

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

1100 Patricia Blvd. | Prince George, BC, Canada V2L 3V9 | www.princegeorge.ca

DATE: May 5, 2021

TO: STANDING COMMITTEE ON FINANCE AND AUDIT

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Reserve Funds – Balances/Sources/Uses for 2018 through 2020

ATTACHMENT(S): None

RECOMMENDATION(S):

That the Standing Committee on Finance and Audit RECEIVES FOR INFORMATION, the report dated May 5, 2021 from the Director of Finance titled “Reserve Funds – Balances/Sources/Uses for 2018 thru 2020.”

PURPOSE:

This report is provided annually for information as per Sustainable Finance Guideline 10.1.

STRATEGIC PRIORITIES:

Under the Community Charter (sections 188 and 189) of British Columbia, City Council may by bylaw establish Reserve Funds for specific purposes.

As per Sustainable Finance Guideline 10, the City establishes and maintains reserves to:

- Provide sources of funds for future capital expenditures
- Provide sources of funds for areas of expenditure that may fluctuate significantly from year to year
- Protect the City from uncontrollable or unexpected increases in expenditures (e.g. snow control) or decreases in revenues or a combination of both.

If the amount in a Reserve Fund is greater than required, City Council may, by bylaw, transfer all or part of the balance to another Reserve Fund. While their purpose can be for operating, reserve funds are typically used to accumulate funding for future capital purposes.

Sustainable Finance Guideline 10 states that money in a Reserve Fund and interest earned thereon must be used only for the purpose for which the reserve was established. Proposals to appropriate funds from reserves will include repayment plans. As per Sustainable Finance Guideline 10.1, reserves that are repealed will have their balance (if any) transferred to either the Endowment or the Capital Expenditure Reserve.

FINANCIAL CONSIDERATIONS:

Below please find a table concerning the City of Prince George Reserve Funds. There is a comparison between 2018, 2019 and 2020 uncommitted balances for all Reserves except the Trusts. For an explanation of the sources and uses of these funds, please see the Addendum at the end of this report.

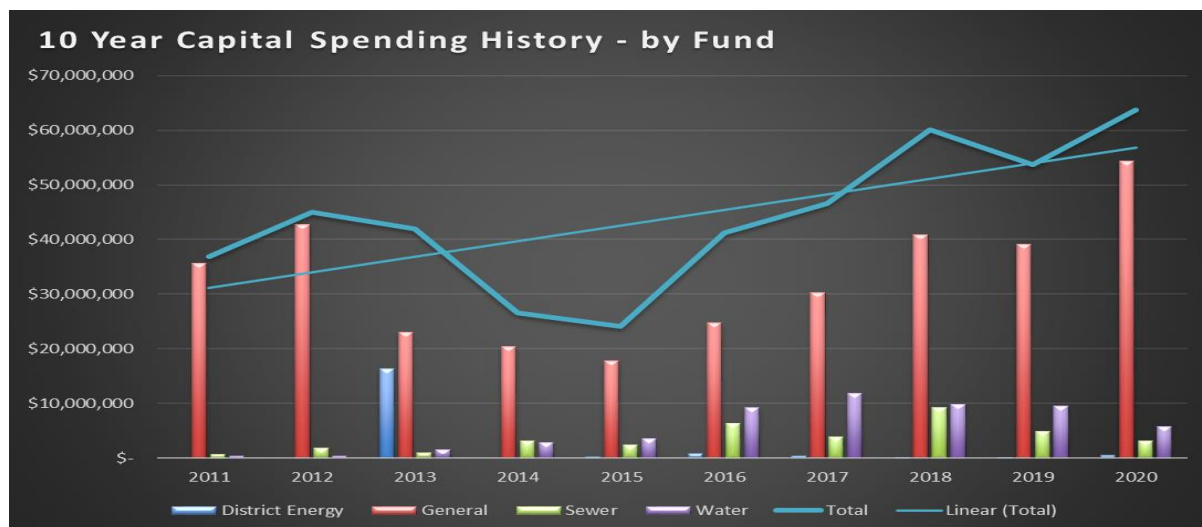
Fund	2018	2019	2020
Reserves			
Capital Expenditure	537,261	1,283,898	835,542
Sewer Utility	780,824	424,698	8,771,639
Water Utility	(942,089)	3,547,499	6,531,573
Endowment	8,310,906	9,305,415	5,527,738
Storm Drainage	7,161	7,346	7,461
Northern Capital & Planning Grant	0	7,696,811	9,251,747
COVID-19 Safe Restart Grant	0	0	6,110,000
Land Development	0	0	0
Snow Control	0	0	0
Road Rehabilitation	(262,779)	419,290	618,073
General Infrastructure Reinvestment Fund	734,993	3,362,380	55,524
Mobile Equipment Replacement	1,462,952	2,028,583	2,617,210
Computer Reserve	272,984	314,846	141,690
SW Area College Heights	11,208	11,497	11,677
SW Area Peden Hill	5,415	5,555	5,642
SW Area South Fort George	768	788	801
SW Area Van Bien	5,690	5,837	5,929
SW Area Vanway	683	700	711
Parkland Acquisition	857,113	134,918	262,473
Downtown Off-Street Parking	2,576,426	927,759	2,445,941
Fortis BC	1,296,961	534,437	0
Extension Ospika/Marleau/St. Laurence	220,297	225,946	229,512
Performing Arts Centre	76,900	85,591	86,941
Total Reserves	15,953,673	30,323,794	43,517,824
Development Cost Charges (D.C.C.'s)			
D.C.C. Roads	966,989	965,541	960,877
D.C.C. Parkland	101,936	367,926	377,063
D.C.C. Drainage	295,567	368,024	404,736
D.C.C. Sanitary Sewer	2,221,984	2,381,553	2,477,122
D.C.C. Water	704,662	980,235	728,586
Total D.C.C.'s	4,291,137	5,063,279	4,948,384

Fund	2018	2019	2020
Regulated Reserve For Expenditures			
Miscellaneous	747,596	521,204	367,530
Debt Reduction	491,622	867,561	953,751
Tyner Blvd Water main Extension	0	0	0
Gaming	0	0	0
Carbon Tax Initiative Program	1,644,835	1,799,065	1,957,746
Community Works Fund	440,381	6,368,066	8,386,331
Solid Waste Services	2,139,238	2,382,319	3,101,834
Total RRFE's	5,463,672	11,938,215	14,767,192
Deferred Revenue			
EVP Crown Land Forest	225,021	230,785	234,428
Major Events	128,516	277,244	66,387
Valentina Goodwin Donation	13,185	13,526	13,737
Total Deferred Revenue	366,722	521,555	314,552
Total in Reserve	26,075,205	47,846,843	63,547,952

New sources of general capital program funds are currently funded by levy contributions or grants. Many categories of the City's operations and infrastructure have dedicated funding sources (Road Rehabilitation, Snow Control, Sewer, Water, Solid Waste, Off-Street Parking). Excluding those examples, the sources of funds the City consistently receives annually that can be allocated to general capital projects of almost any kind include:

- Community Works (Gas Tax) funds of approximately \$3,300,000;
- General Infrastructure Reinvestment Fund Levy of \$2,675,000;
- and other contributions of \$1,000,000.

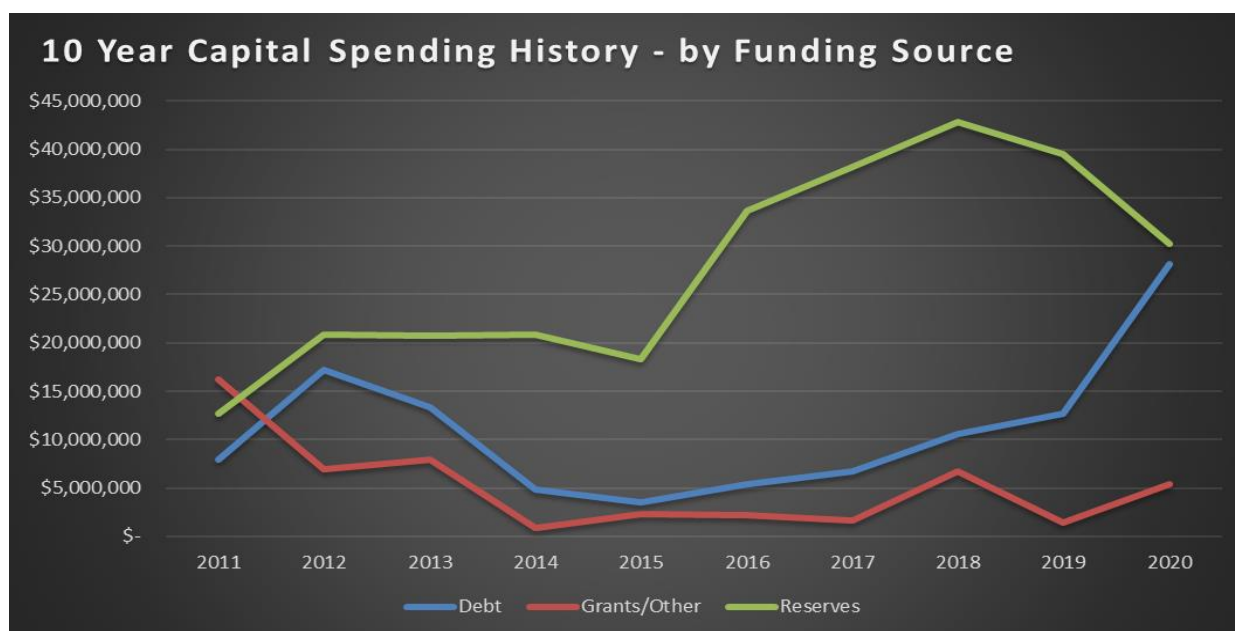
Gaming contributions of \$2,400,000 are usually also considered a reliable source of funds for capital but the COVID-19 pandemic has rendered casinos closed since March of 2020 and so that source of funding is temporarily not available.



Capital investment in City infrastructure continues to trend upwards on a 10 year historical basis. In 2020, \$63.8 million was spent including maintenance projects funded from reserve. Reserves continue to be heavily committed to current & future capital spending.

In 2020, the City received significant grants from other levels of government: The Northern Capital and Planning Grant, in the amount of \$6,527,000; and the COVID-19 Safe Restart Grant, in the amount of \$6,110,000, which helped to bolster reserve balances in 2020. Lastly, if the City and Fortis BC terminate their lease-in lease-out agreement at the 17-year point at the end of 2021, there will be an approximate \$25,000,000 payment that will also help buoy reserves.

It is important to note that some of the increased spending from reserves has been a result of a “pay as you go” approach, as opposed to debt funding, that the City has applied in areas such as sewer, water and solid waste. The graph on the next page helps illustrate that point.



SUMMARY AND CONCLUSION:

The uncommitted Reserve Fund balances increased by \$15.7 million in 2020. The primary reason for that increase was due to the grants received from the provincial and federal government.

RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance

APPROVED:

Walter Babicz, Acting City Manager

Meeting Date: [2021/05/31]

ADDENDUM

Explanation of sources and appropriate uses of Reserve Funds

Fund	Source of Funds	Use of Funds
Reserves		
Capital Expenditure	<ul style="list-style-type: none"> • Contribution from Gaming Revenue • Interest earnings transfer from the Endowment Fund 	<ul style="list-style-type: none"> • General capital projects
Sewer Utility	<ul style="list-style-type: none"> • Sewer user rates • MFA Sinking Fund surpluses 	<ul style="list-style-type: none"> • Sewer capital projects
Water Utility	<ul style="list-style-type: none"> • Water user rates • MFA Sinking Fund surpluses 	<ul style="list-style-type: none"> • Water capital projects
Endowment	<ul style="list-style-type: none"> • Internal loan repayments of principal and interest from the general operating levy • Land sales surpluses 	<ul style="list-style-type: none"> • Interim funding for general projects awaiting debt proceeds • Long-term funding for unanticipated projects that have no other viable funding source • Interest earned on the fund is often transferred to the Capital Expenditure Reserve for use on projects
Storm Drainage	<ul style="list-style-type: none"> • MFA Sinking Fund surpluses 	<ul style="list-style-type: none"> • Storm drainage capital projects
Northern Capital & Planning Grant	<ul style="list-style-type: none"> • One-time grant from the province 	<ul style="list-style-type: none"> • Planning and infrastructure development
COVID-19 Safe Restart Grant	<ul style="list-style-type: none"> • One-time grant from the province 	<ul style="list-style-type: none"> • Addressing revenue shortfalls • Facility reopening and operating costs • Emergency planning and response costs • Bylaw enforcement and protective services • Computer and technology costs to improve connectivity and virtual communications

		<ul style="list-style-type: none"> • Services for vulnerable persons
Land Development	<ul style="list-style-type: none"> • Proceeds from land sales 	<ul style="list-style-type: none"> • Repayment of prior land purchases covered by the Endowment Fund • Transfer to Capital Expenditure Reserve for use on projects
Snow Control	<ul style="list-style-type: none"> • Snow Control Levy 	<ul style="list-style-type: none"> • Snow and ice control • Winter sand cleanup • Other uses of a capital nature related to snow and ice control; land, facilities and site reclamation
Road Rehabilitation	<ul style="list-style-type: none"> • Road Rehabilitation Levy 	<ul style="list-style-type: none"> • Road rehabilitation projects
General Infrastructure Reinvestment	<ul style="list-style-type: none"> • General Infrastructure Reinvestment Levy 	<ul style="list-style-type: none"> • General infrastructure reinvestment projects
Mobile Equipment Replacement	<ul style="list-style-type: none"> • Internal Lease principal and interest repayments • Equipment disposal proceeds 	<ul style="list-style-type: none"> • Interim equipment loans
Computer Reserve	<ul style="list-style-type: none"> • Annual contribution from Capital Expenditure Reserve 	<ul style="list-style-type: none"> • Costs related to acquisition, replacement, betterment and maintenance of computer equipment and software
South-West Sector – College Heights	<ul style="list-style-type: none"> • Funded by Council Directive post amalgamation 	<ul style="list-style-type: none"> • Recreation related projects
South-West Sector – Peden Hill		
South-West Sector – South Fort George		
South-West Sector – Van Bien		
South-West Sector – Vanway		
Parkland Acquisition (Required by Community Charter)	<ul style="list-style-type: none"> • Cash contributions received from developers in lieu of parkland dedications • Proceeds from sale of parkland 	<ul style="list-style-type: none"> • Acquisition of parkland
Downtown Off-Street Parking (Required by Community Charter)	<ul style="list-style-type: none"> • Off-Street parking operating and maintenance surpluses 	<ul style="list-style-type: none"> • Off-Street parking facility projects

Fortis BC (Terasen)	<ul style="list-style-type: none"> Lease proceeds from Fortis BC for the operation of the natural gas distribution system within Prince George as part of a 35 year Lease-in Lease-out agreement 	<ul style="list-style-type: none"> Payment of long-term debt and capital lease payments associated with the purchase of Fortis BC's natural gas distribution system within Prince George At the conclusion of this Lease-in Lease out agreement a large financial benefit will accrue to the City, the value of which will depend upon many factors
Extension Ospika/Marleau/St. Lawrence	<ul style="list-style-type: none"> Developer contribution 	<ul style="list-style-type: none"> Future widening of Ospika Boulevard from 2 lanes to 4
Performing Arts Centre	<ul style="list-style-type: none"> One-time contribution from Initiatives Prince George from sale of ACS building Contribution from Regional Performing Arts Centre Society 	<ul style="list-style-type: none"> To be used to fund the development of a Performing Arts Centre
Development Cost Charges (D.C.C.s)	<ul style="list-style-type: none"> Developers pay D.C.C.s on new developments because they place demands on municipal infrastructure The Community Charter provides for five separate D.C.C. reserves: Roads, Parkland, Drainage, Sewer and Water 	<ul style="list-style-type: none"> Capital projects that have been identified in the Capital Expenditure Plan as growth related
Regulated Reserve For Future Expenditures (RRFEs)		
Miscellaneous	<ul style="list-style-type: none"> Unused operating budgets for special programs, grants, and fibre optic revenues 	<ul style="list-style-type: none"> Continuation of special operating programs and investment in fibre optic infrastructure
Debt Reduction	<ul style="list-style-type: none"> One-time consolidation of old RRFEs that were no longer required MFA debt surpluses 	<ul style="list-style-type: none"> Capital projects that would otherwise require the procurement of new debt
Tyner Boulevard Water Main Extension	<ul style="list-style-type: none"> Money to pay for this came from the Endowment Fund via 	<ul style="list-style-type: none"> Proceeds from lot sales in this area to repay

	the Land Development Reserve	the Endowment Fund loan over time
Gaming	<ul style="list-style-type: none"> Gaming revenue from the provincial government which equals 10% of the Treasure Cove Casino's net profits 	<ul style="list-style-type: none"> Utilized to fund general capital expenditure projects and major events
Carbon Tax Initiative Program	<ul style="list-style-type: none"> Carbon Tax Rebate 	<ul style="list-style-type: none"> Projects that offset the City's carbon footprint
Community Works	<ul style="list-style-type: none"> Federal Gas Tax grants 	<ul style="list-style-type: none"> Funds eligible infrastructure projects
Solid Waste Services	<ul style="list-style-type: none"> User Fees 	<ul style="list-style-type: none"> Purchase and replacement of solid waste equipment
Deferred Revenue		
EVP Crown Land Forest	<ul style="list-style-type: none"> Seeded by various government grants 	<ul style="list-style-type: none"> Urban forestry management
Major Events	<ul style="list-style-type: none"> Gaming revenue 	<ul style="list-style-type: none"> Funds western, national, and international events of a sporting or cultural nature
Valentina Goodwin Donation	<ul style="list-style-type: none"> Donation from the Estate of Valentina Goodwin 	<ul style="list-style-type: none"> To fund projects in and around the Hudson's Bay Wetlands area
Trusts (The balances of which are not included in the above report)		
Winter Games Legacy	<ul style="list-style-type: none"> Grant from BC Winter Games Society (1982) 	<ul style="list-style-type: none"> Interest earnings fund travel for individual and group sporting events
Cemetery Care (Established in accordance with the Cemeteries' Act)	<ul style="list-style-type: none"> Cemetery plot fees 	<ul style="list-style-type: none"> To pay for the upkeep and maintenance of facility upon its closure Interest earnings on the Reserve are used to offset ongoing operating costs
Festival of the Arts/Discovery Place	<ul style="list-style-type: none"> Legacy from hosting the Festival of the Arts 	<ul style="list-style-type: none"> Public art installations
Northwood Pollution Penalty	<ul style="list-style-type: none"> Pollution penalty 	<ul style="list-style-type: none"> Environmental projects
Elections BC Campaign Surplus (mandated by the provincial government)	<ul style="list-style-type: none"> Local election surplus funds exceeding \$500, must be held in trust and accrue interest on behalf of the local candidate 	<ul style="list-style-type: none"> If the candidate runs again in the next general election, the excess campaign funds plus any interest accrued thereon must be returned to the

		<p>candidate's financial agent.</p> <p>If the candidate does not run again, the funds will be forfeited to the jurisdiction in which they're held to be used at the jurisdiction's discretion.</p>
--	--	--