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REPORT TO CAPITAL REGIONAL DISTRICT BOARD
MEETING OF WEDNESDAY, FEBRUARY 11, 2026

SUBJECT **Operating Surplus Report 2025 for SEAPARC**

ISSUE SUMMARY

To seek approval to transfer any 2025 operating surplus to the capital reserve and equipment replacement funds to meet the February 2026 deadline.

BACKGROUND

Historically, SEAPARC has transferred the year-end operating surplus to the capital reserve fund to support capital infrastructure projects. It is anticipated there will be an operating surplus for 2025, but the final amount will not be confirmed until early February, as December revenues, payroll accruals, internal interest and other payables are yet to be determined.

Approximately $8 million in capital projects and equipment replacements are planned for 2026-2030 period. Several of these projects, such as the pool boiler replacement, pool change room renovation and arena floor renewal, cannot currently be fully funded through capital reserves and will require grant funding or debt financing to proceed. In addition, the strategic plan identifies the need for additional facilities.

The combined balance of capital and equipment replacement reserve funds is estimated to be $624,330 on December 31, 2026. This balance relies on annual contributions and is supplemented by surpluses from sinking funds as debt issues expire as well as operating surpluses when they occur. Any injection of additional funds to the reserves will help to alleviate a potential capital infrastructure funding gap.

ALTERNATIVES

Alternative 1
That staff be directed to transfer the 2025 operating surplus to the Capital Reserve Fund.

Alternative 2
That this report be referred back to staff for additional information.

IMPLICATIONS

Financial & Service Delivery Implications

Transferring operating surplus to the capital reserves provides an additional source of funding to the reserve. Adequate reserve balances are essential to support the long-term sustainability of infrastructure, to provide matching funds required for grant-funded capital projects, and to ensure funds are available for unplanned or emergency replacement of major equipment or infrastructure.

Carrying forward an operating surplus into the subsequent year's operations and using it to reduce requisitions can create fluctuations in tax demand. This approach also diverts funds away from capital reserves, increasing future reliance on debt financing to fund capital projects.

Applying the operating surplus towards debt repayment is generally not an option for long-term debt, except in the event of early debt repayment at a scheduled interest rate reset. Rate resets typically occur at the 10-year point of a loan. SEAPARC's long term debt related to the DeMamiel Creek Golf Course totals $750,000 and carries a 15-year term with the interest rate reset scheduled for 2027. As such, the current debt is not eligible for early repayment at this time.

CONCLUSION

Building capital and equipment reserves to fund ongoing infrastructure renewals, and to address the continuing uncertainty in today's economy is essential to ensuring the long-term sustainability of infrastructure dependent services such as SEAPARC Recreation. As with all capital reserve funds, resources to build and maintain these reserves may be provided through the respective service's budget or generated from operating surpluses. It is standard practice for operations with significant capital assets to allocate operating surpluses to their capital reserves and this approach has historically been followed.

RECOMMENDATION

That staff be directed to transfer the 2025 operating surplus to the Capital Reserve Fund.

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