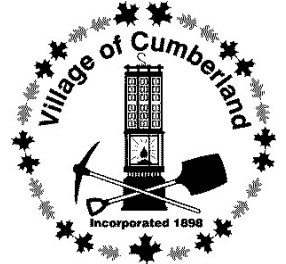


**The Corporation of the Village of Cumberland
Homelessness & Affordable Housing Committee Agenda**

**Wednesday, June 28, 2023 at 9:30 a.m.
Council Chamber, 2675 Dunsmuir Avenue**



We are honoured to gather on the unceded traditional territory of the K'ómoks First Nation.

1. Approval of the Agenda

2. Minutes

Adoption of Minutes of September 21, 2022

3. Unfinished Business

None

4. New Business

4.1 Affordable Housing Reserve Fund

5. Next Meeting

The next meeting of the Homelessness and Affordable Housing Committee will be held on Wednesday, July 19, 2023, at 9:30 a.m.

6. Adjournment

**The Corporation of the Village of Cumberland
Homelessness and Affordable Housing Committee Minutes**

**September 21, 2022 at 9:30 a.m.
Council Chamber, 2675 Dunsmuir Avenue**



Members Present: Kathy Duperron, Chair
Bobby Herron
Jesse Ketler, Councillor
Debbie Bowman

Regrets: Mark Fortin
Lindsay Monk

Staff Present: Courtney Simpson, Manager of Development Services

Guests Present: Nancy Henderson, Urban Systems
Sydney Rankmore, Urban Systems

The meeting was called to order at 9:34 a.m.

1. Approval of Agenda

That the agenda be approved.

Carried

2. Adoption of the Minutes

That the minutes of July 20, 2022 be adopted.

Carried Unanimously

3. Business Arising from the Minutes

None.

4. New Business

4.1 Streamlining Accessory Dwelling Unit Approval Process

Nancy Henderson of Urban Systems provided an update on the project and summary of the Homelessness and Affordable Housing Committee's comments at the previous meeting.

Comments:

- Measures to ensure privacy are good. Privacy is a main concern of neighbours for accessory dwelling units (ADUs)

- Add one-page checklist to Guide. Be very clear on the steps for the applicant.
- For Building Design (page 3) clarify what is required and what is voluntary. For example, the no vinyl siding comment is unclear on if it's a requirement or suggestion.
- There were questions on how much staff time is taken on ADU DPs, what are the cost savings, will the new process increase amount of ADUs, or just save time? Response was that overall, the changes will encourage more affordable housing. Staff time saved will be put to use on other Council priorities.
- There was a comment that it is important that the Vacation Rental regulations were updated recently. We do not need to worry as much that streamlining the ADU process will facilitate a huge uptake in Vacation Rental.
- On page 11 – emphasize that no woodstoves are allowed in new dwellings.
- Make sketches larger.
- Add guidelines for type of heating as a greater investment in a heat pump will lower operating costs over time and helps keep housing affordable for renters.

Moved and Seconded

That the Homelessness and Affordable Housing Committee recommend support of the proposed bylaws to streamline the accessory dwelling unit approval process.

Carried unanimously

Moved and Seconded

That the Homelessness and Affordable Housing Committee recommend the following changes to the Accessory Dwelling Unit How-To Guide: to insert a timeline and checklist, emphasize no woodstoves in new dwellings, and add recommendations for heating systems with lower operating costs.

Carried unanimously

5. Next Meeting

Wednesday, October 19, 2022 at 9:30 a.m. pending a Council referral

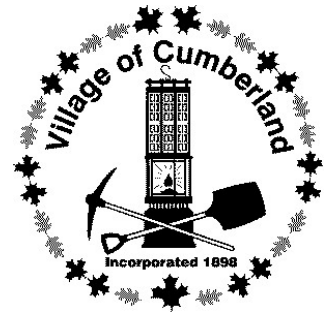
6. Adjournment

The meeting was adjourned at 10:13 a.m.

Certified Correct:	Confirmed:
<hr/>	<hr/>
<hr/> Chair	<hr/> Deputy Corporate Officer

MEMO

HOMELESSNESS AND AFFORDABLE HOUSING COMMITTEE



REPORT DATE: 7/13/2022
MEETING DATE: 6/22/2022

File No. 6700 Housing Reserve Fund

TO: Committee members
FROM: Karin Albert, Senior Planner
SUBJECT: Affordable Housing Reserve Fund

Council has referred the Affordable Housing Reserve Fund report, dated March 10, 2023, to the Homelessness and Affordable Housing Committee.

At their March 27, 2023 meeting, Council gave first, second and third reading to Reserve Funds Establishment Amendment Bylaw No. 1185, 2023. If adopted at an upcoming meeting of Council, Bylaw 1185 will establish a housing reserve fund.

The proposed purpose and uses of the fund are identified in amendments to the Village's Reserve and Surplus Funds Policy.

The Homelessness and Affordable Housing Committee is asked to provide a recommendation on the proposed purpose and uses of future funds in the housing reserve fund, stating the following:

- support, or;
- support with suggested changes to the purpose and/or use of the funds, or;
- opposition to the establishment of a housing reserve fund with reasons stated.

Following are possible resolutions for convenience:

- i. That the Homelessness and Affordable Housing Committee recommend support of the proposed purpose and uses of a housing reserve fund.
- ii. That the Homelessness and Affordable Housing Committee recommend support of the proposed purpose and uses of a housing reserve fund with the following suggested changes: _____
- iii. That the Homelessness and Affordable Housing Committee recommend against the establishment of a housing reserve fund for the following reasons: _____

ATTACHMENTS

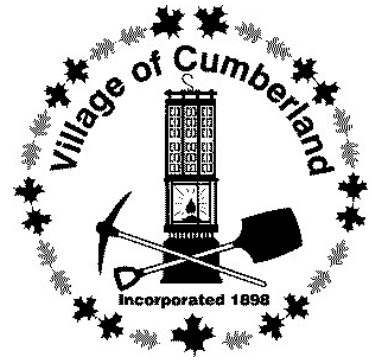
1. March 10, 2023 Council Report

Respectfully submitted,

Karin Albert

Karin Albert
Senior Planner

COUNCIL REPORT



REPORT DATE: 3/10/2023
MEETING DATE: 3/27/2023

File No. 6700 Housing Reserve Fund

TO: Mayor and Councillors
FROM: Karin Albert, Senior Planner
SUBJECT: Affordable Housing Reserve Fund

RECOMMENDATION

- i. THAT Council give first, second and third reading to Reserve Funds Establishment Amendment Bylaw No. 1185, 2023.
- ii. THAT Council refer the “Affordable Housing Reserve Fund” report and amended Reserve and Surplus Funds Policy to the Homelessness and Affordable Housing Committee for comment.

PURPOSE

The purpose of this report is to:

- introduce an amendment bylaw to the Village’s Reserve Funds Establishment Bylaw No. 1113, 2019 to set up a housing reserve fund;
- discuss the proposed purpose of the fund, use, eligibility criteria, and application review process;
- present amendments to the Reserve and Surplus Funds Policy to identify the purpose and possible uses of the fund; and
- seek referral of the report and the proposed amended Reserve and Surplus Funds Policy to the Homelessness and Affordable Housing Committee for comment.

PREVIOUS COUNCIL DIRECTION

Date	Resolution
April 11, 2022	THAT Council direct staff to report to Council during the 2023 budget discussions on the establishment of a reserve to support affordable housing.

BACKGROUND

At their April 11, 2022 meeting, Council passed a resolution seeking information about establishing a reserve fund to support affordable housing. This report reviews the Village’s legislative authority and existing bylaws and policies in relation to setting up a housing reserve fund.

Authority

Section 188 of the *Community Charter* authorizes Council to establish reserve funds to set aside money for a specified purpose. Section 189 of the *Community Charter* requires that money in a reserve fund, and interest earned on it, must only be used for the purpose for which the fund was established.

Official Community Plan

The Official Community Plan (OCP) envisions housing in the Village to be available for all income levels. Attainable housing is one of the OCP's eight priorities.

Affordable housing, with a signed housing agreement, is identified as one of several desired amenities in section 5.1.5 General Land use Policies of the OCP.

Housing Policy 5.2.3 (2) encourages alternative housing tenures within residential areas such as cohousing, cooperative housing, and fee-simple town homes, especially where these meet an affordable housing need. Policy 5.2.3 (4) supports the creation of new, and the retention of existing, rental housing and discourages the conversion of rental housing to strata ownership. Further, Policy 5.2.3 (5) supports the location of supportive or transitional housing within the Village for special needs groups.

Growth Management Policy 5.3.6 (4)(c) identifies increased access to housing, including affordable housing, as one of the principles to be included in a Cumberland growth management framework.

The OCP defines affordable housing as housing (mortgage or rent payments plus taxes) which costs no more than 30 percent of one's total income.

Zoning Bylaw

The Zoning Bylaw includes density bonuses for affordable housing in the following multi-family zones: RM-1, RM-2, RM-3, RM-5. The Bylaw also provides for an increase in density in the C-2 Commercial zone in return for a financial contribution per building square metre above the permitted gross floor area of principal buildings. Affordable housing, with a housing agreement, is one of the community amenities identified in the C-2 zone. Any cash community amenity contributions are currently placed into a General Developer Amenity Fund.

Affordable Housing Implementation Framework, 2016

In 2016, Council approved an Affordable Housing Implementation Framework report. Strategic action seven in the report is to "support applications to senior governments for funding (e.g. CMHC, BC Housing) through letters of support and matching funds for needs assessments, business planning and similar pre-development planning activities." The supporting rationale for this action is that municipal support increases the likelihood of success of funding applications by not-for-profit housing societies.

Strategic action ten is to "develop a land bank and/or affordable housing reserve through affordable housing contributions." The action further states that: "Over the long term the Village should work to ensure that any new developments that require increased density donate to housing resources. This can include the construction of new units to be managed by a non-profit,

the donation of land for the purpose of affordable housing or the contribution of money to an Affordable Housing Reserve.

Regional Homelessness Support Service

Since 2016, the Village participates in a regional homelessness support service together with the City of Courtenay and the three electoral areas of the Comox Valley Regional District (CVRD). The maximum tax requisition set out in the establishment bylaw for the regional service is \$2.00 per \$100,000 of assessed property value. In 2021, the CVRD's total budget for the service was \$308,771. This includes revenue from tax requisition and surplus from the previous year. The tax requisition from Cumberland property owners raised \$16,345 in 2021 and \$24,242 in 2022. Revenues raised from the other participating areas is higher, reflecting their larger populations. For example, the tax requisition raised \$166,423 in 2022 toward the service from property owners within the City of Courtenay.

That homelessness support service provides funding to the Comox Valley Coalition to End Homelessness based on a five-year action plan submitted by the Coalition and approved by the CVRD Board. The Coalition works as a collective to plan, coordinate, recommend and implement community responses to homelessness. The Coalition also receives and reviews applications for funding from the homelessness support service and makes recommendations to the CVRD for the allocation of the funds. Applicants have to be members of the Coalition. Benefitting societies and their projects have included the Comox Valley Transition Society, Dawn to Dawn, John Howard Society, Habitat for Humanity, Denman Community Land Trust Association, Wachiay Friendship Centre, Glacier View Lodge, Comox Valley Community Health Network and North Island College.

Since the establishment of the service, homelessness support service funds have contributed to the construction of 75 units of affordable housing in the Comox Valley. In 2022, the deadline to submit an expression of interest for funding was November 25. A total of \$150,000 was available to be allocated from the homelessness support service. The funding guidelines required that the funding be used to contribute to construction costs of affordable housing units. However, up to \$5,000 may be used toward development planning.

Reserve Funds Establishment Bylaw No. 1113, 2019

To set up an affordable housing reserve fund, Council will need to amend its existing reserve fund establishment bylaw to identify the purpose of the fund and be able to collect contributions to the fund.

Council Reserve and Surplus Policy No. 3.5

The Council Reserve and Surplus Policy provides guidance on the use of Village reserve and surplus funds, including fund purpose, funding sources and rationale. A Housing Reserve Fund falls into the Operating and Opportunity Reserve fund category which includes funds established for a specific purpose.

The Policy will need to be amended to include the Housing Reserve Fund and to provide additional details on the purpose of the fund not identified in the Reserve Funds Establishment Bylaw.

ANALYSIS

Setting up an affordable housing reserve fund is supported by the OCP and the Affordable Housing Implementation Framework. A housing reserve fund supports the density bonus in the C-2 zone which developers can access in return for a contribution to a community amenity. If a separate reserve fund for affordable housing is established, a cash community amenity contribution for affordable housing would be deposited in that fund.

Purpose of the Fund

The general purpose of the Affordable Housing Reserve Fund is identified in the Reserve Funds Establishment Amendment Bylaw No. 1185, 2023 (Attachment 1). In keeping with strategic action ten of the Affordable Housing Implementation Framework and the April 11, 2022 Council resolution, the amendment bylaw describes the purpose broadly as funding the development of affordable housing projects within the Village of Cumberland.

Revenue Sources

Revenue sources for the reserve fund can include taxation (property value or parcel tax), revenues received by way of agreement or donations, including contribution from developers during the development process, and grants from senior government agencies.

Taxation

Cumberland property owners are currently taxed for the regional homelessness support service. There is limited room for an additional tax to build up a Village housing reserve fund. However, taxation can be explored as a potential funding source during the next Village financial planning process. A property value tax is the preferred method of taxation since it is tied to the value of the property. A parcel tax taxes everyone at the same rate regardless of the value of the property and, relative to property value, puts a larger burden on owners of lower valued properties.

Development Process

While it is desirable to have developers build affordable housing units as part of a larger development (and protect affordability through a housing agreement), this level of contribution may affect the financial viability of small developments. In that case, the Village can negotiate a financial contribution to the Housing Reserve Fund and the funds can be used to support affordable housing elsewhere in the Village.

Grants

There may be a future opportunity for the Village to apply for senior government grants to build affordable housing on Village-owned land in partnership with a not-for-profit housing society.

In the short term, staff recommend that the only or primary revenue source be contributions identified in agreements with developers negotiated as part of development processes. The proposed amendments to the Reserve and Surplus Policy identify all three of the funding sources discussed above to provide maximum flexibility for raising revenues in the future (Attachment 2 – Proposed Amendments to the Reserve and Surplus Policy No. 3.5.).

Use of the Fund

The Affordable Housing Reserve Fund can fund a broad range of uses associated with developing affordable housing such as:

- a. Land acquisition for affordable housing projects;
- b. Grants to not-for-profit societies to support the visioning, planning and pre-development process to develop affordable housing units;
- c. Grants to not-for-profit societies to construct affordable housing units;
- d. Grants to not-for-profit societies to operate affordable housing units.
- e. Grants to private developers building affordable housing through a partnership agreement with the Village or a senior government funder.
- f. Offsetting reductions or exemptions of fees and charges granted by the Village to affordable housing projects.

Given the limited tax base and level of development in the Village, a housing reserve fund may only yield \$5,000 to \$20,000 a year. Land acquisition costs for an affordable housing project may exceed \$1 million and construction costs are in the millions. A \$5,000 - \$20,000 contribution from the housing reserve fund would not appreciably impact the ability of a not-for-profit housing society to be able to afford to acquire land or construct housing. The contributions possible under the regional homelessness support service are able to have a somewhat larger impact.

Cumberland's housing reserve fund can have more impact by supporting pre-development planning. Pre-development planning includes surveys, site feasibility studies, biophysical assessments, engineering studies to determine servicing needs, and architectural concept designs. These types of studies are required as part of a rezoning application. The chances of receiving senior government funding for an affordable housing project are significantly higher if all of these studies and a required rezoning have been completed at the time that a society applies for funding. Both BC Housing and the Canada Mortgage and Housing Corporation (CMHC) provide pre-development or seed funding. However, that funding does not always cover all the costs associated with pre-development planning. A Village housing reserve fund can provide additional funding support for societies planning to develop affordable housing in Cumberland.

Council can also use the reserve fund to reimburse non-profit housing providers for payment of development and building permit application fees, service connection fees, and/or development cost charges. This would allow Council to consider requests for fee reductions or exemptions on a case by case basis, rather than through amendments to the Development Procedures and Fees bylaws and/or to the Development Cost Charges Bylaw. Amendments to those bylaws would mean reductions or exemptions to fees and charges would apply to all affordable housing projects. Council may wish to consider this at the time of future bylaw updates.

The proposed amendments to the Council Reserve and Surplus Policy No. 3.5 identify pre-development planning and offsetting fees and charges as uses of the housing reserve fund. If priorities for the use of the fund shift in the future, the Policy may be amended without having to amend the Reserve Funds Establishment Bylaw.

Eligibility

Comox Valley housing societies develop and operate units across the region. Eligibility for funding from the Village's Affordable Housing Reserve Fund would include any society that seeks to develop affordable housing within the Village.

While private developers who are building affordable below-market housing in partnership with BC Housing, for example, under BC Housings' Affordable Home Ownership Program (AHOP), could

also be deemed eligible for contributions from the fund, this is not recommended since the Village has the ability to grant additional density to a developer through the development process to make the construction of below-market housing more feasible. Further, the greatest need for affordable housing is experienced by very low and low income individuals and families. Those types of units are most commonly developed by not-for-profit housing societies.

Typically, eligibility for funding from an affordable housing reserve fund is limited to not-for profit housing societies seeking to develop affordable housing within the community. This is reflected in the proposed amendments to the Reserve and Surplus Fund Policy.

Application Process

Following adoption of the Reserve Funds Establishment Amendment Bylaw No. 1185, 2023 and amendments to the Reserve and Surplus Funds Policy, staff will develop application guidelines and an application form. The application process will be modelled after the process for the community grant program:

- a. Information about the funding program, eligibility criteria, an application form and application timelines are posted on the Village website.
- b. The Village puts out a call for funding applications.
- c. Applications are accepted until a specified deadline.
- d. The applications are presented to Council for a decision.

To reduce the administrative load and ensure the funding has an impact, calls for applications would go out whenever a minimum amount of \$20,000 has accumulated in the fund or if an immediate need has been identified.

ALTERNATIVES

1. THAT Council adopt the amendments to the Reserve and Surplus Policy as presented.
2. THAT Council request amendments to Bylaw 1185 prior to first, second and third reading.
3. THAT Council request amendments to the Reserve and Surplus Policy prior to referral to the Homelessness and Affordable Housing Committee.
4. Not proceed with any action at this time.

STRATEGIC OBJECTIVE

- Healthy Community
- Quality Infrastructure Planning and Development
- Comprehensive Community Planning
- Economic Development

FINANCIAL IMPLICATIONS

Establishment of an affordable housing reserve fund will enable the Village to receive, hold and award reserve funds to support affordable housing projects.

The Village will be able to collect contributions to the fund from developers in the coming year. If Council also wishes to collect funds through taxation, this can be implemented during the 2024-2028 financial planning cycle.

OPERATIONAL IMPLICATIONS

Administrative and finance staff resources are required to communicate about the fund, announce application intakes, manage the fund, accept and review applications and progress reports and release the funds to eligible applicants.

Regardless on whether the review of the applications is delegated to staff or to a Council Committee or to an external organization, the review process will require some staff time.

CLIMATE CHANGE IMPLICATIONS

Establishing an affordable housing reserve fund has no quantifiable impact on climate change. Future approvals and decisions on the form and location of new affordable housing will have climate change implications.

ATTACHMENTS

1. Reserve Funds Establishment Amendment Bylaw No. 1185, 2023.
2. Proposed Amendments to the Council Reserve and Surplus Policy, No. 3.5

CONCURRENCE

Courtney Simpson, Manager of Development Services **CS**

Annie Bérard, Chief Financial Officer **AB**

Respectfully submitted,

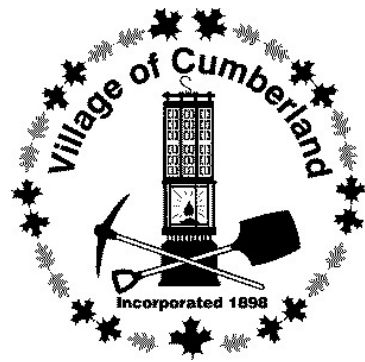
K. Albert

Karin Albert
Senior Planner

M. Mason

Michelle Mason
Chief Administrative Officer

COUNCIL POLICY



<p>Title: Reserve and Surplus Policy</p> <p>Authority: Council</p> <p>Adopted Date: December 10, 2018 Amended Date: December 13, 2021 Amended Date: _____</p>	<p>No. 3.5</p> <p>Section: Equipment and Supplies/Information Systems and Services/Financial Services</p> <p>Original Motion No: 18-662 Amendment Motion No: Motion 21-315 Amendment Motion No: _____</p>
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PURPOSE:

1. PURPOSE OF THE RESERVE AND SURPLUS POLICY:

This policy has been developed to provide guidance and direction for the development, maintenance and use of Village's Reserve and Surplus funds.

2. DEFINITIONS:

"Annual Surplus" means the accumulated excess of revenues over expenses for the current year.

"Accumulated Surplus" means the accumulated excess of revenues over expenses from prior years which has not been set aside for specific purposes.

"Reserve Funds" means funds that are set aside for a specified purpose by Council pursuant to section 188 (1) of the community Charter. These Reserves are established via Village bylaws and are discretionary on the part of the council.

"Mandatory Reserve Funds" means funds set aside for specified purposes as required by and pursuant to specific legislation. These Reserves are established via Village bylaws and are nondiscretionary on the part of Council.

"Reserves" means all of the Village's Reserve Funds and Mandatory Reserve Funds.

3. POLICY ADMINISTRATION:

3.1. RESPONSIBILITIES

The Chief Financial Officer, or designate, shall be responsible to:

- Ensure the Reserve/Surplus Funds are established and maintained in compliance with this Policy;
- Conduct an annual review of the Reserve/Surplus Funds and report the results to Village Council;
- On an “as required basis”, recommend revisions or amendments to this Policy, due to changes in applicable statutes, accounting standards, or economy.

3.2. CORPORATE PURPOSE

Reserves must have a unique and specific corporate purpose. Every effort must be made to:

- Reduce complexity by combining amounts with similar purposes;
- Eliminate those Reserves with redundant or outdated purposes;
- Focus Reserves to corporate purposes and strategic plans.

3.3. RESERVE CONTRIBUTIONS

Annual and/or periodic contributions to Reserve Funds shall be specific to each reserve, as approved by Council through the Village’s annual financial planning process.

3.4. MINIMUM AND OPTIMUM RESERVE BALANCES

A minimum and optimum balance shall be established for each reserve/surplus fund in each reserve category as outlined in *Appendix A*. The minimum balance will ensure that each fund is not depleted to the degree that it is no longer able to serve its intended purpose. The optimum balance ensures the objectives in section 5.2 are achieved and that excess funds are not remaining idle that could be otherwise utilized for other corporate priorities. If a reserve has a dedicated revenue source, such as Developer Cost Charge revenues or Community Works Funds Gas Tax contributions, there will be no minimum or optimum level. These funds depend on collections and can only be used pursuant to legislation or grant agreements. Minimum and optimum levels for these reserves will show as N/A in *Appendix A*.

A review of actual, minimum and optimal fund balances shall be undertaken annually.

3.5. INTERNAL BORROWING

Internal borrowing from reserve/surplus funds shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest is in place. Internal borrowing allows for more flexibility in terms of payback amount and loan duration than external borrowing. Paybacks shall be executed according to plan.

3.6. **INTEREST**

All Reserve Funds will earn interest each year. Interest will be calculated quarterly based on the fund balances using the Village's average rate of return on investments. Any Reserve Fund that is invested in a long-term investment will earn interest at the rate of return for that investment. Per section 189 (1) of the Community Charter, any interest earned in a reserve fund must be used only for the purpose for which the fund was established.

4. **GUIDE AND TRANSITION**

The minimum and optimal fund balance guidelines shown in this policy serve as a guide in moving the Village towards the goals or targets it wishes to attain, in terms of individual fund balances. It is recognized that the Village's fund balances may not be reaching minimum and optimal levels at the time of enacting this policy; however, the Village is transitioning towards its optimal targets.

5. **GUIDING PRINCIPLES AND OBJECTIVES:**

5.1. **GUIDING PRINCIPLES**

All Reserve and Surplus funds must be established, maintained and used for a specified purpose as mandated by this policy, statute, or Village bylaw.

Reserve and Surplus fund management needs to conform to the statutory and legal requirements of the Local Government Act and the Community Charter, generally accepted accounting principles (GAAP) and public sector accounting board (PSAB) recommendations.

5.2. **OBJECTIVES**

The primary objectives of the Village's Reserve and Surplus funds are to:

a) **Ensure Stable and Predictable Levies**

The Village recognizes that unstable and unpredictable tax levies can adversely affect residents and businesses in Cumberland. In order to maintain stable and predictable levies, the Village will maintain sufficient Reserves to buffer the impact of any unusual or unplanned cost increases and revenue volatility over multiple budget cycles.

b) **Provide for Operating Emergencies**

The Village is exposed to unusual operating emergencies resulting from inclement weather, catastrophic events, legal claims, insurance claims, tax assessment appeals, environmental hazards and so on. It may not be feasible, or cost-effective, to absorb the costs of such emergencies in one budget cycle. The Village will maintain adequate Reserves to avoid such emergencies, extensive service interruptions, and prevent risks to infrastructure and public safety.

c) **Finance New Capital Assets**

The use of Reserve Funds for financing new capital assets is an effective means of matching one-time funds to one-time capital projects. In addition, the Village requires

financial resources to quickly respond to opportunities that could provide capital infrastructure through private sector partnerships, and other alternative service delivery methods.

d) Safeguard and Maintain Existing Assets

The Village has an inventory of specialized machinery, equipment, technology and infrastructure that are necessary for the efficient delivery of services to the public. These capital assets need to be maintained and replaced on estimated useful life cycles. The reserve balances are focused on maintaining enough funds overall to cover risk of failure of assets overall with a focus on annual spending and investment of infrastructure rather than maintaining significant balances in reserve.

e) Focus on Long-Term Financial Stability

The Village recognizes that healthy reserve/surplus levels are important in achieving financial health and stability. The Village will strive to be proactive in striving for long-term financial stability and balancing the costs of maintaining healthy Reserves/surplus levels to current and future taxpayers. Where possible, the Village will consider applying Reserve Funds and current revenues in a ratio which recognizes the appropriate sharing of savings from current taxpayers with contributions from future taxpayers.

6. RESERVE CATEGORIES

Reserve Funds have been categorized by the purpose of the funds to provide additional clarity and direction for the use of the Reserve Funds.

a) Accumulated Surplus Funds

The Village needs to maintain Accumulated Surplus balances in its three operating funds (general, sewer, water) for cash flow requirements. Maintaining minimum cash flow funds eliminates the need to borrow externally and/or internally to cover operating expenses before property taxes, user fees and other revenues are collected.

b) Operating and Opportunity Reserves

Operating and opportunity Reserve Funds are available to spend on emergencies or opportunities outside of regular Village maintenance and service requirements. The funds in these Reserves may provide financial stabilization or may have a dedicated revenue source through external funding. These Reserve Funds offer flexibility in the financial planning process.

c) Capital Reserves

Reserve Funds are the key mechanism to fund the capital project plan of the Village; funding is allocated through the Reserve Funds from different funding sources. By flowing the funding through Reserves, the tracking of spend for each asset category is more efficient. Reserve fund balances in the capital Reserves are focused on maintaining adequate levels in these Reserves to cover risk of uninsured asset failure overall, rather than maintaining significant balances in each of the Reserve Funds.

d) Mandatory Reserve Funds

Mandatory Reserve Funds are reserves established by bylaw that are required by legislation and are non-discretionary funds on the part of Council. When funds, such as developer collections or proceeds from land sales, are received from specific sources, certain Reserve Funds must be established for administering these funds, as per specific legislation.

7. ACCUMULATED SURPLUSES

Annual Surplus will flow through to the Accumulated Surplus. Surplus in excess of the optimum level as established by this policy in Appendix A will be transferred to the financial stabilization reserves.

Accumulated Surplus for general, water and sewer funds will be used to cover cash flow requirements for the Village until property tax and user fee revenues are collected.

Projects funded by general revenues that have been started in the current year but cannot be completed until the following year will be carried forward to the following year and surplus funds will be used to fund these projects. Projects must have been started prior to year-end and be pre-approved to be carried forward by the Chief Administrative Officer or designate in order to use these funds the following year.

8. OPERATING AND OPPORTUNITY RESERVES

Pursuant to subsection 188 (1) of the Community Charter, Council may, by bylaw, establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.

The following Reserve Funds have been established for the purpose(s) identified and require an adopted or amended financial plan bylaw for use from these Reserve Funds:

8.1. Community Works Gas Tax Reserve

The Community Works Gas Tax Reserve has been established to account for funds received and used pursuant to the Community Works Gas Tax Agreement. Funds in this reserve need to be used for projects allowed for under the Community Works Gas Tax Agreement.

8.2. Emergency & Public Safety Reserve

The Emergency & Public Safety Reserve is to incrementally increase tax revenues using current plus previous years' residential growth property taxes to pay for policing cost increases that will be payable when the Village reaches a population of 5,000. Any excess funds that are not required to fund future policing costs will be used for general emergency and public safety initiatives.

8.3. Financial Stabilization Reserves

The Financial Stabilization Reserves in the general, water and sewer funds have been established for the following purposes:

Significant Operating Events and Environmental Emergencies – funds will be used for major non-recurring costs related to significant operating events and various emergency events or situations. Examples include significant legal costs/claims, insurance claims/deductibles, dam failures, inclement weather, environmental hazards.

Revenue Stabilization and Operating Contingency – funds are intended to stabilize the impacts of cyclical revenue downturns and operating cost increases that are largely temporary and not within the Village’s ability to adjust to in the short-term. Examples include decreases in building inspection revenues or operating costs that are subject to fluctuations in the US dollar. The Village tries to anticipate economic downturns during budget processes but despite best efforts may be exposed to the possibility of unrealized or declining revenues. Funds may be used during the budget process as a transfer from reserves to offset cyclical revenue declines. Financial stabilization Reserves will be used to smooth user rate or tax revenue increases over the financial planning period. Stabilization contributions may also be grant funds received that may be used over more than one year.

One-Time and Intermittent Projects – funds will allow the Village the flexibility to fund one-time and intermittent operating projects without resulting in a spikes and declines in general taxation or user rates. Examples include major updates to master plans and Official Community Plan (OCP).

Any funds in excess of the optimum levels in the financial stabilization Reserves will be transferred to Capital Reserves.

8.4. Host Amenity Funds Reserve

This reserve is pursuant to the Comox Valley Waste Management Centre Host Agreement; funds to be used for initiatives that offset social, environmental and economic impacts related to the presence of the CVWMC within Village boundaries.

8.5. Affordable Housing Reserve Fund

This reserve fund has been established to contribute to funding the development of affordable housing by not-for-profit societies within the Village, with an emphasis on offsetting development application fees and charges and funding pre-development costs for work such as, but not limited to, surveys, site feasibility studies, servicing studies, biophysical assessments, and architectural concept designs.

9. CAPITAL RESERVES

Pursuant to subsection 188 (1) of the Community Charter, Council may, by bylaw, establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.

The following Reserve Funds have been established for the purpose(s) identified and require an adopted or amended financial plan bylaw for use from these Reserve Funds:

9.1. General Village Assets Reserve

This reserve is to fund major repairs, upgrades, replacement and expansions of the following municipal assets:

- Ancillary structures and site services including municipal parks and trails
- Mechanical equipment operating municipal facilities such as heat pumps and water heaters
- Purchase and replacement of Village fleet and heavy equipment, excluding fire fleet and protective equipment
- Purchase and replacement of Village office furniture and equipment including information technology assets and enterprise information system infrastructure

Any funds in excess of the optimum levels in this reserve will be transferred to other Capital Reserves as required or used to retire municipal debt early.

9.2. General Fund Municipal Facility Assets Reserve

This reserve is to fund major repairs, upgrades, replacement and expansions of the municipal facility assets, excluding sewer (wastewater) treatment and water supply assets.

Any funds in excess of the optimum levels in this reserve will be transferred to other Capital Reserves as required or used to retire municipal debt early.

9.3. Linear Infrastructure Asset Renewal Reserve

This reserve is to fund linear infrastructure capital and replacement projects including roads, traffic signals, curb and gutters, sidewalks and streetlights, water, sewer and storm underground infrastructure. This reserve does not fund facility or other general municipal assets. This reserve may be used to update master plans and provide capacity for the management of linear infrastructure assets.

Any funds in excess of the optimum levels in this reserve will be transferred to other capital reserves as required or used to retire municipal debt early.

9.4. Fire Vehicle and Protective Equipment Replacement Reserve

This reserve is to fund the replacement of fire vehicles and protective equipment.

9.5. Sewer and Water Infrastructure Assets Renewal Reserve

This reserve is to fund major repairs, upgrades, replacement and expansions of the sewer (wastewater) treatment and water supply assets.

Any funds in excess of the optimum levels in this reserve will be transferred to other capital reserves as required or used to retire municipal debt early.

9.6. Water Meter Replacement Reserve

This reserve is to fund the replacement of all water meters within the Village. It is recognized that expected life cycle for water meters is only 15 years and that they were all originally installed throughout the Village within two years using development cost charges and external grants.

MANDATORY RESERVE FUNDS

If monies are received from specific sources, certain Reserve Funds must be established for administering these funds, as per specific legislation. These Reserve Funds are termed by the Village to be Mandatory Reserve Funds, and are as noted below.

9.7. Development Cost Charge (DCC) Reserve Funds

Per subsection 188 (2) (a) of the Community Charter, separate Reserves need to be established for DCC collections and use, under section 566 of the Local Government Act. The following DCC Reserves have been established for the purpose so identified in the associated DCC bylaws and are as follows:

- Parkland Acquisition and Development DCC
- Roads DCC
- Sewer DCC
- Storm Water DCC
- Water DCC

9.8. Municipal Cash-in-lieu Parking Space Reserve Funds

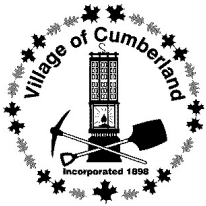
Per subsection 188 (2) (d) of the Community Charter, separate Reserves need to be established for cash-in-lieu of parking space collections and use, under section 525 of the Local Government Act.

9.9. Parkland Acquisition Reserve Fund

Per subsection 188 (2) (b) of the Community Charter, funds received from the sale or disposal of parkland as well as funds received pursuant to section 941 of the Local Government Act (parkland funds received upon subdivision) must be set aside in a Reserve and be used exclusively to purchase parkland. The Parkland Acquisition Reserve Fund has been established for accumulating and expending monies as per this requirement.

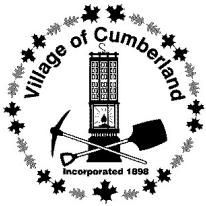
9.10. Land Reserve

Per subsection 188 (2) (e) of the Community Charter, except for tax sale proceeds, money received from the sale of land and improvements must be used to pay any debt remaining in relation to the property, with any remaining funds to be used for acquiring land, improvements and other assets of a capital nature. Net proceeds of any land sale (excluding parkland) are transferred to the Land Reserve for strategic land purchases.



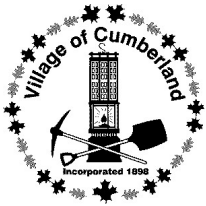
RESERVE AND SURPLUS POLICY APPENDIX A

ACCUMULATED SURPLUS FUNDS					
Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
General Fund Accumulated Surplus	To cover cash flow requirements before property tax revenues are collected.	Annual Surplus in the general fund	\$800,000 2 months of operating expenses (excluding amortization).	\$1,200,00 3 months of operating expenses (excluding amortization).	Property taxes are collected in June and July each year. Excess balances transferred to the general fund financial stabilization reserve.
Sewer Fund Accumulated Surplus	To cover cash flow requirements before sewer and storm user fee and frontage parcel tax revenues are collected.	Annual Surplus in the sewer fund	\$170,000 2 months of operating expenses (excluding amortization).	\$330,000 4 months of operating expenses (excluding amortization).	User fees are collected every three months and parcel taxes are collected in June and July each year. Excess balances transferred to the sewer fund financial stabilization reserve.
Water Fund Accumulated Surplus	To cover cash flow requirements before water user fee and frontage parcel tax revenues are collected.	Annual Surplus in the water fund	\$130,000 2 months of operating expenses (excluding amortization).	\$250,000 4 months of operating expenses (excluding amortization).	User fees are collected every three months and parcel taxes are collected in June and July each year. Excess balances transferred to the water fund financial stabilization reserve.



RESERVE AND SURPLUS POLICY APPENDIX A

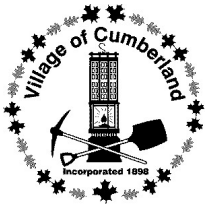
OPERATING AND OPPORTUNITY RESERVES					
Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
Community Works Funds Gas Tax Reserve	To be used pursuant to the Community Works Gas Tax Agreement. Funds utilized for investments in infrastructure for its construction, renewal or material enhancement.	Federal Community Works Gas Tax funds distributed by the Union of BC Municipalities (UBCM).	N/A	N/A	Reserve level and related spending is dependent upon funds received. The intent is to spend all funds received. These funds have been subsidizing the asset renewal contributions for the infrastructure asset renewal capital projects.
Emergency & Public Safety Reserve	To save towards increased policing costs when the Village population hits 5000 people and 70% of the policing contract becomes payable.	Accumulated and current year property taxes generated by residential growth and allocations from the operating budget as provided for in financial plan.	Nil	\$4,000,000	Optimum Reserve level is expected to provide adequate funds to subsidize property tax increases required for annual policing costs until property tax revenues are sufficient to cover 100% of the costs.
General Financial Stabilization Reserve	For major emergent operating issues, one-time and intermittent projects, to smooth property tax increases over the financial planning period and to offset unrealized revenues.	Excess funds transferred from the general fund Accumulated Surplus, solid waste user fees and allocations from the operating budget as provided for in financial plan..	\$480,000 10% of general operating fund revenues. Plus unused balance of stabilization funds.	\$960,000 20% of general operating fund revenues. Plus unused balance of stabilization funds.	Stabilization reserve funds emergent issues and offsets unrealized revenues which generally do not exceed a percentage of the general operating fund budget. Excess balances transferred to capital reserves.



RESERVE AND SURPLUS POLICY APPENDIX A

OPERATING AND OPPORTUNITY RESERVES Continued

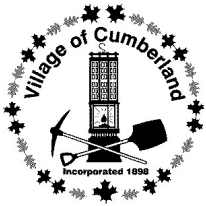
Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
Sewer Financial Stabilization Reserve	For major emergent operating issues, one-time and intermittent projects, to smooth user fee and parcel tax increases over the financial planning period and to offset unrealized revenues.	Excess funds transferred from the sewer fund Accumulated Surplus, sewer user fees and allocations from the operating budget as provided for in financial plan.	\$200,000 20% of sewer operating fund revenues. Plus unused balance of stabilization funds.	\$330,000 30% of sewer operating fund revenues. Plus unused balance of stabilization funds.	Stabilization reserve funds emergent issues and offsets unrealized revenues which generally do not exceed a percentage of the sewer operating fund budget. Excess balances transferred to capital reserves.
Water Financial Stabilization Reserve	For major emergent operating issues, one-time and intermittent projects, to smooth user fee and parcel tax increases over the financial planning period and to offset unrealized revenues.	Excess funds transferred from the water fund Accumulated Surplus, water user fees and allocations from the operating budget as provided for in financial plan.	\$150,000 20% of water operating fund revenues. Plus unused balance of stabilization funds.	\$300,000 30% of water operating fund revenues.. Plus unused balance of stabilization funds	Stabilization reserve funds emergent issues and offsets unrealized revenues which generally do not exceed a percentage of the water operating fund budget. Excess balances transferred to capital reserves.
Host Amenity Funds Reserve	To be used pursuant to the Village of Cumberland CVWMC Host Agreement Funds utilized for initiatives that offset social, environmental and economic impacts related to the presence of the CVWMC within Village boundaries.	Comox Valley Waste Management Centre (CVWMC) funds distributed by the Comox Valley Regional District (CVRD).	N/A	N/A	Reserve level and related spending is dependent upon funds received. The intent is to spend all funds received. Historically, funding has been used towards initiatives that are for the betterment of the community.



**RESERVE AND SURPLUS POLICY
APPENDIX A**

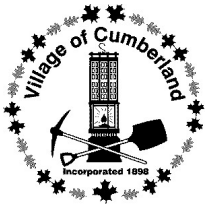
OPERATING AND OPPORTUNITY RESERVES Continued

Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
Housing Reserve Fund	To contribute to the development of affordable housing in the Village, with an emphasis on offsetting development application fees and charges and funding pre-development costs incurred by not-for-profit societies.	Donations, senior government grants, property value tax	N/A	N/A	Collections through agreements with developers depend on development activity. Calls for applications for funding will be made when a minimum of \$20,000 has accumulated in the fund and/or in response to need. Spending depends on applications by not-for-profit societies.



RESERVE AND SURPLUS POLICY APPENDIX A

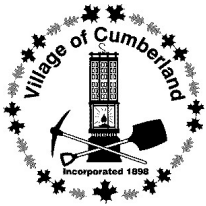
CAPITAL RESERVES					
Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
General Village Assets Reserve	For major repairs, upgrades, replacement and expansions of all Village general assets such as furniture and equipment and parks and trails (excludes buildings and fire equipment).	Excess funds transferred from financial stabilization reserves and allocations from the operating budget as provided for in financial plan. Proceeds from the sale of municipal vehicles and equipment.	\$390,000 Minimum replacement costs or 1% of total cost of tangible capital assets where actual replacement costs are not available.	\$980,000 Optimum replacement costs or 2.5% of total cost of tangible capital assets where actual replacement costs are not available.	The minimum and optimum levels are based on maintaining a sufficient balance to cover risk of uninsured asset failure. The annual reserve contributions will be based on planned capital spending and priority needs. Excess balances transferred to other capital reserves.
General Fund Municipal Facility Assets Reserve	For major repairs, upgrades, replacement and expansions of all Village municipal buildings (excludes water and sewer assets).	Excess funds transferred from financial stabilization reserves and allocations from the operating budget as provided for in financial plan (goal of 5% of property taxes each year).	\$512,000 Minimum replacement costs or 1% of total cost of tangible capital assets where actual replacement costs are not available.	\$2,300,000 Optimum replacement costs or 2.5% of total cost of tangible capital assets where actual replacement costs are not available.	The minimum and optimum levels are based on maintaining a sufficient balance to cover risk of uninsured asset failure. The annual reserve contributions will be based on planned capital spending and priority needs. Excess balances transferred to other capital reserves.



RESERVE AND SURPLUS POLICY APPENDIX A

CAPITAL RESERVES Continued

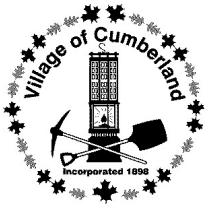
Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
Linear Infrastructure Asset Renewal Reserve	<p>To fund roads infrastructure replacement projects, micro surfacing, traffic signals, curb and gutters, sidewalks and streetlights.</p> <p>To fund utility underground linear infrastructure replacement projects including water, sewer and storm. To fund sewer and storm separation.</p>	Annual allocations from the operating budget as provided for in financial plan, in addition to any other available revenue sources.	<p>\$700,000</p> <p>Minimum replacement costs subsidized by grant funds.</p>	<p>\$1,500,000</p> <p>Annual replacement costs over the next 20 years.</p>	<p>The minimum and optimum levels are based on maintaining a sufficient balance to cover risk of uninsured asset failure.</p> <p>The annual reserve contributions will be based on planned capital spending and priority needs.</p> <p>Excess balances transferred to other capital reserves or used to retire municipal debt early.</p>
Fire Vehicle and Protective Equipment Replacement Reserve	To fund the replacement of fire vehicles and protective equipment.	Annual allocations from the operating budget as provided for in financial plan. Proceeds from the sale of municipal vehicles and equipment , in addition to any other available revenue sources	Nil	<p>\$1,200,000</p> <p>50% of total replacement costs of these assets.</p>	<p>This reserve will save towards the replacement of fire vehicles and protective equipment. It is recognized that the replacement of these assets are too high to fund in one year. Purchases may deplete this reserve in any year. Excess funds required to fund the replacement of fire vehicles will need to be funded through short-term debt.</p> <p>Excess balances transferred to other capital reserves or used to retire municipal debt early.</p>



RESERVE AND SURPLUS POLICY APPENDIX A

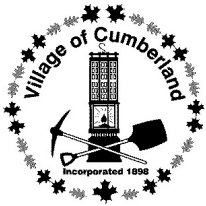
CAPITAL RESERVES Continued

Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
Sewer and Water Infrastructure Assets Renewal Reserve	To fund major repairs, upgrades, replacement and expansions of the sewer (wastewater) treatment and water supply assets.	Annual allocations from the operating budget as provided for in financial plan, in addition to any other available revenue sources.	\$560,000 Minimum replacement costs or 1% of total cost of water and sewer infrastructure tangible capital assets	\$14,000,000 Total cost of water and sewer infrastructure tangible capital assets with 50% grant funding assumed for treatment and supply infrastructure	The minimum level is based on maintaining a sufficient balance to cover risk of uninsured asset failure. The annual reserve contributions will be based on planned capital spending and priority needs. Excess balances transferred to other capital reserves or used to retire municipal debt early.
Water Meter Replacement Reserve	To fund the replacement of all water meters within the Village.	Annual allocations from the operating budget as provided for in financial plan.	\$10,000	\$1,300,000	Optimum Reserve level is expected to be accumulated to the estimated cost of the replacement of water meters. It is recognized that the replacement of these assets that have a life cycle of 15 years are too high to fund in the short-term. Purchases may deplete this reserve in any year.



RESERVE AND SURPLUS POLICY APPENDIX A

MANDATORY RESERVES					
Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
Municipal Cash-in-lieu Parking Space Reserve Funds	For collections from developers in lieu of Village requirements for providing off street parking spaces.	Cash-in-lieu collections and credits.	N/A	N/A	Collections and credits dependent on developer activity. Spending is dependent upon parking needs within the Village and funding available.
Parkland Acquisition and Development DCC Reserve	For levies received from developers to be used for approved parkland acquisition and development DCC programs and projects.	DCC collections and credits.	N/A	N/A	Collections and credits dependent on developer activity. Spending is dependent upon eligibility of projects in the parkland DCC project listing.
Roads DCC Reserve	For levies received from developers to be used for approved roads DCC programs and projects.	DCC collections and credits.	N/A	N/A	Collections and credits dependent on developer activity. Spending is dependent upon eligibility of projects in the roads DCC project listing.
Sewer DCC Reserve	For levies received from developers to be used for approved sewer DCC programs and projects.	DCC collections and credits.	N/A	N/A	Collections and credits dependent on developer activity. Spending is dependent upon eligibility of projects in the sewer DCC project listing.



RESERVE AND SURPLUS POLICY APPENDIX A

MANDATORY RESERVES Continued

Storm Drain DCC Reserve	For levies received from developers to be used for approved storm drain DCC programs and projects.	DCC collections and credits.	N/A	N/A	Collections and credits dependent on developer activity. Spending is dependent upon eligibility of projects in the storm drain DCC project listing.
Water DCC Reserve	For levies received from developers to be used for approved water DCC programs and projects.	DCC collections and credits.	N/A	N/A	Collections and credits dependent on developer activity. Spending is dependent upon eligibility of projects in the water DCC project listing.
Parkland Acquisition Reserve	To purchase parkland as per the Community Charter.	Funds received from the sale or disposal of parkland, and parkland funds received upon subdivision.	N/A	N/A	Acquisitions are dependent upon collections. Adequate balance to fund parkland acquisitions per Council's strategic priorities and Parks and Greenways Masterplan.
Land Sale Reserve	To acquire land, improvements and other assets of a capital nature.	Funds received from the sale of land and improvements.	N/A	N/A	Acquisitions are dependent upon land/property sales. Adequate balance to fund strategic land acquisitions.