

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: April 14, 2025

TO: Mayor and Council

FROM: Candice Gartry, Director, Financial Services

SUBJECT: Estimated 2024 General Fund Operating Surplus Allocation

RECOMMENDATIONS

THAT Council:

1. Receive the April 14, 2025, corporate report from the Director of Financial Services, titled "Estimated 2024 General Fund Operating Surplus Allocation;" and
2. Direct staff to distribute \$310K of the estimated 2024 Unallocated General Fund Surplus to the General Operating Fund Accumulated Surplus reserve to maintain a General Operating Fund accumulated surplus of 15%; and
3. Direct staff to distribute the balance of the estimated Unallocated General Fund Surplus to the Community Hub Reserve fund.

EXECUTIVE SUMMARY

Section 167 of the *Community Charter* requires municipalities to submit their audited financial statements for the preceding year by May 15. Accordingly, the City must submit its audited financial statements for the year ending December 31, 2024, to the Province by May 15, 2025.

To meet this requirement, and in preparation for completing the 2024 financial statements, staff are seeking Council's direction on the distribution of the estimated Unallocated General Fund Surplus for the year ended December 31, 2024.

This report contains information on the General Fund surplus as well as staff recommendations for distribution of the Unallocated General Fund Surplus.

PREVIOUS COUNCIL DIRECTION

Motion # & Meeting Date	Motion Details
2025-105 March 31, 2025	THAT Council gives final reading to "White Rock Financial Plan (2025-2029) Bylaw, 2025, No. 2534. CARRIED
2025-11 January 13, 2025	THAT Council receive the corporate report dated January 13, 2025, from the Director of Financial Services, titled "Updated 2025 Operating Budget and Tax Considerations" for consideration.

	CARRIED
2024-169 May 13, 2024	<p>THAT Council:</p> <ol style="list-style-type: none"> 1. Receive the May 13, 2024, corporate report from the Director of Financial Services, titled “Draft 2023 Audited Financial Statements;” 2. Accept the Draft 2023 Audited Financial Statements, which have been included in Appendix A, as “approved;” and 3. Direct the Mayor and Director, Financial Services, to sign the Statement of Financial Position contained within the Draft 2023 Audited Financial Statements and forward the complete audited financial statements to the province <p>CARRIED</p>
2024-132 April 15, 2024	<p>THAT Council direct staff on the distribution of the remaining 2023 Unallocated General Fund Operating Surplus funds (following motion 2024-131) as follows:</p> <ul style="list-style-type: none"> • \$1M for the Pier; • \$2M for the Community Hub Project; and • \$200,000 to be placed in unallocated surplus. <p>CARRIED</p>

INTRODUCTION/BACKGROUND

Section 167 of the *Community Charter* requires municipalities to submit their audited financial statements for the preceding year by May 15. Accordingly, the City must submit its audited financial statements for the year ending December 31, 2024, to the Province by May 15, 2025.

To meet this requirement, and in preparation for completing the 2024 financial statements, staff are seeking Council’s direction on the distribution of the estimated Unallocated General Fund Surplus for the year ended December 31, 2024.

Financial Statement Audit Status

The external audit of the 2024 financial statements is currently in progress and is expected to conclude by the end of April. The final audited financial statements, along with the auditor’s opinion, will be presented to Council prior to the May 15 deadline in compliance with Section 167 of the *Community Charter*.

Consolidated Surplus Overview

While the year-end audit is still ongoing, no material changes are anticipated.

The consolidated surplus, representing total revenues less expenditures across all funds, is estimated at \$17.9M for 2024 (2023: \$23.5M), prior to budgeted reserve transfers.

Table 1 – 2024 Estimated Consolidated Surplus (before budgeted transfers to reserves)

	2024 Est. Actual Surplus (Deficit)	2023 Actual Surplus (Deficit)
General Fund	\$ 12,080,072	\$ 16,945,909
Water Utility Fund	2,589,524	2,781,080
Sanitary Sewer Utility Fund	816,504	1,609,987
Drainage Utility Fund	2,260,389	2,225,075
Solid Waste Utility Fund	179,993	(23,182)
Total	\$ 17,926,482	\$ 23,538,869

Budgeted Transfers to Reserves

As part of a City's financial strategy and budget process, transfers to asset reserves are budgeted annually to support long-term sustainability. These budgeted transfers to reserves are essential to help proactively manage infrastructure needs into the future and are for:

1. Asset (infrastructure and capital) maintenance and replacement: Assets such as roads, buildings and equipment have a limited lifespan and require maintenance and eventual replacement.
2. Long-term financial planning: Budgeting for capital asset reserves enables municipalities to engage in long-term financial planning by regularly setting aside funds to anticipate future infrastructure needs.
3. Mitigation of financial risk: Creating and contributing to reserves for capital assets helps municipalities mitigate financial risk and reduce the reliance on debt financing for infrastructure projects.
4. Maintaining creditworthiness: Sound financial management, including budgeting for capital asset reserves, is important for maintaining a municipality's creditworthiness.

General Fund Surplus Information

The 2024 General Fund surplus before transfers to reserves and capital expenditures is estimated to be \$12.1M (Table 1 preceding). After deducting the \$5.5M in net budgeted transfers to reserves and capital expenditures, the net operating surplus is estimated to be \$6.5M (2023 \$8.4M), the high-level details of which is summarized below:

Table 2 – Summary of Net General Fund Surplus

	2024 Est. Actual	2023 Actual
Net investment income higher than budget	\$2.2M	\$4.9M
Wages & benefits savings	1.9M	2.0M
RCMP contract savings	0.8M	0.4M
Unutilized operating contingency	0.7M	0.3M
Penalties, interest on taxes,licensing fees & other revenue higher than budget	0.3M	0.5M
Timing adjustment - Increased revenue related to new accounting standard*	0.3M	-
Other miscellaneous savings	0.3M	0.3M
Net General Fund Surplus	\$6.5M	\$8.4M

New Public Accounting Standard – Revenue

*The Public Sector Accounting Standard PS 3400 – *Revenue* came into effect in 2024, aiming to improve consistency and transparency in how public sector entities recognize revenue. The standard distinguishes between revenues with and without related performance obligations, requiring that revenue only be recognized once the municipality has fulfilled its obligation to provide goods or services.

As part of the City’s implementation, all revenue streams were reviewed to determine when obligations are met. Key impacts include:

- **Business Licenses:** Revenue is now recognized immediately upon license issuance, as the City’s obligation is completed at that point. Previously, it was recognized evenly over the license term.
- **Recreation Memberships and Passes:** Revenue is now recognized over the access period, reflecting the City’s ongoing obligation to provide facility access. Previously, these were recognized fully at the time of sale.

Investment Income

Investment income exceeded budget due to elevated interest rates in 2024. However, as rates began declining in early 2025, this level of return is unlikely to continue.

2025 Budget items funded from the 2024 General Fund surplus

Table 3 below outlines the 2025 budget items that will be funded from the 2024 General Fund surplus rather than through increased property taxation, valued at \$0.7M (2024 \$1M).

Table 3 – 2025 Budget items funded from 2024 General Fund surplus

	2024 Est. Actual
2024 Revised operating surplus (per Table 2)	\$6.5M
2025 One-time budget items	(0.6M)
Carry forward of unspent 2024 operating budget items to 2025 financial year	(0.1M)
2024 Unallocated General Fund Surplus	\$5.8M

One-time budget items are identified through the budget process as being non-recurring in nature. As they are not ongoing expenses, such as permanent staff positions or recurring contract increases, they are generally funded through prior year surplus (when available), rather than through additional, current year property taxes.

During the year-end process, departments also identify (operating) projects or initiatives that were budgeted to occur during the year but were not completed, often due to staffing constraints or competing priorities. Although these projects were not carried out as planned, they continue to be considered important and necessary. They support Council priorities, address service gaps, or advance longer-term planning. As such, their budgets are carried forward and funded from the General Fund surplus, which was partially created by the unspent funds originally allocated to those items, so that the work can still proceed in the following year without an additional property tax increase.

After accounting for these budget items, the Unallocated General Fund Surplus is estimated at \$5.8M (2023: \$5.5M).

Staff Recommended Allocations/Distributions

1. General Operating Fund Accumulated Surplus Reserve
In accordance with Council Policy No. 307 – *Accumulated Surplus Fund* (Appendix A), the City aims to maintain a General Operating Fund accumulated surplus of 10% to 15% of general operating expenditures. To meet the 15% target for 2024, staff recommend transferring \$310K from the Unallocated General Fund Surplus to the General Operating Fund Accumulated Surplus Reserve.
2. The development of a Community Hub remains a top priority, as reaffirmed through the motion carried on January 27, 2025, which directed staff to pursue Scenario #3A at 1510 Johnston Road.

Significant progress has been achieved to date, including preliminary site evaluations confirming the site is suitable for the intended purpose, updated high-level costing, public engagement planning, and the recent hiring of a Senior Project Manager to oversee the project.

While initial funding scenarios assumed the sale of City-owned land, not all options showed a net profit, and additional amenities now under consideration, including affordable housing, were not part of the original scope. To ensure financial readiness for these expanded possibilities, without placing increased burden on taxpayers, staff recommend transferring the remaining Unallocated General Fund Surplus of \$5.5M to the Community Hub Reserve.

Select Reserve Fund Balances

For Council's information, Table 4 below lists the projected balances of the Affordable Housing, Community Hub, and Pier Preservation Reserve Funds as of the end of 2025.

Table 4 – Projected 2025 Reserve Fund Balances (select reserves)

	2024 Est. Balance	2025 Projected Year End Balance
Affordable Housing Reserve	\$ 9,514,536	\$ 10,867,591
Community Hub Reserve	4,925,140	4,492,140
Pier Preservation Reserve	3,045,936	2,981,456 *
Total	\$ 17,485,612	\$ 18,341,187

* The Pier Preservation Reserve 2025 Projected Year End Balance does not include the \$1.5M budgeted for the Pier Restoration Completion project which is included in the 2025 Financial Plan.

Amounts set aside in the General Operating Fund Accumulated Surplus Reserve during the 2023 Year End

At the Council Meeting on April 15, 2024, Council directed staff to place \$200K of the 2023 Unallocated General Fund Surplus in the General Operating Fund Accumulated Surplus. This amount was to be set aside for future projects not included in the current financial plan.

In the Draft 2023 Audited Financial Statements report to Council on May 13th, Council were advised that the 2023 Adjusted Unallocated Operating Surplus was revised to \$6.2M (from \$5.5M). This number had changed due to various adjustments during the year-end review process and updated assumptions on amounts needing to be carried forward. In order to finalize the 2023 financial statements, this \$790K was also left in accumulated surplus.

The \$990K remains in the General Operating Fund Accumulated Surplus, which could be allocated to anything that Council wishes. The calculation of the 15% needed for the General Operating Fund Accumulated Surplus does not include the \$990K. Therefore, if these funds were allocated to future projects, the General Operating Fund Accumulated Surplus balance would remain at the desired 15% target.

FINANCIAL IMPLICATIONS

The estimated 2024 Unallocated General Fund Surplus, after accounting for planned reserve transfers (including for capital expenditures and amortization), budget carry forwards, and one-time operating expenditures, is \$5.8M (2023: \$5.5M), as shown in Table 3.

Staff recommend the following allocations:

- \$310K to the General Operating Fund Accumulated Surplus reserve, in order to align the reserve balance with Council Policy No. 307, which prescribes maintaining a balance of 10% to 15% of the annual General Operating Fund expenditures.
- \$5.5M (the remaining balance) to the Community Hub Reserve to support ongoing planning and delivery of one of Council's highest strategic priorities.

Should Council choose not to allocate the \$310K to the General Operating Fund Accumulated Surplus reserve, the City's reserve level would fall below the 15% target. This may reduce financial flexibility and limit the City's ability to respond to unforeseen events such as extreme weather or emergency infrastructure repairs.

Similarly, should Council choose not to allocate the remaining \$5.5M to the Community Hub Reserve, certain community amenities currently under consideration may not be financially feasible. This could result in the exclusion of those amenities from the final project scope, or alternatively, the City may be required to explore other funding mechanisms, such as debt financing, in order to deliver on the direction previously set by Council.

Any Council-approved allocations from the 2024 Unallocated General Fund Surplus will be reflected in the City's reserve fund balances and reported as part of the 2025 financial planning process.

LEGAL IMPLICATIONS

Section 167 of the *Community Charter* requires that municipalities submit their audited financial statements for the preceding year by May 15. For the year ending December 31, 2024, the audited financial statements must be submitted to the province by May 15, 2025.

To complete the financial statements and remain in-line with section 167 of the *Charter*, staff request Council's direction in the distribution of the 2024 Unallocated General Fund Surplus for the year-ended December 31, 2024.

ALIGNMENT WITH STRATEGIC PRIORITIES

The recommendations outlined in this corporate report align with the following Council Priorities:

Community:

- Objective 3 – Expand walking, cycling and transit opportunities.
- Objective 4 – Develop new Community Hub.

Infrastructure:

- Objective 1 – Ensure future infrastructure resiliency by making decisions through a long-term lens.
- Objective 4 – Conduct key infrastructure master plans.

Organization & Governance

- Objective 3 – Realize service delivery efficiencies via digital transformation and align existing processes with best practices.

While not directly related to one specific strategic priority, the recommendations are also in keeping with Council's desire for improved staff retention/succession, and hiring attraction, market competitiveness, and with strategic priorities to reduce application wait times, continuous process improvement, and efficient service delivery.

OPTIONS / RISKS / ALTERNATIVES

Council may consider alternative allocations of the 2024 Unallocated General Fund Surplus beyond those recommended in this report. Potential options include distributing a portion or the full amount of the surplus to other reserve funds that support Council's strategic priorities, such as:

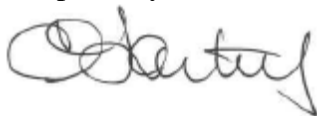
- The Pier Restoration Reserve
- The Affordable Housing Reserve

CONCLUSION

Staff recommend that Council:

1. Receive the April 14, 2025, corporate report from the Director, Financial Services, titled "Estimated 2024 General Fund Operating Surplus Allocation;" and
2. Direct staff to distribute \$310K of the estimated 2024 Unallocated General Fund Surplus to the General Operating Fund Accumulated Surplus reserve; and
3. Direct staff to distribute the balance of the estimated Unallocated General Fund Surplus to the Community Hub Reserve fund.

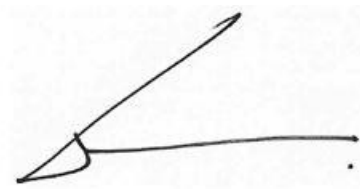
Respectfully submitted,



Candice Gartry, CPA, CGA
Director, Financial Services

Comments from the Chief Administrative Officer

I concur with the recommendations of this corporate report.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line and a small dot at the end.

Guillermo Ferrero
Chief Administrative Officer

Appendix A: Accumulated Surplus Fund Policy No 307