



## **What are Surplus Budgets? (2024)**

### **What is a surplus?**

A budget surplus is a situation where a local government collects more money from taxes and other sources than it spends on public services and projects in a given year. A budget surplus can be used to reduce debt (pay off loans), increase reserves, or fund one-time capital projects or equipment.

### **Why does surplus accumulate?**

The Central Coast Regional District (CCRD) over the COVID-19 years generated significant surpluses due to the inability to execute on projects, hire and retain staff, and the availability of equipment.

### **What should the CCRD do with surplus funds?**

The CCRD has asset replacement accounts designed to save for the day that asset and infrastructure fail or require replacement. These asset replacement accounts bylaws encourage, but not require, that surplus be allocated towards these purposes. For example, to see why we save and should continue to increase our savings, look at what is happening right now in Osoyoos with its water and sewer infrastructure ([Osoyoos chose years of low tax increases, now the bills are due | iNFOnews | Thompson-Okanagan's News Source \(infotel.ca\)](#)). Robust asset replacement reserves and programs mean a slight increase in taxation to fund yearly contributions and protect the taxpayer later from uncontrollable spikes as systems fail or expensive equipment requires replacement.

### **Can surplus be used to offset taxation?**

Yes, and on occasions the CCRD does use surplus to limit the impact of taxation, but it comes with risks. What is paid for with surplus one year means that the impact on taxation is delayed until the following year and means that less money is available to be allocated towards asset replacement reserves, capital needs or other one-off projects that aren't traditionally able to be funded.

Using surplus to offset taxation creates an unpredictable wave effect on annual taxation. It is recommended by staff that the CCRD phase out the use of surplus so that annual taxation is predictable, and that reserve programs be invested in to prevent unexpected service disruption and taxation spikes. Additionally, this also makes annual discussions around taxation easier to follow as its directly about issues and whether to fund those issues without the backdrop of a delayed increase. The structure of regional district services and our inability to move money between services means that every service budget needs to balance and can impact taxation on an area.

The CCRD Board has adopted a plan of phasing out the use of surplus to balance the General Operations of the CCRD gradually at a rate of 5% per year.

### **What about grant money?**

Grant funds are carried over to the next year and their use is restricted to the terms outlined in the grant application and funding agreement.

## 2024 Surplus Amounts

<b>Surpluses going into 2024</b>	<b>Projected Surplus at the end of 2024</b>																																																																														
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**Notes:**

- *The Community Works Fund commitments may not all be able to be delivered within the year and may carry over to the next year.*
- *Each function has a different group of taxpayers (for example, Denny Island residents do not contribute to valley services such as the landfill) and as such we are forbidden by legislation from moving money between services.*
- *Hagensborg Fire Protection surpluses are being transferred to a reserve fund for the future purchase of a fire truck. Hagensborg Waterworks reserves are carried over for potential use for the upgrade project or for reserves.*

## **2024 Contingency Amounts**

### **What is a contingency fund?**

A contingency budget is a reserve of funds set aside to cover unexpected costs of running a service inclusive of any projects that service might be undertaking. It is not allocated to any specific area of the service, but rather serves as an insurance against possible risks. The amount of contingency budget depends on the level of uncertainty and the potential impact of the risks. A contingency budget helps to ensure that the service can be delivered within the approved budget and scope.

### **Do we have a policy on contingency budgets?**

Yes, contingency is covered by F-20 Budget Preparation and Engagement Policy:

#### “Preparation section 5:

*Surplus from a budget year will be referred to the next budget. The surplus should generally be placed in reserves for contingency relief in the event of unforeseen circumstances that affect the operation of current services. Previous year’s surplus will be allocated toward a budgets contingency until the contingency account represents 15% of the total budget. Surplus should not be used to fund new or increased service levels due to the unstable nature of surplus funds. Unused surplus beyond the appropriate contingency levels should be considered for transfer to the appropriate reserve fund. Use of surplus funds in the budgeting process remains at the discretion of the Board and may be allocated as the Board desires.”*

### **Are there risks associated with reducing or eliminating the contingency budgets?**

Yes, if there are not enough funds available in the account in the event of an emergency, then two things may occur: 1) the service ceases to function or 2) the service goes into a deficit and taxes will be raised the following year to cover the deficit and balance the service. A healthy contingency account protects the taxpayer for small to medium emergency events (e.g. a furnace or transmission needs to be replaced).

**CCRD 2024 Financial Plan - Contingency Budget**

<b>Service</b>	<b>Memo/Description</b>	<b>Amount</b>
Bella Coola Airport	To cover incidental expenses/ A provision for an unforeseen event or circumstance	1,156.70
Hagensborg Waterworks	To cover incidental expenses/ A provision for an unforeseen event or circumstance	10,000.00
Denny Island Airport	To cover incidental expenses/ A provision for an unforeseen event or circumstance	23,192.66
Denny Island Waterworks	To cover unseen capital expenses for the new water system which cannot be recovered through the grant funding	12,992.36
Economic Development	For future grant matching fund	97,500.00
Emergency Management	To cover incidental expenses/ A provision for an unforeseen event or circumstance	267.98
Emergency Management Initiatives	To cover incidental expenses/ A provision for an unforeseen event or circumstance	3,217.76
Hagensborg Fire Protection	To cover incidental expenses/ A provision for an unforeseen event or circumstance/\$100,000 going towards future turnout gear per Fire Chief request	53,000.00
Bella Coola Fire Protection	To cover incidental expenses/ A provision for an unforeseen event or circumstance	2,609.00
Land Use Planning	To cover incidental expenses/ A provision for an unforeseen event or circumstance	16,823.09
Swimming Pool	For the unseen capital expenses for Swimming Pool retrofit project	128,046.52
Solid Waste Management	To cover incidental expenses/ A provision for an unforeseen event or circumstance	4,929.00
LSA Steet Lights	To cover incidental expenses/ A provision for an unforeseen event or circumstance	2,939.85
Valley Street Lights	To cover incidental expenses/ A provision for an unforeseen event or circumstance	2,239.83
Bella Coola Waterworks	To cover incidental expenses/ A provision for an unforeseen event or circumstance	26,785.43
General Operations	To cover incidental expenses/ A provision for an unforeseen event or circumstance	95,487.96
<b>TOTAL</b>		<b>\$ 481,188.14</b>

**Notes:**

- *Funds cannot be moved from one account to another.*
- *Funds in the Economic Development function are savings and held for future projects that require a local contribution.*