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REPORT TO ELECTORAL AREAS COMMITTEE MEETING OF WEDNESDAY, APRIL 10, 2024

SUBJECT **Community Works Fund – Disbursement Process**

ISSUE SUMMARY

To develop and implement a revised disbursement process for Third Party recipients of Community Works Funds (CWF), mitigating risk and improving program compliance.

BACKGROUND

Formerly known as the Gas Tax, CWF is one of three funding streams delivered through the Canada Community-Building Fund (CCBF). This is a tripartite agreement between the Federal Government, the Province of British Columbia (BC) and the Union of BC Municipalities (UBCM). The program supports local government infrastructure and capacity building through eligible capital projects.

CWF is distributed to local governments annually through UBCM (the program administrator) on a per capita basis. In alignment with Capital Regional District (CRD) Board Direction (given on August 2014), the funds are re-allocated to the three Electoral Areas (EA) on a per capita basis. Once the funds are allocated to EAs, CRD staff administer the program through an application process from CRD services and third parties. Once approved, funds are fully transferred to CRD services, or for third parties, after a contribution agreement is executed.

The third-party contribution agreement requires the recipient to complete the project in accordance with program rules to retain funding received. The recipients are also required to provide documentation regarding progress and project expenses upon request. Historic practice has resulted in audits being conducted when staff are informed of concerns or required through UBCM in their annual reporting process.

On March 13, 2024, the CRD Board directed staff to develop a revised disbursement process for third-party recipients of CWF, replacing the current process of advancing CWF funds upon execution of the contribution agreement. The new disbursement process aims to mitigate risk and improve program compliance while balancing administrative impact for both the CRD and third parties.

ALTERNATIVES

Alternative 1

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the revised disbursement process for the Community Works Fund, as described in this report, be implemented for future third party projects.

Alternative 2

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

IMPLICATIONS

Alignment with Board & Corporate Priorities

CRD Board Priorities under Governance commits to cultivate greater transparency, accountability and engagement through CRD work. The CRD has also identified this in its 2023-2026 Corporate Plan under Community Need 13. Business Processes and Systems to respond to best practices, comply with the legislative requirements and deliver sustainable budgets. Revising the disbursement process for CWF will increase transparency and accountability to public and program funders by the CRD and third-party recipients. By defining the disbursement process in more detail, the CRD will face less uncertainty ensuring the projects will be more efficient, benefiting the community and residents in the EAs by third parties.

Financial Implications

The current process of advancing approved CWF funds to third parties represents a risk to ongoing administration and funding of the program. In the event of non-compliance, pursuing reimbursement from third parties through negotiation or litigation results in additional expenses, such as staff time. A new disbursement process to release CWF in milestone installments, based on project completion status, is recommended. This will ensure projects are completed in alignment to contractual requirements and funds are spent in a transparent and accountable manner.

With the new disbursement process, projects will be classified into two categories based on risk profile: large projects representing awards greater than \$50,000 and small projects representing awards less than or equal to \$50,000. Historical review of the third-party awards between 2020 and 2023 is summarized in Table 1.

Table 1: Third-Party Awards 2020-2023

Awards	Large Project (>\$50,000)	Small Project (<=\$50,000)	Total
No. of Awards (% of Total)	6 (21%)	22 (79%)	28
\$ of Awards (% of Total)	1,734,000 (75%)	566,220 (25%)	2,300,220

\$50,000 was chosen as the threshold to balance administrative burden to both the CRD and third parties while managing risk to the program. Projects less than \$50,000 are generally simpler, have shorter timeframes to complete, and present less risk. The revised disbursement process by category is outlined in Table 2.

Table 2: Disbursement Process by Project Category

Project Status	Installment Payment Schedule	
	Large Project (>\$50,000)	Small Project (<=\$50,000)
Advance- Upon Signing Agreement	25%	75%
Interim - 50% Completion	50%	N/A
Final - 100% Completion	25%	25%

Project completion will be measured as the percentage of total project costs incurred rather than the total CWF awarded, as there are often cost-shared projects with recipients' own funding to fund ineligible and eligible expenditures, thus reducing the risk of incomplete projects receiving full CWF funding.

Appendix A is a high-level process flow chart with project examples. The examples of a large project (>\$50K award) and a small project (<=\$50K award) are both demonstrated on how the CWF installments would be released to recipients based on the project completion status.

Service Delivery Implications

By implementing a revised disbursement process, the CWF program will be more resilient towards unexpected issues and funding risk exposure. The revised process, which will align with corporate objectives, also recognizes the financial constraints encountered by third party recipients; therefore, the partial advance disbursement is still available, allowing project work to commence immediately.

Additional administrative activities will be required for CRD staff and Third-Party recipients, CRD staff will need to accommodate by allocating more administration capacity. Previously staff had limited involvement with third party projects after the initial approval and payment. This more rigorous process will require staff to manage additional communication and documentation as well as review and payment process. The amount of additional administrative effort will fluctuate with the number of third-party applications approved. Recipients will be required to submit an interim progress report (large project>\$50,000 CWF award only) and a final project report to receive the full CWF payment. Through these reports, recipients are required to submit an itemized list of costs with vendor invoice and payment information on project reports. This will allow staff to review ongoing expenses for eligibility and perform additional audits if required.

The revised disbursement process framework will be designed to mitigate risk and improve program compliance while balancing administrative impact for both the CRD and the third parties.

CONCLUSION

The current process of advancing CWF funds to third parties upon approval represents risk to ongoing administration and funding of the program. A revised disbursement process is recommended to ensure that projects are completed in alignment to contractual requirements and that funds are spent in a transparent and accountable manner.

RECOMMENDATION

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the disbursement process for the Community Works Fund, as described in this report, be implemented for future third party projects.

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ATTACHMENT

Appendix A: Disbursement Process Chart and Project Examples