

**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 05, 2025**

SUBJECT **Bylaw Nos. 4722 and 4723: Amendments to Operating Reserve Fund Bylaw Nos. 4146 and 4102**

ISSUE SUMMARY

To amend Capital Regional District (CRD) Board approval of Bylaws Nos. 4722 and 4723 relating to the administration of Operating Reserve Funds.

BACKGROUND

In 2016, the CRD Board approved establishment of two Operating Reserve Fund bylaws. Bylaw No. 4146, "Capital Regional District Electoral Area Services Operating Reserve Fund Bylaw No. 1, 2026", was approved on December 14, 2016 and Bylaw No. 4102, "Capital Regional District Regional Services Operating Reserve Fund Bylaw, No. 1, 2026 ", was approved on June 8, 2016. The bylaws enable CRD services to set aside operating funds to cover cyclical expenditures, unforeseen operating expenses and special one-time operating projects, as well as mitigate the fluctuations in revenue. Contained in each of these bylaws is the list of services for which operating reserve funds are authorized.

At the May 10, 2023 Board meeting Operating Reserve Guidelines were introduced in addition to the Capital Reserve Guidelines adopted in July 2021. These guidelines provide measures to evaluate the health of operating reserves and set targets to support sustainable service delivery, aligning with the corporate plan priority. CRD service areas are advised to maintain reserves for unforeseen events, revenue fluctuations, cyclical maintenance and operating programs. Specific reserve target levels have been recommended for each type of reserve, such as revenue stabilization and emergency/contingency.

In summary, the target range for revenue stabilization reserves is a minimum of half (1/2) a month to a maximum of four (4) months' operating expenses, emergency or contingency reserves between half (1/2) a month to one (1) month's operating expenses and targets for cyclical maintenance are determined by the lifecycle plan and associated costs.

On March 12, 2025, the Board approved the 2025 to 2029 CRD Financial Plan inclusive of reserve transfers. Transfer amounts are established through evaluation of the operating reserve guidelines, with some new reserves required before December 31, 2025.

It is proposed that the following bylaws be amended, and reserves be created:

Bylaw No.	Bylaw Title	Amendment
4146	Capital Regional District Electoral Area Services Operating Reserve Fund Bylaw, No. 1, 2016	Bylaw No. 4722 Add: 'Willis Point Fire Protection and Recreation' 'Otter Point Fire Protection' 'East Sooke Fire Protection' 'Port Renfrew Fire Protection' 'Shirley Fire Protection' 'JDF EA - Community Parks' 'Joint Electoral Area Admin' 'Electoral Area Fire Inspection and Investigation'
4102	Capital Regional District Regional Services Operating Reserve Fund Bylaw No. 1, 2016	Bylaw No. 4723 Add: 'Environmental Stewardship and Biodiversity' 'Foodlands Access' 'Regional Transportation'

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4722, "Capital Regional District Electoral Area Services Operating Reserve Fund Bylaw No. 1, 2016, Amendment Bylaw No. 6, 2025", be introduced and read a first, second and third time; and
2. That Bylaw No. 4722 be adopted.
3. That Bylaw No. 4723, "Capital Regional District Regional Services Operating Reserve Fund Bylaw, No. 1, 2016, Amendment Bylaw No. 6, 2025, be introduced and read a first, second and third time; and
4. That Bylaw No. 4723 be adopted.

Alternative 2

That Bylaws Nos. 4722 and 4723 be deferred pending further information from staff.

IMPLICATIONS

Financial Implications

The proposed bylaw amendments will enable the transfer of funds to reserves for future operating expenditures and revenue stabilization as required. Funds transferred to and from these reserves will be approved by the Board as part of the annual financial planning process and will be held in separate funds for each service. Monies set aside in reserve can only be used for purposes as per the bylaw.

Bylaw No. 4722: The establishment of operating reserves for Willis Point Fire Protection and Recreation, Otter Point Fire Protection, East Sooke Fire Protection, Port Renfrew Fire Protection, Shirley Fire Protection and JDF EA - Community Parks will be used to fund one-time maintenance and program costs and to mitigate future fluctuations in requisition. The operating reserve for Electoral Area Fire Inspection and Investigation service will be used to stabilize future requisition over time as service expenditures fluctuate based on volume of inspection or investigation services required. The operating reserve for the Joint Electoral Area Admin service will be used to fund one-time program costs and to mitigate future fluctuations in requisition.

Bylaw No. 4723: The addition of an operating reserve for Environmental Stewardship and Biodiversity will stabilize future requisition over time as service expenditures and revenues fluctuate based on level of regional biodiversity and environmental stewardship services provided. Foodlands Access and Regional Transportation are new services established in 2025, operating reserves will be used to fund one-time program costs and to stabilize requisition over time as the service levels are established.

CONCLUSION

Bylaws Nos. 4146 and 4102 enable CRD services to set aside operating funds to cover cyclical expenditures, unforeseen operating expenses, special one-time operating projects, as well as mitigate the fluctuations in revenue. Contained in these bylaws is the list of services for which operating reserve funds are authorized. The recommendation is to amend these bylaws to include the additional services with Bylaw Nos. 4722 and 4723. Funds transferred to and from these reserves will be approved by the Board as part of the annual financial planning process and will be held in separate funds for each service.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4722, "Capital Regional District Electoral Area Services Operating Reserve Fund Bylaw No. 1, 2016, Amendment Bylaw No. 6, 2025", be introduced and read a first, second and third time; and
2. That Bylaw No. 4722 be adopted.
3. That Bylaw No. 4723, "Capital Regional District Regional Services Operating Reserve Fund Bylaw, No. 1, 2016, Amendment Bylaw No. 6, 2025, be introduced and read a first, second and third time; and
4. That Bylaw No. 4723 be adopted.

Submitted by:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services & Deputy Chief Financial Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer & General Manager, Finance & Technology
Concurrence:	Kristen Morley, J.D., Corporate Officer & General Manager, Corporate Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: Bylaw No. 4722: “Capital Regional District Electoral Area Services Operating Reserve Fund Bylaw No. 1, 2016, Amendment Bylaw No. 6, 2025”

Appendix B: Bylaw No. 4723: “Capital Regional District Regional Services Operating Reserve Fund Bylaw, No. 1, 2016, Amendment Bylaw No. 6, 2025”