \$ Variances	Projected Year-End/Budget % Variances	Explanations/Comments
Regular Operating Revenues	\$392,424	\$383,406	\$394,919	\$2,495	0.6%	
Regular Operating Expenses	\$364,361	\$171,276	\$373,423	\$9,062	2.5%	Increase in costs from General Operating Fund, from District of North Vancouver infrastructure charge and from water usage (including flushing program)
Transfers to Reserves & Surplus	\$28,063	Not applicable	\$20,385	\$(7,678)	-27.4%	Less funds are available for transfer to reserves and surplus based in increase in expenses

Waste & Recycle Depot (WARD) Operating Fund Summary

A reduction in expenses mostly related to lower hauling costs for waste, recyclables & organics is resulting in less funds being transferred from WARD surplus to support operations.

Waste & Recycle Depot (WARD) Operating Fund						
	A	B	C	D = C-A	E = D/A	
Description	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget \$ Variances	Projected Year-End/Budget % Variances	Explanations/Comments
Regular Operating Revenues	\$172,647	\$171,472	\$173,589	\$942	0.5%	
Regular Operating Expenses	\$187,873	\$77,897	\$175,865	\$(12,008)	-6.4%	Reduced hauling costs based on credits owing
Net Transfer from Reserve & Surplus	\$15,226	Not applicable	\$2,276	\$(12,950)	-85.1%	Less funds need to be transferred from surplus to support operations because of lower operating expenses

Capital Summary

The detailed projections (Appendix “D”) show which capital projects are expected to occur by year-end. Overall capital spending is expected to be under the budget for the year.

Capital Funds						
	A	B	C	D = C-A	E = D/A	
Description	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget \$ Variances	Projected Year-End/Budget % Variances	Explanations/Comments
General Capital Expenditures	\$557,100	\$156,758	\$373,263	\$(183,837)	-33.0%	See detailed project listing in Appendix “D”
Water Capital Expenditures	\$125,000	\$0	\$107,000	\$(18,000)	-14.4%	See detailed project listing in Appendix “D”
WARD Capital Expenditures	\$8,000	\$1,188	\$1,188	\$(6,812)	-85.2%	See detailed project listing in Appendix “D”

Summary

Overall, this budget review halfway through the fiscal year indicates that the Village of Belcarra is on track to meet its budget targets in the General Operating Fund and the WARD Operating Fund, and is experiencing budget pressures in the Water Operating Fund. Capital spending is projected to be below budget. Staff will continue to monitor revenues and expenses on a monthly basis for the balance of the year. The next formal budget review to be presented to the Committee will occur for the nine (9) months ending September of 2023.

Appendix "A" - General Operating Fund Budget Review
Projected Variances Between 2023 Budget & Year-End Estimates Based on Results as at June 30, 2023

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	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget Variances		Explanation of Major Variances & Comments
				\$'s	%	
Municipal Taxes	(995,669)	(995,667)	(995,667)	2	0.0%	
1% Utility Taxes	(10,628)	(13,439)	(13,439)	(2,811)	26.4%	
Penalties & interest (on taxes)	(10,190)	(33)	(14,767)	(4,577)	44.9%	Increase in number of properties not paying by due date
Bylaw Tickets & Business Licenses	(36,745)	(14,944)	(25,144)	11,601	-31.6%	Reduced time spent on bylaw enforcement due to staff absence
Planning & Building Permit Fees	(55,000)	(47,693)	(77,693)	(22,693)	41.3%	Increased building activity
Small Community Investment Fund (SCIF) Grant	(257,000)	(259,000)	(259,000)	(2,000)	0.8%	
School Tax Administration Grant	(3,077)	0	(3,086)	(9)	0.3%	
Interest Earnings	(51,507)	(73,476)	(153,476)	(101,969)	198.0%	Increased interest rates with more funds being available for transfer to reserves and surplus
Other Revenue	(25,251)	(37,437)	(41,809)	(16,558)	65.6%	Unforeseen revenue from sale of asset, legal fee recovery, Metro Vancouver recovery & extra filming revenue
TOTAL REGULAR OPERATING REVENUES	(1,445,067)	(1,441,689)	(1,584,081)	(139,014)	9.6%	
REGULAR OPERATING EXPENSES						
<u>Council, Legislative Services & Grants</u>						
Indemnities & Benefits	75,320	43,671	88,452	13,132	17.4%	Council benefits not included in 2023 budget
Council Conventions, Travel & Other	8,430	2,753	5,953	(2,477)	-29.4%	Lower travel and subscription/dues costs
Strategic Planning	0	12,001	12,001	12,001	>100.0%	Strategic planning session not included in 2023 budget
Grants	5,483	2,503	3,253	(2,230)	-40.7%	Fewer grant dollars provided
Meetings, Events & Appreciation	13,703	4,673	5,423	(8,280)	-60.4%	Lower Belcarra day costs and lower hospitality costs
Subtotal Council, Legislative Services & Grants	102,936	65,601	115,082	12,146	11.8%	
<u>Administration & Support Services</u>						
Administration	342,859	154,237	348,728	5,869	1.7%	
Human Resources	16,499	6,801	11,501	(4,998)	-30.3%	Reduce training & convention costs
Information Systems	54,508	46,921	61,921	7,413	13.6%	Increased support required from IT contactor
Legal & Audit	66,000	48,337	78,337	12,337	18.7%	Increased legal costs
Municipal Hall Operations & Maintenance	120,000	70,622	117,005	(2,995)	-2.5%	
Planning	40,000	7,334	27,334	(12,666)	-31.7%	Less regular planning project undertaken with focus being on the OCP
Finance, Engineering, Website & Environmental Contracts	106,191	54,623	103,873	(2,318)	-2.2%	
Building, Plumbing & Bylaw Services	117,148	57,334	136,399	19,251	16.4%	Increase building inspection and bylaw enforcement costs; offset by increase in building permit fees above
Other	2,279	665	815	(1,464)	-64.2%	
Subtotal Administration & Support Services	865,484	446,874	885,913	20,429	2.4%	
<u>Public Works & Road Network</u>						
Public Works	208,045	102,379	213,524	5,479	2.6%	
Vehicles & Equipment	56,363	34,046	59,438	3,075	5.5%	
Roads, Bridges, Storm Sewers etc. (Non-MRN)	35,394	5,113	33,997	(1,397)	-3.9%	
Trails & Public Spaces	9,170	1,081	9,733	563	6.1%	
Subtotal Public Works & Road Network	308,972	142,619	316,692	7,720	2.5%	
<u>Fire & Emergency Operations</u>						
Fire Protection	5,000	3,530	5,530	530	10.6%	
Emergency Preparedness	5,000	404	4,115	(885)	-17.7%	
Subtotal Fire & Emergency Operations	10,000	3,934	9,645	(355)	-3.6%	
<u>Interest & Banking</u>						
	3,504	6,357	12,715	9,211	262.9%	Increased interest paid to prepaid property tax accounts
TOTAL REGULAR OPERATING EXPENSES	1,290,896	665,385	1,340,047	49,151	3.8%	
<u>Allocation of Centralized Support Costs to MRN, Water & WARD</u>						
	(299,739)	(156,841)	(313,474)	(13,735)	4.6%	Increase costs results in more support costs allocated to MRN, Water & WARD
SURPLUS BEFORE ONE-TIME & IRREGULAR REVENUE/EXPENSES, ADJUSTMENTS & TRANSFERS	(453,910)	(933,145)	(557,508)	(103,598)	22.8%	Increased surplus based on increase in net revenue/expense
<u>Major Road Network (MRN)</u>						
TransLink MRN Grant	(168,196)	(56,643)	(162,359)	5,837	-3.5%	
Roads, Bridges, Storm Sewers etc. (MRN)	168,196	56,643	162,359	(5,837)	-3.5%	
Net MRN	0	0	0	0	0.0%	

Appendix "A" - General Operating Fund Budget Review
Projected Variances Between 2023 Budget & Year-End Estimates Based on Results as at June 30, 2023

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	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget Variances		Explanation of Major Variances & Comments
				\$'s	%	
<u>ONE-TIME & IRREGULAR REVENUES/EXPENSES</u>						
UBCM Community Resiliency Investment Grant	0	0	(16,555)	(16,555)	>100.0%	Grant funded project see below
Asset Management Grant	0	0	(25,000)	(25,000)	>100.0%	Grant recently approved
Community Works Reserve Funding OCP & Asset Management	(70,000)	0	(45,000)	25,000	-35.7%	Less funds needed from Community Works Reserve due to grant
Official Community Plan (OCP)	20,000	0	20,000	0	0.0%	
Integrated Asset Management/Long-Term Financial Plan	20,000	0	20,000	0	0.0%	
Asset Management Program	30,000	1,540	30,000	0	0.0%	
UBCM Community Resiliency Investment Costs	0	16,555	16,555	16,555	>100.0%	Grant funded project see above
TOTAL ONE-TIME & IRREGULAR REVENUES/EXPENSES	0	18,095	0	0	0.0%	
<u>ADJUSTMENTS NON-CASH ITEMS (Amortization)</u>						
Amortization Offset	(162,068)	0	(162,068)	0	0.0%	
Amortization Expense	162,068	0	162,068	0	0.0%	
TOTAL ADJUSTMENTS NON-CASH ITEMS	0	0	0	0	0.0%	
<u>REVENUES TO BE TRANSFERRED TO RESERVES & SURPLUS</u>						
Community Works Grants	(62,974)	0	(62,974)	0	0.0%	
Transfer to Community Works Reserve	62,974	0	62,974	0	0.0%	
Growing Communities Fund Grant	0	(759,000)	(759,000)	(759,000)	>100.0%	Grant announced after budget finalized
Transfer to Growing Communities Fund Reserve	0	0	759,000	759,000	>100.0%	Grant announced after budget finalized
Transfer to Stabilization Reserve	5,000	0	5,000	0	0.0%	
Transfer to General Capital Reserve	257,300	0	283,104	25,804	10.0%	More funds available for transfer based on net revenue/expenses
Transfer to Vehicle & Equipment Reserve	10,404	0	10,404	0	0.0%	
Transfer to Transportation Infrastructure Reserve	120,000	0	120,000	0	0.0%	
Transfer of Interest to General Fund Reserves	41,206	0	119,000	77,794	188.8%	Increased transfers based on more interest earnings
Transfer to Surplus	20,000	0	20,000	0	0.0%	
TOTAL TRANSFERS (NET OF RELATED REVENUES)	453,910	(759,000)	557,508	103,598	22.8%	
BALANCE	0	(1,674,050)	0	0	0.0%	
Total Reserve Transfers	516,884		1,379,482	862,598	166.9%	
Growing Communities Funds(to be transferred to reserve)	-		(759,000)	(759,000)	>100.0%	
Total Projected Increase in Reserve not including Growing Communities Funds	516,884		620,482	103,598	20.0%	

Appendix "B" - Water Operating Fund Budget Review
Projected Variances Between 2023 Budget & Year-End Estimates Based on Results as at June 30, 2023

	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget Variances		Explanation of Major Variances & Comments
				\$'s	%	
<u>REGULAR OPERATING REVENUES</u>						
<u>Fees & Charges</u>						
Water Annual User Fees	(383,988)	(382,656)	(382,656)	1,332	-0.3%	
Water System Connection Fees & Interest Income	(8,436)	(750)	(12,263)	(3,827)	45.4%	
TOTAL REGULAR OPERATING REVENUES	(392,424)	(383,406)	(394,919)	(2,495)	0.6%	
<u>REGULAR OPERATING EXPENSES</u>						
Administration (cost allocation)	161,470	84,491	168,870	7,400	4.6%	Increased allocation of support costs based on increase in general operating fund costs Increased charges from District of North Vancouver for infrastructure & increased flushing program
Water Purchases & Delivery	107,926	45,109	115,109	7,183	6.7%	
Environmental Monitoring, Lease & Radio License & Scada	12,837	3,827	11,188	(1,649)	-12.8%	
Public Works	55,301	27,912	60,515	5,214	9.4%	
Water Reservoir	1,125	0	1,125	0	0.0%	
Water Systems	25,702	9,937	16,616	(9,086)	-35.4%	Lower system maintenance than anticipated
TOTAL REGULAR OPERATING EXPENSES	364,361	171,276	373,423	9,062	2.5%	
DEFICIT (SURPLUS) BEFORE DEBT, ADJUSTMENTS & TRANSFERS	(28,063)	(212,130)	(21,496)	6,567	-23.4%	Increase in expenses results in less operating surplus
<u>PARCEL TAX & DEBT EXPENSES</u>						
Parcel Tax	(267,617)	(266,506)	(266,506)	1,111	-0.4%	
Transfer from Water Debt Repayment Reserve	(1,946)	0	(1,946)	0	0.0%	
Long-Term Debt Interest Expense	150,561	75,281	150,561	0	0.0%	
Debt Principle Payment	119,002	0	119,002	0	0.0%	
TOTAL PARCEL TAX & DEBT EXPENSES	0	(191,225)	1,111	1,111	>100.0%	
<u>ADJUSTMENTS NON-CASH ITEMS</u>						
Debt Actuarial Revenue	(44,814)	0	(44,814)	0	0.0%	
Debt Actuarial Offset	44,814	0	44,814	0	0.0%	
Amortization Offset	(139,249)	0	(139,249)	0	0.0%	
Amortization Expense	139,249	0	139,249	0	0.0%	
TOTAL ADJUSTMENTS NON-CASH ITEMS	0	0	0	0	0.0%	
<u>REVENUES TO BE TRANSFERRED TO RESERVES & SURPLUS</u>						
Transfer to MFA Cash Deposit Reserve	1,186	0	1,186	0	0.0%	Fewer funds available for transfer to reserve based on less operating surplus than budgeted for
Transfer to Vehicle & Equipment Reserve	1,561	0	1,561	0	0.0%	
Transfer to Water Capital Reserve	20,316	0	13,077	(7,239)	-35.6%	
Water Accumulated Surplus	5,000	0	4,561	(439)	-8.8%	
TOTAL TRANSFERS TO RESERVES & SURPLUS	28,063	0	20,385	(7,678)	-27.4%	
BALANCE	0	(403,355)	0	0	0.0%	

**Appendix "C" - Waste & Recycle Depot (WARD) Operating Fund Budget Review
 Projected Variances Between 2023 Budget & Year-End Estimates Based on Results as at June 30, 2023**

	Final 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Year-End/Budget Variances		Explanation of Major Variances & Comments
				\$'s	%	
<u>REGULAR OPERATING REVENUES</u>						
Waste & Recycling Annual Fee	(170,147)	(170,922)	(170,922)	(775)	0.5%	
Tags, Permits & Licences	(1,000)	(550)	(1,150)	(150)	15.0%	
Interest Earnings	(1,500)	0	(1,517)	(17)	1.1%	
TOTAL REGULAR OPERATING REVENUES	(172,647)	(171,472)	(173,589)	(942)	0.5%	
<u>REGULAR OPERATING EXPENSES</u>						
Administration (cost allocation)	81,030	42,399	84,743	3,713	4.6%	Increased allocation of support costs based on increase in general operating fund costs
Public Works Support	6,101	3,079	6,676	575	9.4%	
Depot Operations	30,398	7,311	25,838	(4,560)	-15.0%	Staff vacancy for part of year
Hauling, Chipping & Electronic Waste Disposal Contracts	70,344	25,108	58,608	(11,736)	-16.7%	Lower hauling costs based on credits owing
TOTAL REGULAR OPERATING EXPENSES	187,873	77,897	175,865	(12,008)	-6.4%	
DEFICIT (SURPLUS) BEFORE ADJUSTMENTS & TRANSFERS	15,226	(93,575)	2,276	(12,950)	-85.1%	Reduced deficit projected based on lower operating costs
<u>ADJUSTMENTS NON-CASH ITEMS</u>						
Amortization Offset	(7,959)	0	(7,803)	156	-2.0%	
Amortization Expense	7,959	0	7,803	(156)	-2.0%	
TOTAL ADJUSTMENTS NON-CASH ITEMS	0	0	0	0	0.0%	
<u>TRANSFERS TO (FROM) RESESRVES & SURPLUS</u>						
Transfer to Vehicle & Equipment Reserve	1,000	0	1,000	0	0.0%	Less funds projected to be transferred from surplus base on reduced expenses
Transfer from Surplus	(16,226)	0	(3,276)	12,950	-79.8%	
TOTAL TRANSFERS FROM SURPLUS	(15,226)	0	(2,276)	12,950	-85.1%	
BALANCE	0	(93,575)	0	0	0.0%	

Appendix "D" - Village of Belcarra - Capital Budget Review
Projected Variances Between 2023 Budget & Year-End Estimates Based on Results as at June 30, 2023

	Final & Amended 2023 Budget	Actual Year-to-Date June 30, 2023	Estimated 2023 Year-End Balance	Projected Budget Variances		Explanation of Major Variances & Comments
				\$'s	%	
GENERAL CAPITAL						
Revenue (Funding from Reserves & Grants)	(557,100)	0	(373,263)	183,837	-33.0%	
Expenses						
COUNCIL LAPTOPS	9,400	9,358	9,358	(42)	-0.4%	
BUSINESS LICENSE MODULE	6,700	5,939	5,939	(761)	-11.4%	
LAPTOPS, MONITORS & TABLETS	2,000	4,456	4,456	2,456	122.8%	Additional hardware costs
MARINE AVE MILL & FILL	100,000	0	20,000	(80,000)	-80.0%	Design and Geotech only to occur in 2023
ROAD REHAB(INCL POTHOLE REPAIRS)	25,000	0	10,000	(15,000)	-60.0%	Focusing on other priorities in strategic plan
SHOULDERING BOULEVARDS	15,000	0	7,500	(7,500)	-50.0%	Shouldering to occur on MRN road only
BEDWELL BAY UPGRADE PROJECT (BBUP) ⁽¹⁾	65,000	0	65,000	0	0.0%	
MRN BEDWELL BAY RD SAFETY BARRIERS	50,000	8,293	13,293	(36,707)	-73.4%	Project to be completed in 2024
3640 BEDWELL BAY ROAD CULVERT ⁽¹⁾	40,000	0	40,000	0	0.0%	
PUBLIC WORKS EQUIPMENT	5,000	0	5,000	0	0.0%	
CRACK FILLING MACHINE	7,000	2,995	7,000	0	0.0%	
2023 KUBOTA	35,000	35,299	35,299	299	0.9%	
2023 CHEVY SILVERADO	140,000	80,478	110,478	(29,522)	-21.1%	Savings from special equipment added to truck
CREEK SURVEYS (RIPARIAN AREAS)	20,000	0	10,000	(10,000)	-50.0%	Anticipate 1/2 funding from grant
STORM SEWER & CATCH BASIN REPLACE	15,000	9,940	9,940	(5,060)	-33.7%	Obtained competitive pricing
TRAIL SYSTEM IMPROVEMENTS	2,000	0	0	(2,000)	-100.0%	Improvements occurring in operations
RE-DEVELOPMENT OF TENNIS COURT SITE ⁽¹⁾	10,000	0	10,000	0	0.0%	
MULTI-USE PATH, TRAIL & ROAD SHOULDER IMPROVEMENTS (MTRS) NETWORK MAPPING ⁽¹⁾	10,000	0	10,000	0	0.0%	
Total Expenses	557,100	156,758	373,263	(183,837)	-33.0%	
WATER CAPITAL						
Revenue (Funding from Reserves)	(125,000)	0	(107,000)	18,000	-14.4%	
Expenses						
TATLOW WATER RESERVOIR (Chlorination Investigation) ⁽¹⁾	5,000	0	5,000	0	0.0%	
ENGINEERING FOR WATER SYSTEM OPTIONS FOR ADDRESSING WATER SYSTEM DEFICIENCIES-Contracts ⁽¹⁾	30,000	0	20,000	(10,000)	-33.3%	Focus is on additional work at Tatlow and other studies
WATER EQUIPMENT	15,000	0	7,000	(8,000)	-53.3%	No other equipment to be purchased
EXCAVATION & FENCING TATLOW	45,000	0	45,000	0	0.0%	
Total Expenses	125,000	0	107,000	(18,000)	-14.4%	
WARD CAPITAL						
Revenue (Funding from Reserves)	(8,000)	0	(1,188)	6,812	-85.2%	
Expenses						
MINOR WARD EQUIP	8,000	1,188	1,188	(6,812)	-85.2%	No other equipment needs to be purchased
Total Expenses	8,000	1,188	1,188	(6,812)	-85.2%	

⁽¹⁾ 2023 Budget Amendments



FINANCE STANDING COMMITTEE REPORT

Date: July 17, 2023

From: Ken Bjorgaard, Financial Consultant

Subject: Terms of Reference Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report

Recommendations:

That the report on the Terms of Reference Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability be forwarded to the July 24, 2023 Regular Council Meeting; and further

That the Finance Standing Committee recommend that the Terms of Reference for the Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report be approved by Council.

Purpose:

This report provides the Terms of Reference for the Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report (Project or Terms of Reference), for the Finance Standing Committee's consideration.

Background:

In Council's recently adopted strategic work plan the following goals or action items were identified:

- Create long-term (15 years) financial planning model with integration to infrastructure and capital plans (based on asset management results)
- Produce report for Council and community based on long-term financial plan which also addresses financial sustainability

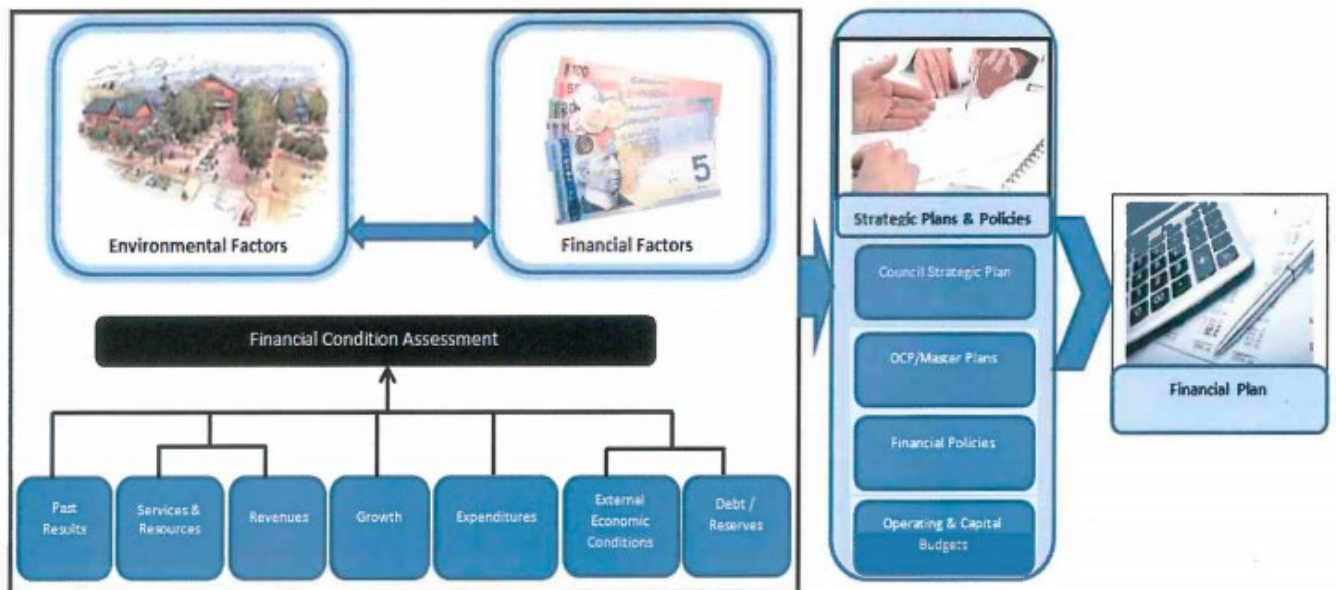
To accomplish the above goals a Terms of Reference (attached Appendix "A") has been drafted.

Discussion:

It is important that everyone has a common understanding as to what will be achieved with the Village's Integrated Long-Term (15-Year) Financial Plan (Long-Term Financial Plan or Long-Term Plan) & Related Community Financial Sustainability Report (Sustainability Report), including the limitations of long-term financial planning, so that expectations are met and value for money is achieved.

The Project will encompass two phases, the actual Long-Term Plan and the Sustainability Report. The factors, strategies and policies, as shown in the graphic below, will be considered in developing the Long-Term Plan. Many of these items are based on best estimates and related assumptions including estimates and assumptions around growth or development, as guided by the official community plan (OCP). Five (5) strategic focus areas, those being: revenue sources, infrastructure & asset investments, reserves & surpluses, debt management and operating costs, together with guiding tenets in each of these areas, will be used as the basis for developing the Long-Term Plan. Based on the many variables involved, including different development and growth projections, different Long-Term Plan scenarios will be produced.

Financial Plan Model



The Sustainability Report will present the summarized Long-Term Plan results together with key financial indicators (sustainability, viability and flexibility) that can be used to gauge the Village's progress towards financial sustainability. Key policy recommendations will also be provided in the Sustainability Report which can be considered as a means of improving financial sustainability and fiscal management.

The Village Long-Term Financial Plan should not be considered an end point in that the financial plan and related model will have to be used as an evolving tool that is updated as new or better data/information becomes available including asset management information on the condition, life expectancy and replacement cost of infrastructure/assets. The Long-Term Financial plan is highly dependent upon this asset management information (see Funding below) and as such the Long-Term Plan will have to evolve with new and/or better infrastructure/asset data.

Funding:

The UBCM recently approved grant funding for the Village's project titled "Development of an Integrated Long-Term Financial/Asset Management Plan" in the amount of \$25,000.00, with the total budget being \$50,000.00 (50% funded by the Village). This project has three (3) components as follows:

- Activity 1: Completion of Detailed Asset Management Plan
- Activity 2: Completion of Condition Assessment Framework
- Activity 3: Completion of Long-Term Financial Plan

The Long-Term Financial Plan component will provide some funding for the development of the Long-Term Plan and the other grant funding will be used to partially offset the cost of producing the Asset Management Plan and Condition Assessment Framework which will include a detailed GIS integrated asset inventory with asset attributes that enable staff to analyze and report on the condition, life expectancy, replacement cost as well as the probability and consequence of failure of assets. The asset data/information and condition assessments are essential to producing a credible Long-Term Financial Plan.

Council also recently approved a \$20,000.00 financial plan amendment for the "Long-Term (minimum 15-year time horizon) Financial Planning Model & Report on Financial Sustainability" funded from the Community Building Fund. In addition, the Village's existing 2023 financial plan includes \$30,000.00 of funding from the Community Building Fund to complete a review and to undertake field work related to providing a breakdown of asset components (including remaining useful lives) and to updating the GIS system accordingly. The \$30,000.00 is also supposed to be used to complete a 5-year condition assessment schedule for assessing key assets and to complete annual condition assessments.

After finalizing the estimated costs/budgets for all facets of this comprehensive project, including the Sustainability Report and the recently approved UBCM grant funding, a further financial plan amendment will be brought forward, which may include a reduction in the Village's overall contribution.

Strategic Work Plan Implications:

The attached Term of Reference addresses two (2) of Council's key strategic priorities as follows:

- Create long-term (15 years) financial planning model with integration to infrastructure and capital plans (based on asset management results)
- Produce report for Council and community based on long-term financial plan which also addresses financial sustainability

Attachment:

- Appendix "A" – Terms of Reference Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report

Appendix “A” - Draft Terms of Reference
Village of Belcarra Integrated Long-Term (15-Year) Financial Plan & Related
Community Financial Sustainability Report

1. Background

In Council’s recently adopted strategic work plan the following goals or action items were identified:

- Create long-term (15 years) financial planning model with integration to infrastructure and capital plans (based on asset management results)
- Produce report for Council and community based on long-term financial plan which also addresses financial sustainability

In short, the Village of Belcarra wishes to develop a long-term financial plan to serve as a roadmap to financial sustainability, which means:

A financially sustainable organization that can adequately cover its operating costs, maintain in good repair its existing assets, replace assets where appropriate, fund future growth and service improvements, and plan for external impacts such as inflation, changes in technology, etc., to the extent possible, all funded over an appropriate period of time with stable and incremental revenues.

2. Purpose of Terms of Reference

It is important that Council, staff, the Village’s financial consultant and the community have a common understanding as to what will be achieved and will not be achieved with the Village’s Integrated Long-Term (15-Year) Financial Plan & Related Community Financial Sustainability Report (Project). The purpose of this Terms of Reference is to ensure that everyone has a common understanding of the goals and intended outcomes of this Project so that expectations are met and value for money is achieved.

3. Purpose of Long-Term Financial Plan

Once completed, the Village’s Integrated Long-Term (15-year) Financial Plan (Long-Term Financial Plan or Long-Term Plan) will serve as a conceptual framework or model for guiding decision making within the Village. To be successful the Long-Term Plan will have to address the challenges associate with the allocation of limited resources, public expectations around services, competing priorities and the need for affordability from taxpayer’s and rate payer’s perspectives.

The Village of Belcarra is not unique, in that like other local governments it has to fund programs and services with limited funding, while addressing rising costs, increased service responsibilities and aging infrastructure. Therefore, long-term financial planning and prioritization is critical to ensuring ongoing sustainability. By developing a Long-Term Financial Plan, Council will be able to strategically allocate scarce resources in a cost-effective manner with the overall goal being to keep the Village in a sound financial position and on a sustainable financial track in terms of providing services and amenities to its citizens.

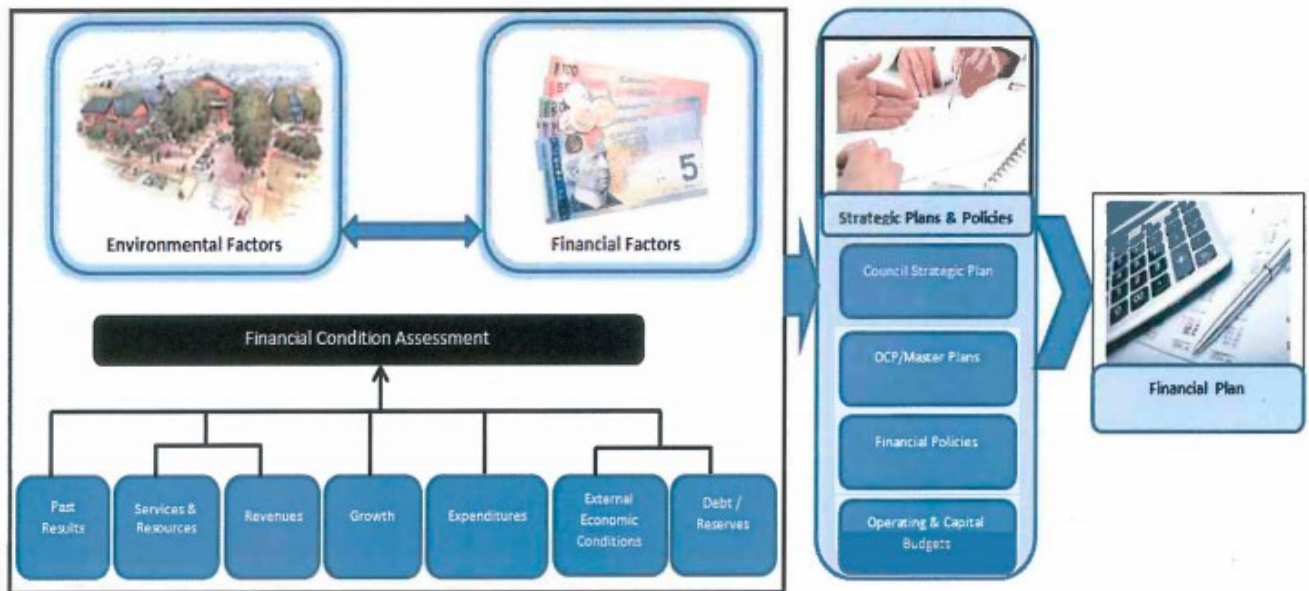
4. Financial Plan Model

There are many environmental and financial factors that go into developing a Long-Term Financial Plan, together with other strategic plans and policies, as highlighted in the diagram below. Many of these items are based on best estimates and related assumptions including estimates and assumptions around growth or development, as guided by the official community plan (OCP).

There are also other important documents or plans that inform and guide the Long-Term Financial Plan including Council's strategic plan and the Village's various infrastructure and asset plans. In this regard, the information or data about the Villages assets, as determined through asset management, is all-important and needs to be reflected in the Long-Term Plan.

In order to account for all of the variables and related assumptions that feed into the Village's Long-Term Plan, the financial plan model will have to be flexible enough to produce different scenarios based on changing factors and assumptions including different growth or development rates and scenarios. All variables and assumptions will be clearly stated in the Long-Term Financial Plan scenarios.

Financial Plan Model



5. Key Strategies and Tenants

It is important to understand and agree upon the underlying strategies and tenants that will form the basis for the Village's Long-Term Financial Plan. The five (5) strategic focus areas are: **revenue sources, infrastructure & asset investments, reserves & surpluses, debt management and operating costs.** These strategic areas and their associated tenants are explained below.

Revenue Sources

The purpose of this strategic focus area is to provide guidance for decisions related to the Village's planned revenue mix. Diversity and expansion of sustainable revenue streams will improve the balance between property taxes and other available revenue sources.

Property taxation, the largest of the Village's revenue sources, is an involuntary form of revenue generation. Property taxes are not necessarily related to specific services. User fees, on the other hand, typically generate revenue only when users consume a specific good or service. Grants from senior levels of government are usually, though not always, tied to specific operations or projects. Each of these revenue sources have their own strengths and weaknesses, depending on the nature of the service or project being funded.

Guiding Tenets

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

Infrastructure & Asset Investments

The purpose of this strategic focus area is to guide decisions related to the Village's infrastructure and assets and to ensure long-term planning commits adequate funds to build, maintain, renew and protect the Village's infrastructure/assets, and to ensure that infrastructure/assets continue to meet the needs of the community.

Guiding Tenets

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

Reserves & Surpluses

The purpose of this strategic focus area is to provide guidance for decisions related to the Village's planned reserve fund and surplus strategy. Reserves and surpluses are a critical component of a local government's long-term financial strategy and related sustainability, as they provide flexibility, and minimize the Village's vulnerability and annual financial burden for taxpayers and rate payers. Investment and financing decisions aim to minimize risk and financial uncertainty for taxpayers/rate payers and reserves are an excellent way for achieving these aims. Reserves and surplus levels also provide local governments with the flexibility to adapt to opportunities and changing circumstances.

Guiding Tenets

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

Debt Management

The purpose of this strategic focus area is to provide guidance for decisions related to managing the Village's debt. The prudent use of a debt management policy is a fundamental component of financial management which supports financial discipline and stability.

Guiding Tenets

- pay as you go funding and internal reserve financing is preferable to external debt;
- any debt should not impact long-term financial flexibility and should limit financial risk exposure;
- any debt should minimize the long-term cost of financing;
- debt should never be used to pay for operations;
- debt may be used to moderate significant tax or rate increases;
- debt levels should be managed to minimize the impact of debt servicing costs on taxpayers; and
- the term of the debt financing should not exceed the anticipated useful life of the underlying assets or infrastructure.

Operating Costs

The purpose of this strategic focus area is to provide guidance for decisions related to the Village's planned operating costs with the overall goal being to manage expenditures through efficiency gains and continuous improvement.

Guiding Tenets

- deliver core services efficiently and effectively ensuring value for money and the transparent stewardship of public funds;
- promote, establish, maintain and explore programs and facilities that encourage the use of alternative models and levels of delivery of services through continuous improvement;

- leverage external investments as much as possible (e.g. gas tax grants);
- match one-time or limited duration operating expenses with limited funding sources and match ongoing operating expenses with ongoing funding sources; and
- regularly review municipal expenditures in the context of inflationary increases.

Collectively the above strategies and tenets will guide the development of the Village's Long-Term Financial Plan and will form the basis for determining the level of investment that can be confidently sustained into the future.

6. Financial Plan Limitations

The Village's Long-Term Financial Plan is not an end point in that the Long-Term Plan and model will have to be used as an evolving tool that is updated as new or better data/information becomes available. In this regard, the Long-Term Plan is highly dependent upon information obtained through asset management including the condition, life expectancy and replacement cost of infrastructure/assets. As the Village's infrastructure/asset data and information evolves so will the Long-Term Plan.

7. Community Financial Sustainability Report

As part of Project deliverables, a Financial Sustainability Report will be prepared for Council and the community that incorporates the summarized Long-Term Financial Plan results together with key financial indicators (sustainability, viability and flexibility) which will be used to determine the Village's financial performance and position in comparison to benchmarks. These financial indicators, as explained below, can also be used on an ongoing basis to gauge and reflect on the Village's performance and progress in its financial sustainability journey.

- **Sustainability** - the degree to which the Village can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates.
- **Flexibility** - reflects the Village's ability to increase its available sources of funding (taxes, user fees, etc.) to meet increasing costs with particular attention to non-property tax based revenues. Local governments with relatively high flexibility have the potential to absorb cost increases without adversely impacting affordability for local residents and other ratepayers. On the other hand, local governments with low levels of flexibility have limited options with respect to generating new non-property tax based revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability** - represents the extent to which the Village is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers: (i) unconditional operating grants; (ii) conditional operating grants; and (iii) capital grant programs. Local governments with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for local governments that are vulnerable with respect to operating grants from senior levels of government, as legislation does not allow local governments to issue long-term debt for operating purposes.

As a means of reporting the Village's financial condition, the financial sustainability report will consider various factors within each of the financial indicators. Examples of various factors that may be considered are as follows:

Sustainability

- Financial assets to financial liabilities
- Total reserves and reserve funds per household
- Total operating expenses as a percentage of taxable assessment
- Capital additions as a percentage of amortization expense

Flexibility

- Residential taxes per household
- Total long-term debt per household
- Residential taxation as a percentage of average household income
- Total taxation as a percentage of total assessment
- Debt servicing costs (interest and principal) as a percentage of total revenues
- Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets

Vulnerability

- Operating grants as a percentage of total revenues
- Capital grants as a percentage of total capital expenditures

8. Summary and Deliverables

From a big picture point of view, the Village's Long-Term (15-year) Financial Plan will provide information that guides financial management decision-making in the short, medium and long-term. In addition to forecasting operating and capital requirements and associated sources of funding, the Long-Term Financial Plan will form the basis for recommended financial principles and policies to guide budgeting, borrowing, capital funding, appropriate levels for reserves and surpluses, etc.

It will be necessary to update the projections, assumptions etc., within the Long-Term Financial Plan model as new data or information becomes available including data related to infrastructure and assets that is continuously evolving. The first five (5) years of the long-term financial plan will also be used to fulfill the legislated five-year financial plan requirements under the Community Charter.

An overall Community Financial Sustainability Report will be produced which incorporates the summarized Long-Term Financial Plan results together with key financial indicators (sustainability, viability and flexibility) that can be used to gauge the Village's progress towards financial sustainability. Key policy recommendations will also be provided in the Community Financial Sustainability Report which can be considered as a means of improving financial sustainability and fiscal management.