



Date: 14/03/2025

To: Chair and Directors, Committee of the Whole

And To: Murray Daly, Chief Administrative Officer

From: Kevin Erickson, Chief Financial Officer

Date of Meeting: Committee of the Whole_Mar20_2025

File: 1855-05

Short Summary:

Staff Capital Priorities and Associated Amendments to the Community Works Funds Priority Policy.

Voting:

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Memorandum:

At the January 23, 2025 Finance/Budget Committee meeting the Committee made the following resolution:

That staff be requested to compile capital priorities and associated amendments to the current Community Works Fund Policy to present at the next Committee of the Whole meeting.

In response to the Committee's request, staff were polled to get input on how they perceived the allocation of Community Works Funds (CWF) occurred and any changes they thought would improve the process. The general consensus was that the current method of identifying the project and funding source in the Business Plan and then incorporating it into the budget works well. In general, the managers that responded were in favour of keeping the existing practice.

Currently, \$150,000 is budgeted annually to aid community groups on a first-come, first-served basis. This budget is contained in the Electoral Area Administration budget and is used up through formal requests from community groups over the course of the year. This is an annual allocation, and unused funds do not accumulate.

Departments incorporate their CWF requests into the annual business plans and the Service budget the CWF's are intended for.

In the event of emergencies or unforeseen events, an additional allotment is requested with a corresponding budget amendment and submitted to the board for approval. This process provides a formal approval process while at the same time ensures an adaptive and responsive

process that allows the CRD to provide community groups timely assistance when needed and address its own emergency needs promptly.

Although the CRD's current method of allocation has worked fairly well, it has proven itself inefficient in using up available funds, leading to a buildup of surplus, unspent CWF funds. As of December 31st, 2024, the CRD has \$12,017,079.87 in unspent Community Works Funds. There are currently allocations made for \$2,021,336.38 of these funds leaving an unreserved balance of \$9,995,743.49 for projects in need.

Unspent CWF Funds:

The new agreement is clear that funds should not be allowed to accumulate and that recipients are required to spend CWF funding within five years of receipt unless longer timelines are identified in a long-term capital plan or long-term financial plan, which has been submitted to UBCM in advance. Furthermore, "... any unspent CWF funds held by the local government under the 2014 – 2024 CWF program [are] required to be spent within five years of entering into the 2024-2034 CWF Agreement with UBCM."

The current Community Works Fund Prioritization Policy (the Policy) was last updated in 2020 to correspond with the conditions set out in the 2019 – 2024 update to the Agreement. The current agreement covering the period from 2024 to 2034 includes some additions to the list of allowable expense categories requiring the Policy to be updated accordingly.

In identifying Capital Priorities for the purpose of updating the Policy, the objective is to recognize the areas where the CRD has a large presence and a significant asset base. Correspondingly, in recognizing these Capital Priorities, emphasis should be on maintaining and improving existing assets over the creation of new assets.

Capital Priorities:

1. **Long-Term Sustainability Projects:**
 - **Objective:** Support projects that contribute to reduced greenhouse gas emissions, cleaner water, and cleaner air.
 - **Examples:** Renewable energy installations, water treatment upgrades, air quality improvement initiatives.
2. **Public Infrastructure Revitalization:**
 - **Objective:** Enhance and revitalize public infrastructure to support community growth and development.
 - **Examples:** Community facility upgrades.
3. **Waste Management and Reduction:**
 - **Objective:** Improve waste management practices and reduce the environmental impact of waste.
 - **Examples:** Installation of advanced waste management systems, composting facilities, recycling programs.
4. **Economic and Community Development:**

- **Objective:** Foster regional economic growth and support community development initiatives.
- **Examples:** Broadband connectivity projects, cultural and recreational infrastructure improvements, tourism infrastructure.

Proposed Amendments to CWF Policy:

1. Inclusion of New Project Categories:

- **Objective:** Expand the scope of eligible projects to include emerging priorities and innovative solutions.
- **Proposed Amendment:** Add categories such as "Fire Halls and Fire Engines" and "Advanced Waste Management Systems" to the CWF Policy.

2. Revised Funding Allocation Criteria:

- **Objective:** Prioritize projects based on their alignment with key environmental outcomes, community impact, and sustainability.
- **Proposed Amendment:** Update the funding allocation criteria to include a scoring system that evaluates projects based on these or other criteria.

3. Enhanced Reporting and Accountability Measures:

- **Objective:** Ensure transparency and effective use of funds.
- **Proposed Amendment:** Implement annual internal reporting requirements for all funded projects, including progress updates, measurable outcomes, and unmet commitments.

Requirement for Asset Management

UBCM has been requiring reporting on where a recipient is regarding Asset Management. The new Agreement mentions that: Asset management requirements are in development and will be identified in individual Community Works Funds Agreements. This implies that conditions will be imposed in the near future regarding where the CRD is in the implementation of an asset management plan and establish deliverables that need to be met to continue to receive funding.

The CRD's asset management plan is currently in development and has a long way to go before it is fully implemented in the CRD's operations and decision making. For the near future, CWF will be the main go-to source for emergency funding without resorting to debt. This approach is vital to address urgent infrastructure needs and ensure the community's resilience in times of unforeseen events. That said, as the timelines contained in the renewed agreement do not support amassing funds for a rainy day, it is necessary to ensure that available funds are applied to their best use while at the same time ensuring they are used within the specified timeframes.

Grid Scale for Prioritizing Allocations:

The current policy regarding CWF fund allocation emphasizes regionality, which runs counter to the principles of criticality – the impact and likelihood asset management prioritizes. This is particularly evident in the inconsistency of assets across the different regions and different

electoral areas. Given the varying conditions and potential for asset failure, it is essential to acknowledge that funds may need allocation to a specific area in any given year. By focusing on the condition and criticality and impact of asset failure, rather than adhering strictly to regional distribution, we can ensure that resources are allocated where they are most urgently needed, thereby maximizing the overall benefit to the community.

Similarly, allocation based on asset type may run counter to the principle of prioritizing criticality and minimizing impact. This is particularly evident in the varying conditions and types of assets across different electoral areas. Given the diversity of asset types and the potential for asset failure, it is essential to recognize that funds may need to be concentrated on specific asset types in any given year. By focusing on the condition and criticality of an asset failure, rather than strictly adhering to asset type, we can ensure that resources are targeted where they are most urgently needed and maximize the overall benefit to the community.

To prioritize allocations, each project should be evaluated based on objective criteria. This should apply to all projects not just those seeking an allotment of Community Works Funds. A pro-forma **Capital Asset Project form** being developed by the Asset Management Committee is attached.

An example of such a system, currently in development by the Asset Management Committee is provided below.

		Low	Medium	High	Extreme	Extreme
Consequence	Severe / Extreme	Insignificant	Low	Medium	High	Extreme
	Major	Insignificant	Low	Medium	Medium	High
	Moderate	Insignificant	Insignificant	Low	Low	Medium
	Minor	Insignificant	Insignificant	Insignificant	Insignificant	Low
	Insignificant	Rare (<3%)	Unlikely (3% > 10%)	Moderate (10% > 50%)	Likely (50% < 90%)	Almost Certain (>90% chance)
		Likelihood				

Impact - Severe (Extreme Risk to Public)
Impact - Major (Severe disruption)
Impact - Moderate (Significant disruption)
Impact - Minor (Some disruption or damage)
Impact - Insignificant (Minor problem easily handled by normal day-to-day process)
Likelihood - Almost Certain (>90% chance)
Likelihood - Likely (>50% and <90% chance)
Likelihood - Moderate (>10% and <50% chance)

Likelihood - Unlikely (>3% and <10% chance)
Likelihood - Rare (<3% chance)

Those projects with the highest impact and the most likelihood of occurrence are prioritized for funding. Allocation of funding would continue until the uncommitted surplus funds and the current years allotment has been dedicated to a project or projects based on their risk and impact assessments. Asset type and asset location are removed from consideration as more relevant considerations are used to prioritize where funding is directed.

It is also intended that, during the Capital Asset Project evaluation, projects previously approved for CWF projects which have not commenced, will be reassessed. Thus, the projects will be reappraised in relation to the current years projects grid ratings ensuring available funds go towards the projects of highest priority.

Neutral Arbitrator for Grid Prioritization:

To ensure impartiality and fairness in the prioritization process, it is recommended that the grid scale for prioritizing allocations be overseen by a neutral arbitrator. The Asset Management Committee is uniquely positioned to assume this role due to its comprehensive understanding of asset management and community needs. The Committee's impartial decision-making will ensure that allocations are made based on objective criteria and critical assessment while being mindful of the timeframe constraints on available funds.

The Asset Management Committee will also be in a perfect position to review projects for compliance with UBCM Eligibility requirements. In the review process of each project the committee would be able to ascertain whether a project was compliant with the criteria for Grant funding:

UBCM Decision-Making Criteria for Granting Funding:

1. Eligibility of Ultimate Recipients:

- **Criteria:** Ensure that the recipient of funding for the project is an "Ultimate Recipient" as defined in the CWF agreement.
- **Eligible Recipients:** Local governments, non-municipal entities such as for-profit, non-governmental, and not-for-profit organizations, and BC Transit.

2. Public Use and Benefit:

- **Criteria:** Confirm that the project will result in a tangible capital asset in BC that is primarily for public use or public benefit.
- **Examples:** Projects that provide substantial public benefit, such as public infrastructure, community facilities, and environmental sustainability initiatives.

3. Eligible Investment Categories:

- **Criteria:** Verify that the project falls under one of the eligible investment categories as outlined in the CWF agreement.
- **Categories:** Drinking water, wastewater, solid waste, recreation and sport infrastructure, tourism and cultural infrastructure, community energy systems, resilience, fire hall infrastructure, broadband connectivity, regional and local

airports, capacity building, asset management, integrated community sustainability plans, long-term infrastructure plans.

4. Eligible Project Costs:

- **Criteria:** Ensure that the project costs are eligible as per the CWF agreement guidelines.
- **Eligible Costs:** Expenditures associated with acquiring, planning, designing, constructing, or renovating a tangible capital asset, and any related debt financing charges.

5. Compliance and Reporting:

- **Criteria:** Confirm that the project complies with all reporting and other compliance activities as per the CWF agreement.
- **Requirements:** Annual reporting, progress updates, and measurable outcomes for all funded projects.

Timeline for Allocation Process:

1. Preliminary Budgeting:

- Managers budget their requests in the preliminary budget.

2. Project Requests Submission:

- Managers submit a CWF/Capital Project Request to the Asset Management Committee.

3. Hierarchy Determination:

- The Asset Management Committee determines the hierarchy of projects based on their grid analysis.

4. Presentation of Findings:

- The Asset Management Committee presents their findings at the January Finance/Budget Meeting.

5. Amendment of Budgets:

- CWF budgets, based on the recommendations of the Asset Management Committee, are amended for presentation at the February Finance/Budget Meeting.

Conclusion:

The proposed capital priorities and amendments to the Policy aim to address critical infrastructure needs, enhance the long-term sustainability of existing services, provide support to community groups, and ensure the effective and timely use of funds. These recommendations, with a focus on decision-making criteria for granting funding, the inclusion of a neutral arbitrator for prioritization, a clear and defined allocation process, guidelines for unspent funds, and annual reporting provide transparency on the use of funds received and will better inform the Board on allocations made and the factors that went into their determination.

Attachments:

Template CPAF – March 14th, 2025

Community Works Funds Prioritization Policy 2020-18-29

Financial Implications:

[Click here to enter text.](#)

Policy Implications:

Request for amendment to existing policy.

Alignment with Strategic Plan:

- ☐ **Infrastructure and Asset Management:** To establish a systematic, predictable approach to managing the regional district's assets and infrastructure that builds on current asset management data and condition assessments.
- ☐ **Enhanced Communications and Engagement:** To build trust and credibility of the regional district by enhancing our communications and engagement with citizens, stakeholders, and volunteers.
- ☐ **Effective and Responsive Land Use Planning and Development:** To ensure our land use planning and development is responsive to future growth and housing needs, anticipates risks and hazards associated with climate change and provides efficient and consistent processes for landowners and developers.
- ☐ **Relationships with First Nations:** To foster a healthy and inclusive region by building and strengthening our relationships with First Nations and embracing the principles of reconciliation.

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CAO Comments:

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Options:

1. Endorse recommendation;
2. Other action.

Recommendation:

That staff be directed to prepare a policy outlining how capital projects will be prioritized consistent with Asset Management principles and consistent with the methods and procedures outlined in this report for presentation at the next Policy Committee.