

District of Barriere

REPORT TO COUNCIL

Request for Decision

Date: August 12, 2024	File: 530.20/Rpts
To: Council	From: Chief Administrative Officer
Re: LCIP Budget and Reserve Funds Allocation	
Recommendations: THAT Council confirms that as part of the 2024 budget process, \$110,660.02 from the L.C.I.P. Reserve was transferred to cover the 2024 extra expenses for the Reservoir Upgrade capital project; AND THAT Staff be instructed to transfer any remaining necessary funds (current estimate \$25,000) from the L.C.I.P. Reserve to the Reservoir Project budget once the project is complete at the end of September 2024 to cover all remaining expenses; AND FURTHER THAT Staff draft an amendment to the Financial Plan accordingly as part of the 2025 budget process.	

Purpose

To provide Council with an update on the Louis Creek Industrial Park (LCIP) Reservoir Project budget and to formalize funding sources for any additional expenses and cost overruns.

Background

Over the past few years, the District has been upgrading the LCIP reservoir to enable economic growth in the area. The project was partially funded through grants and District capital reserves.

As the project is now substantially complete, Staff wanted to update Council on the financial position on the project and to formalize any reserve allocations through a Council resolution.

To begin the project, in 2022 Council included \$71,111.74 as part of the \$1Million grant awarded by the Province under the Community Economic Recovery Infrastructure Program (CERIP).

As part of the 2023 budget, Council allocated the remaining \$928,888.26 from the CERIP grant funding source to the project. In addition, \$18,282.53 was allocated at that time from reserves towards the project. However, by the end of 2023 it became apparent that expenses on the project would be greater than what was allocated from grants and reserves. Subsequently, on January 22, 2024, Council passed the following resolution to cover any shortfalls in 2023 and anticipated early 2024 costs:

“THAT Council transfer the unspent Gas Tax funds of \$1,742.10 back to Gas Tax; and THAT Council transfer \$182,370.94 from L.C.I.P Reserve to cover the extra expenses incurred from the Reservoir Upgrade and start of the next phase; and THAT Council transfer \$110,660.02 from L.C.I.P Reserve to cover the 2023 deficit due to the Land Sale Expense for the purchase back of Lot 1.”

This resolution effectively provided \$293,030.96 in additional funding within the 2023 (and early 2024) budget year for anticipated invoices at that time. In total, by the end of 2023, \$1,240,201.75 was allocated to the project, while expenses totaled \$1,110,759.83 at that point. (So, \$129,441.92 was remaining for 2024.)

At the beginning of the 2024 budget process, additional expenses on the project were budgeted at \$118,992.70; however, as more information became available, the expenses were estimated to be up to \$285,000.00 for the 2024 budget year, which would create a shortfall for the project by roughly \$155,558.08. (To date, the expenses in 2024 total \$311,898.66, so close to the estimate made at the beginning of the year, but roughly 9.5% higher.)

As Council was aware of a need for additional funding, \$110,660.02 seems to have been allocated from the LCIP Reserve during the final stages of the 2024 budget process; however, no specific resolution could be located to that effect. By doing so, the Reservoir Project shortfall was now estimated at roughly \$44,900.00.

The 2024 budget also indicates that revenues were expected for land sales in the amount of \$255,000.00 which was collected. \$207,713.92 of those funds were transferred as part of the budget process to the LCIP Reserve leaving \$47,286.08 to be used on the capital project. This strategy would have allowed for a surplus of funding for the Reservoir Project in the amount of roughly \$2,500.00. However, the current total expenses are estimated to be higher; to date the project is roughly \$24,510.64 over budget.

The tables below further highlight the expenses and revenues on this project:

Revenue			
Year	Budget	Actual	Source
2022	\$ 71,111.74	\$ 71,111.74	Grant
2023	\$ 928,888.26	\$ 928,888.26	Grant
2023	\$ 18,282.53	\$ 311,313.49	Reserve
2024	\$ 110,660.02	\$ 110,660.02	Reserve
2024	\$ 255,000.00	\$ 255,000.00	Land Sale
Total	\$ 1,383,942.55	\$ 1,676,973.51	

Expense			
Year	Budget	Actual	Notes
2022	\$ 71,111.74	\$ 71,111.74	
2023	\$ 928,888.26	\$ 1,110,759.83	
2024	\$ 118,922.70	\$ 311,898.66	
2024	\$ 207,713.92	\$ 207,713.92	To Reserve
Total	\$ 1,326,636.62	\$ 1,701,484.15	

TOTAL Actual Expense vs Revenue	
Revenue	\$ 1,676,973.51
Expense	\$ 1,701,484.15
TOTAL	-\$ 24,510.64

On a side note, any revenue generated from land sales must be allocated to either a capital project or into a reserve fund specific to capital reserves, and as such, any remainder (if applicable) should be transferred back into the LCIP reserve account; however, given the current expense total there is a shortfall of funding. Staff anticipates some minor expenses in the coming months for fine tuning of the mechanical systems; however, the project should be listed officially as complete by the end of October 2024.

Summary

As no official resolution exists for the 2024 transfer from the LCIP Reserve for the \$110,662.02, Staff is recommending to formalize this into a resolution. Staff is also recommending for Council to instruct Staff to transfer funds from the LCIP Reserve to the Project budget once the project is completed for any final expenses and budget overages. This is estimated at \$25,000.

Benefits or Impact

General

Formalizing capital budget and reserve transfers while providing Council with an update on the financial position of the project.

Finances

To Date (July 30, 2024):

Total Revenue:	\$ 1,676,973.51
Total Expenses:	\$ 1,701,484.15
Total Deficit:	\$ 24,510.64

Strategic Impact

N/A

Risk Assessment

Compliance: Community Charter S. 188 – Land Sales

Risk Impact: Low

Internal Control Process: Staff would follow standard procedures for reserve fund transfers

Next Steps / Communication

- Staff to finalize the project in October, and undertake any remaining funds transfers
- Staff to present necessary adjustments to the financial plan as part of the 2025 budget

Attachments:

- N/A

Recommendations:

THAT Council confirms that as part of the 2024 budget process, \$110,660.02 from the L.C.I.P. Reserve was transferred to cover the 2024 extra expenses for the Reservoir Upgrade capital project;

AND THAT Staff be instructed to transfer any remaining necessary funds (current estimate \$25,000) from the L.C.I.P. Reserve to the Reservoir Project budget once the project is complete at the end of September 2024 to cover all remaining expenses;

AND FURTHER THAT Staff draft an amendment to the Financial Plan accordingly as part of the 2025 budget process.

Alternative Option:

1. Council could instruct to fund the project from another reserve or surplus account.

Prepared by:

D. Drexler, Chief Administrative Officer