

ITEM	3
MANAGER'S REPORT NO.	50
COUNCIL MEETING	1980 08 05

RE: SURPLUSES AND RESERVES CARRIED BY THE MUNICIPALITY
AS OF 1979 DECEMBER 31

The following is a report from the Treasurer, written principally for the guidance of his successor in office and his staff. However, it contains a great deal of information that will be of interest to members of Council. The recommendations it contains, while bookkeeping in nature, require approval of Council to permit the establishment of the following principles:

1. That surpluses arising from unused general revenue allocations for capital be transferred to the Capital Works financing section of the Reserve for Capital Works, Machinery and Equipment at the end of each year.
2. Interest earnings on the Trust and Agency Fund, other than on specific reserves contained therein, be transferred as earned to the Capital Works financing section of the Corporation's Reserve for Capital Works, Machinery and Equipment.
3. That the money in the Capital Works financing section of the Reserve be appropriated from time to time by by-law approved by an affirmative vote of two-thirds of all the members of Council upon prior approval of the Minister of Municipal Affairs and repaid to the Reserve together with interest over a ten year period. The Capital Works financing section of the Reserve has been operative for many years. The sum on hand in this Reserve as at 1979 December 31 amounted to \$1,307,454. With the adjustments recommended in the report, it would be increased to \$6,610,980. The repayment requirements of the Reserve are not specifically authorized by statute but are an administrative directive of Council. An exception to this repayment feature would be the \$750,000 from the Trust and Agency Fund, as referred to on page 12 of the report, for the reason that Council has already firmed up the financing of the facility without reference to repayment.

RECOMMENDATION

1. THAT the recommendations of the Municipal Treasurer be adopted.

* * * * *

TO: MUNICIPAL MANAGER

1980 July 14

FROM: MUNICIPAL TREASURER

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RE: SURPLUSES AND RESERVES CARRIED BY THE MUNICIPALITY
AS OF 1979 DECEMBER 31

RECOMMENDATIONS

1. THAT this report be received for information purposes; and
2. THAT \$67,016 and \$101,450 in 1979 allocations for works pending and \$1,313,525 in surplus from general revenue fund allocations as shown on page 6 be transferred to the Capital Works financing section of the Reserve for Capital Works, Machinery and Equipment; and
3. THAT a review of general funds allocated to the Capital Improvement Program be made at the end of each year, with funds to complete works in progress being brought forward to the year following and any surplus being transferred to the Capital Works financing section of the Reserve for Capital Works, Machinery and Equipment; and
4. THAT the \$3,149,195 portion of the Reserve for Capital Works, Machinery and Equipment allocated for the railway overpass be transferred to the Capital Works financing section of the Reserve so that any moneys eventually appropriated by by-law for the overpass will be repaid to the Reserve; and
5. THAT \$650,227 in unallocated interest earnings in the Trust and Agency Fund shown on page 12 and all subsequent interest earnings on this fund exclusive of that portion of the fund representing specific reserves, be transferred to the Capital Works financing section of the Reserve for Capital Works, Machinery and Equipment; and
6. THAT \$22,113 in Trust and Agency Funds, inclusive of interest earnings relative to the McGillivray Development shown on page 13 be transferred to the Capital Works financing section of the Reserve for Capital Works, Machinery and Equipment; and
7. THAT \$22,438 in surplus capital improvement funds belonging to the Burnaby Public Library Board as shown on page 6 be transferred to their General Revenue Fund Reserve for unspecified purposes.
8. THAT \$34,650 in Library equipment replacement reserve funds, shown as a statutory reserve in the report, be transferred from the statutory reserve to a general revenue fund reserve.
9. THAT \$750,000 of the interest earnings transferred to the Capital Works financing section of the Reserve for Capital Works, Machinery and Equipment be appropriated by by-law approved by a two-thirds vote of all members of the Council and approved by the Minister of Municipal Affairs without the requirement of repayment.

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REPORT

At the 1978 Conference of the U.B.C.M., The Hon. Hugh A. Curtis, the then Minister of Municipal Affairs, expressed grave concern at the large amounts of surplus, and surplus appropriated for reserves over and above the amounts being carried in legally constituted reserve funds carried by many municipalities. In addition to his other remarks, he stated:

"I say frankly what this excessive and unwarranted municipal surplus accumulation boils down to is this - it has been an unjustified surtax on every class of property taxpayer. Neither you nor I, nor the government, can talk seriously about truly fair taxation and allow that situation to continue. Now, admittedly, common sense and good financial management practices demand that there be in local government a prudent and a reasonable accumulation of modest surpluses from each operating year, to provide for those inevitably difficult periods in local government financing.

As you sit down to prepare your 1979 budgets, I urge you, and I believe that each Municipal Council in the Province will think very carefully about I have outlined, to determine the reasonable level of surpluses and reserves required for your municipality's particular needs."

Subsequently the Province brought into effect, for the year 1979 only, certain budgetary controls. These are described fully in the Letter of Transmittal to the 1979 Annual Budget.

The Minister was not talking about reserves set up under Part 7 of the Municipal Act (generally referred to as statutory reserves). He was talking about reserves and surpluses carried in the General Revenue Fund. A large number of municipalities, including Burnaby, carried in the General Revenue Funds reserves that should have been set up in a reserve fund in conformance to the Municipal Act. Why did they do this? There were two reasons:

1. Some of the reserves require Ministerial approval to establish them and some require Ministerial approval for their expenditure, a practice considered by some to be a violation of local autonomy.
2. Funds placed in these reserves cannot be used for any purpose other than designated by the reserve, i.e. they cannot be used in the general fund to finance expenditures pending receipt of taxes.

To avoid these restrictions, a great many municipalities in this Province accumulated surpluses and designated portions of them for specific purposes. Also, some communities built up their surpluses and assigned surplus to the extent that it became unnecessary to borrow temporarily pending receipt of tax moneys, a practice that in light of rapid monetary inflation, is open to question. Furthermore, there were circumstances where certain reserves were necessary but where there was no statutory authority for them (the Corporation's reserve for life insurance, for example).

In effect, what the Minister was saying was that if reserves are needed, let them be properly established, and if there is a need for a reserve but no statutory authority for same, he would consider providing such authority if the evidence clearly indicated its need.

In the annual budget for 1979 Council approved the principle of setting our house in order with respect to reserves. As a consequence, \$11,711,658 in general revenue fund reserves was transferred to statutory reserves. This removal of funds from the working capital of the general fund caused the cost of interest on temporary borrowing pending receipt of tax moneys in 1980 to increase by approximately \$260,000 over the 1979 budget. Interest earnings on the reserves in 1980 will increase by a somewhat lesser amount - there being a differential of about 1% between the interest rate we must pay and the interest rates we may receive.

As this is my last year in office, I believe it advisable to lay before Council a complete statement of surpluses and reserves carried in the several funds, an explanation of each and recommendations where necessary. It deals with balances on hand at 1979 December 31. The report is in great detail, principally for the guidance of staff.

In reading this report, it should be borne in mind that all of the reserves shown in the report, except for those of the general revenue fund, are set up by statute and the moneys contained therein may be spent only as prescribed by statute. By contrast, with the exception of the reserve for the Municipal Finance Authority, the purpose of the reserves in the general revenue fund may be varied by resolution of Council. Surpluses, as such, are:

General Revenue Fund	\$ 2,511,001
Waterworks Utility	1,497,616
Sanitary Sewers	<u>636,069</u>
	<u>\$ 4,644,686</u>

These form part of the working capital of the Corporation and should be retained at these levels if at all possible.

In summary, the surpluses and reserves by fund are:

	<u>Surplus</u>	<u>Reserves</u>	<u>Total</u>
	\$	\$	\$
General Revenue Fund	2,511,001	1,743,797	4,254,798
Capital Fund		7,457,126	7,457,126
Sinking Fund Surplus Reserve		383,260	383,260
Statutory Reserves		24,223,821	24,223,821
Trust and Agency Fund		1,120,503	1,120,503
Waterworks Utility	1,497,616	576,499	2,074,115
Sanitary Sewer System	<u>636,069</u>	<u>1,321,459</u>	<u>1,957,528</u>
	<u>4,644,686</u>	<u>36,826,465</u>	<u>41,471,151</u>

Details of the surpluses and reserves are set out in the pages to follow.

GENERAL REVENUE FUND

Surplus per Financial Report 1979 December 31	\$3,633,344	
Less transferred to 1980 annual budget for:		
Council	\$1,053,453	
Library	49,041	
Parks	<u>19,489</u>	
	<u>1,122,343</u>	\$2,511,001

This surplus should not be permitted to drop below this level. It is needed to offset in part a constant level of accounts receivable.

Reserves carried for which there is no statutory authority

Life Insurance 598,235

This is the sum transferred from the Burnaby Municipal Benefit Society as a rebate of premiums charged 1969 to 1978 in excess of actual expenditures, which if retained by the Society would be subject to income tax. By this means, the Corporation is assuming future liability for the payment of death claims in excess of an average year's experience.

Long Term Disability 185,954

Effective 1980 January 01, the Corporation, through the Burnaby Municipal Benefit Society, will provide long term total disability payments to civic and exempt employees becoming totally and permanently disabled. The amount shown is the surplus in the medium term sick plan which is no longer needed for the purpose and which, by agreement with the Union, is to be applied to long term disability benefits. The sum of money on hand will be absorbed by the initial claims. Subsequent claims will be paid for out of the general revenue of the Municipality.

Auto Insurance Reserve 55,414

On 1977 February 07, Council authorized certain reductions in auto fleet coverage and stipulated that the savings in premiums be set up as a reserve for claims.

Snow Removal Reserve 360,644 1,200,247

An annual allocation of \$111,000 is made for snow removal. Unspent moneys are placed in the reserve. Overexpenditures are recovered from the reserve.

Each of the four reserves is allocated interest from the General Revenue Fund interest earnings account.

Reserves carried for the Burnaby Public Library Board, which is not governed by the Municipal Act

Source of funds:		
Greater Vancouver Library Federation	\$ 33,556	
General funds specifically set aside for automation	64,536	
General funds hereby allocated	<u>19,037 *</u>	
Reserve for automation project #2		117,129
Library general - unspecified		37,540 *
Library RECON - conversion of existing catalogue material to machine readable form		<u>20,933</u>
		175,602

These reserves are allocated interest from the General Revenue Fund interest earnings account.

* Library general reserve	\$ 19,037
	<u>37,540</u>
	<u>\$ 56,577</u>

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Reserves Required by Law

Cash Deposit - Municipal Finance Authority
 Section 13 of the Municipal Finance Authority Act requires a debt reserve fund to be set up comprised of one-half the average annual installment of principal and interest with respect to each financing undertaken by the Authority. Of this sum, 1% must be paid from the proceeds from the sale of the debentures concerned and the balance is secured by a note.

\$ 367,948

109

The cash paid to the Authority must be invested by the Authority and together with interest earned must be:

- (a) repaid to the Regional District (on behalf of the Municipality) when the Regional District (on behalf of the Municipality) has repaid the final installment; or
- (b) be applied to the final installment.

The amount shown is the sum paid to the Authority through the Regional District and does not reflect accumulated interest earnings.

The purpose of the reserve of cash and notes held by the Authority is to safeguard against default by any of the Regional Districts or their member municipalities of any debt incurred with the M.F.A. for itself or member municipalities. In addition, all municipalities in the Province, inclusive of those who do not finance through the Authority (e.g. the City of Vancouver), are subject to a special levy against all taxable land and improvements in the event the reserve is insufficient for its purpose.

TOTAL GENERAL FUND SURPLUS AND RESERVES

\$ 4,254,798

CAPITAL FUND

Capital Improvement Program Funds

Annually, the Corporation allocates from the general revenue budget sums of money for specific capital projects. In some instances, the projects will be completed within the year of allocation. In others, they are completed in the year following, and in others the work is deferred indefinitely or abandoned. The moneys set aside for this latter group of works accumulates year by year and constitutes a "hidden" reserve for which there is no statutory authority. An analysis of the \$5,199,256 on hand (Schedule C, Treasurer's Financial Report 1979) shows 1979 allocations brought forward to complete works in 1980 as shown on page 6 of the Capital Improvement Program 1980-1985

Subtract water system funds which belong to the utility	\$4,176,104
Subtract sewer system funds which belong to the utility	(464,439)
	<u>(16,838)</u>

Non-utility portion of the Capital Improvement Program

3,694,827

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1979 allocations for works pending but not scheduled for 1980

Design - Moscrop/Percival/Wayburne Drive to Canada Way \$ 67,016

This money should be transferred to the Capital Works financing section of the Corporation's Reserve for Capital Works, Machinery & Equipment as it may be some time before the project will proceed.

Hastings St. urban renewal 101,450

This money should be transferred to the Capital Works financing section of the Corporation's Reserve for Capital Works, Machinery & Equipment, for the reason that it may be some time before this project gets under way and by that time the cost will be greater than the amount of money on hand.

Surplus capital improvement allocations belonging to the Burnaby Public Library Board which should be transferred to their general revenue fund reserves 22,438

Surplus capital improvement allocations which should be transferred to the Capital Works financing section of the Corporation's Reserve for Capital Works, Machinery & Equipment 1,313,525

\$1,504,429
5,199,256

The Capital Improvement Program funds above, contributed by the annual budget, are treated as part of the working capital of the municipality pending receipt of taxes. As the money is ordinarily expected to be expended during the year of allocation, interest earned on this money is credited to the General Revenue Fund and reflected in the annual budget.

BY-LAW FUNDS

Various sections of the Municipal Act dealing with borrowed moneys or reserves stipulate that interest earnings on borrowed money or reserves be used for the purpose of the borrowing or the reserve, as the case may be. Hence all borrowed moneys and reserves mentioned in this report from this point onwards are credited with interest as it is earned.

Parks Development 568,346

On 1971 November 27 Burnaby Loan Authorization Referendum By-law 1971, By-law No. 6020, in the amount of \$5,700,000 was approved by the electorate. Inclusive of interest earnings, grants from Federal & Provincial governments and other sources, a gross amount of \$7,820,735.87 was received. \$6,684,042.20 has been spent on the projects authorized in the by-law, leaving two projects remaining to be completed - Eastburn Recreation Centre and Bonsor Park. Works in progress currently total \$570,709 which, when adjusted by a recreation grant receivable, will leave approximately \$140,491 in funds surplus to need. A by-law approved by a majority vote of Council and approved by the Inspector of Municipalities pursuant to Section 359 of the Municipal Act is required to permit the expenditure of the surplus.

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Barnet Marine Park \$ 216,404

In 1974 the Corporation expropriated the Kapoor property for Barnet Park and purchased an adjoining parcel owned by the Texaco Company. As there were insufficient funds available for the purpose from the Parks Referendum 1971 referred to above for these acquisitions, Council, with the approval of the Lieutenant-Governor in Council, pursuant to Section 569 of the Municipal Act, passed Loan Authorization By-law No. 6512 on 1974 June 25 to permit the borrowing of \$2,287,500 for this project. A statement of revenues and expenditures shows:

Contribution from 1971 Parks Referendum	\$2,000,000
Proceeds from the \$2,120,000 in bonds issued pursuant to By-law No. 6512	2,121,677
Provincial greenbelt grant	620,000
Interest accumulation to 1979 December 31	165,399
Contribution from general revenue	<u>29,817</u>
	4,936,893
Cost of land purchased	<u>4,720,489</u>
	<u>\$ 216,404</u>

These transactions took several years to complete. As a consequence, most of the surplus came about because of interest earnings. This surplus may be spent for the development of the park upon passage by a majority vote of Council of a by-law pursuant to Section 359 of the Municipal Act, approved by the Inspector of Municipalities.

Storm Drainage 1,103,730

This amount represents the sums remaining on hand from a number of by-laws inclusive of interest earnings, as follows:

Year	By-law No.	Principal Amount	Amount on Hand
		\$	\$
1971	6004	3,957,000	232,226.63
1972	6049	900,000	13,694.96
1974	6487	1,200,000	49,493.01
1975	6706	1,580,000	206,738.74
1976	6861	2,070,000	148,528.53
1978	7211	<u>1,070,000</u>	<u>453,047.43</u>
		<u>10,777,000</u>	<u>1,103,729.30</u>

These by-laws were passed pursuant to Section 330 of the Municipal Act, a process by which Council's intent to borrow for works of drainage, sanitary sewers or waterworks, is published in at least two issues of a newspaper circulating within the Municipality and if, within 30 days of the last publication, a petition containing the signatures of not less than 1/20th of the electors is not received, Council may proceed with borrowing the sum of money for the purpose so published.

Such a by-law requires prior approval of the Inspector of Municipalities. Up until 1978 it was customary to construct storm sewerage systems prior to the construction of local improvement street works. However, by that time, in view of the significantly large failure rate of local improvement petitions, it became necessary to abandon that process and the cost of storm drainage is now included in the local improvements themselves. (Item 4, Report No. 6, 78 01 23). Storm drainage systems not involved in local improvement street programs will continue to be financed pursuant to Section 330 of the Municipal Act. As the money on hand involves works that are complete, a by-law will be brought down pursuant to Section 359 of the Municipal Act to spend the moneys on drainage works shown in the 1980 C.I.P. This by-law will require a majority vote approval of Council and approval of the Inspector of Municipalities.

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Local Improvements \$ 369,390

The sum on hand represents the difference between the amounts borrowed in the period 1976 to 1979 and the amounts spent in six different local improvement by-laws. Section 664 of the Municipal Act permits the borrowing of the full cost of local improvements. Subsection (3) thereof permits the borrowing of 4/5th of the estimated cost of local improvements. We do this and when the works are complete, we borrow the balance. However, the final financing sometimes includes the estimated cost of completing works resulting in a surplus which, by by-law approved by a majority vote of Council and approval of the Inspector of Municipalities, may be used to finance further works of local improvement. An analysis is currently under way to see how much of the \$369,390 is surplus and how much is required to complete works in progress.

\$2,257,870

TOTAL CAPITAL FUND RESERVES

\$7,457,126

SINKING FUND SURPLUS RESERVE

383,260

Before the advent of the M.F.A., the Corporation, by agreement with the Greater Vancouver Sewerage & Drainage District, caused the District to borrow for Burnaby for sanitary sewer and storm sewer purposes, \$10,034,000 of which \$6,434,000 was in sinking fund debentures. Of the sinking fund debentures, \$2,293,000 were in U.S. funds. Under the terms of the debenture by-laws, the sinking fund deposits were calculated to earn 5%. Earnings in excess of earnings at 5% accumulate as surplus and will be available to meet the discount in the Canadian dollar, should there be one when the U.S. debentures come due in 1989 and 1991. As each sinking fund debenture comes due, any surplus relating thereto will revert to the Municipality. Such a surplus must be placed in reserve pursuant to Section 371(2) of the Municipal Act and expended by by-law approved by vote of at least two-thirds of all members of Council upon prior approval of the Minister of Municipal Affairs.

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STATUTORY RESERVES

\$8,464,382

113

Tax Sale Lands

In accordance with Section 380 of the Municipal Act, the proceeds from the sale of tax sale lands must be placed in a reserve and may be used only for first, bringing sinking funds up to requirements, and then reduction of debenture debt, capital expenditures, transfer to a debt repayment, reserve or local improvement fund, projects undertaken under Section 530 or expenditures of a special nature. (Under Section 530 tax sale moneys may be appropriated for the assembly and development of lands for sale.) Expenditures must be authorized by by-law approved by two-thirds of all the members of Council upon prior approval of the Minister of Municipal Affairs. It is the policy of Council to use this money as exclusively as possible for the purchase and development of Municipal land development schemes.

Keswick Park Site

\$ 41,113

By-law No. 6040 was enacted 1972 January 24 to appropriate from the Tax Sale Lands Reserve the sum of \$568,970 for the purchase and development of the Keswick Park Site. Land acquisitions were completed at a cost of \$579,227.23. Interest earnings account for the \$41,113 on hand which came about because it took several years after receipt of the financing to acquire the property, and may be spent for the development of the Park. No development has occurred up to 1979 December 31. Expenditures are authorized by resolution of Council.

Municipal Hall Renovations

26,120

By-law No. 6593 was enacted 1974 December 30 to appropriate from the Tax Sale Lands Reserve the sum of \$1,100,000 to complete the financing of alterations to the Municipal Hall. The balance on hand will be used towards the cost of further alterations as they occur. Expenditures are authorized by resolution of Council.

Local Improvement Fund

2,252,089

This fund was created by By-law No. 4084 enacted 1959 November 23 pursuant to Section 381 of the Municipal Act. It got its start with an appropriation from Tax Sale funds of \$500,000 (By-law No. 4085, 1959 December 14) and by means of interest charged the works being financed for its use, has grown to its present size. The Reserve may only be used to finance the construction of works payable by special charges under the provisions of and as restricted by Part 16 of the Municipal Act (local improvements) as modified by Section 47 of the Municipalities Enabling & Validating Act. Section 47 permits Burnaby to use the moneys in the Reserve to temporarily finance works of local improvement pending the sale of debentures as well as to finance works of local improvement with the fund being repaid annually from frontage tax levies. A by-law passed by a majority vote of Council is necessary to authorize its use to finance works as described above. The sum shown represents cash on

as of 1979 December 31. The gross amount of the reserve at that date was \$2,395,582. \$43,493 of this sum has been used to finance lanes, repayable over 5 years. \$100,000 has been used to temporarily finance local improvement works pending sale of debentures and the balance of \$2,252,089 is available for the same purposes.

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Capital Works, Machinery & Equipment

\$7,939,667

This reserve was created by By-law No. 7256 and was enacted 1978 September 18 pursuant to Section 378 of the Municipal Act. Prior to that date the reserve was carried in the General Revenue Fund. This reserve is for:

- (a) expenditures for or in respect of capital projects and land, machinery, or equipment necessary for them, and the extension or renewal of existing capital works;
- (b) the purchase of machinery and equipment to maintain municipal property and to protect persons and property.

Expenditures from the reserve must be by by-law approved by at least two-thirds of all members of Council upon prior approval of the Minister of Municipal Affairs.

A rewrite of the Municipal Act is currently under way. I have reason to believe that the new Act will remove Ministerial approval of expenditures under Section 378 in order to encourage its use by the municipalities who feel that this is an infringement of local autonomy.

Burnaby's reserve contains the following items:

1. Corporate Lands \$1,561,510

Up until the creation of the reserve by by-law in 1978, as referred to earlier, the proceeds from the sale of Corporate lands went into the Tax Sale Fund. Section 537 of the Municipal Act, in respect of the disposal of proceeds of sale of Corporate lands, stipulates that the money be placed in a reserve pursuant to Part 7 of the Act. A Tax Sale Reserve is a reserve under Part 7 of the Act. However, in the opinion of the Department of Municipal Affairs, a Tax Sale Moneys Reserve should be only for the proceeds of the sale of tax sale lands. Under the circumstances, since the creation of the Reserve for Capital Works, Machinery & Equipment in 1978, the proceeds from the sale of Corporate lands, interest earnings and repayment of funds appropriated from Tax Sale Lands Reserves, have been deposited in the new reserve.

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Similar to the Reserve for Tax Sale Lands, it is the policy of Council to use this money as exclusively as possible for the purchase and development of Municipal land development schemes.

2. G.V.R.D. Sinking Fund Surplus \$ 166,949

On 1959 March 15 the G.V.R.S. & D.D. financed sewerage and drainage works for Burnaby authorized by Burnaby's By-laws Nos. 3845/4275, 3874/4276, 3884, 4277 & 3998/4278 in the amount of \$1,067,470.10 in U.S. funds sinking fund debentures. On maturity 1979 March 15 a surplus in the amount of \$144,015.62 arose and was paid over to Burnaby. In accordance with Section 371(2) of the Municipal Act, the surplus may be disposed of for any of the purposes shown under the Tax Sale Reserve as above. A by-law for such an expenditure requires an affirmative vote of at least two-thirds of all members of Council upon prior approval of the Minister of Municipal Affairs. A by-law for the financing of sanitary sewers from this surplus will be brought down when the need arises.

3. Federal/Provincial Housing Incentive 1,748,559

In 1976 certain Federal/Provincial grants became available, related to the construction of certain kinds of housing. The grants contained a proviso that they be used to encourage and facilitate the production of housing in Burnaby and they ended 1979 December 31. They were separate and apart from housing grants under the Provincial Revenue Sharing Act which continue in force. On 1976 May 31 Council adopted Item 11, Report No. 37, which recommended that grants from both sources be set aside in reserve for the purpose stated. Item 3, Report No. 86, 1977 December 19, recommended that the money be used for the purchase of certain lands within Land Areas A & B in Metrotown. This recommendation was tabled for consideration when the Burnaby Metrotown Study is considered by Council. A decision on the disposition of this reserve is still pending.

4. Cenotaph 6,000
This money was set up in the 1950s.

5. Railway Overpass 3,149,195
This money was accumulated over a period of years from general revenue budgets for the purpose stated. It will be the recommendation of this report that this sum be transferred to the Capital Works financing section of this reserve and that any money appropriated for the overpass be repaid to the fund as stipulated in subsection 6 herein.

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6. Capital Works Financing

\$1,307,454

This money was accumulated from appropriations from the annual budget over a period of years for the purpose of financing capital works on a ten year payback basis.

\$7,939,667

Equipment Replacement

\$3,863,100

This reserve was created by By-law No. 7369 enacted 1979 May 22 pursuant to Section 378(1)(c) of the Municipal Act for the depreciation and obsolescence of any machinery and equipment. Previously this reserve had been carried in the General Revenue Fund. As at 1979 December 31, the following reserves were on hand:

Engineering	\$2,074,292
Refuse trucks	782,329
Parks & Recreation	531,912
Fire	240,220
Fleet	161,738
Library	34,650
Printshop	37,959

\$3,863,100

A resolution of Council is required to authorize expenditures. Our practice is to obtain a resolution each time a purchase is made.

The Library reserve of \$34,650 is incorrectly classified as a statutory reserve and should be transferred to the General Revenue Fund reserves in 1980.

Development Cost Charges

1,637,350

In accordance with Section 719 of the Municipal Act, a development cost charge paid to a municipality shall be deposited in a separate special development reserve and shall be used only for the purpose for which it was deposited, namely:

- a) a capital payment, including planning, engineering and legal costs, for providing, altering, or expanding sewage, water, drainage and highway facilities and public open space related directly or indirectly to the development for which a development cost charge has been imposed, or
- b) the payment of a debt incurred as a result of an expenditure made for the purposes set out in paragraph a);

and the repayments shall be authorized by by-law approved by a majority vote of Council. Burnaby has three development cost charges:

Parkland acquisition levy	\$1,580,384
Metrotown amenity levy	48,140
Pedestrian Bridge, Canada Way at the Municipal Hall	8,826

\$1,637,350

TRUST AND AGENCY FUND

This fund totals \$2,040,865 and is made up of:

Subdivision servicing bonds	\$	744,424	
Damage deposits		103,829	
A. Unallocated interest on fund		650,227	
B. Reserves	\$354,945		
Accumulated interest	<u>115,331</u>	470,276	
Other		<u>72,109</u>	
			<u>\$2,040,865</u>

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Items A and B only will be the subject of this report.

A. Unallocated interest on the fund

\$ 650,227

The moneys in the Trust & Agency Fund are invested pending need and except for earnings on specific reserves, to be detailed below, have been allowed to accumulate until of significant size, at which time Council appropriates the money for some specific purpose. Council has designated \$750,000 of the accumulation to be used to partly finance the proposed new addition to the Justice Building. For technical reasons, the Municipal auditors do not like this procedure. They would prefer that the surplus interest earnings go into general revenue or be appropriated to a reserve pursuant to Section 378 of the Municipal Act. If this latter course is followed, a by-law approved by at least two-thirds of all members of Council upon prior approval of the Minister of Municipal Affairs is required to approve expenditure. As this is generally only a formality, and it is a requirement that is expected to disappear when the Municipal Act is rewritten, it will be the recommendation of this report that as interest is earned on the fund balances, other than on the specific reserves contained therein, it be placed in the Capital Works financing section of the Corporation's Reserve for Capital Works, Machinery & Equipment to be used on a repayment basis for expenditures of a capital nature.

However, prior to the compilation of this report, Council adopted a report of 1980 May 26 of the Burnaby Justice Building Committee which recommended the financing of the construction of the addition to the building by an appropriation of Trust & Agency Fund interest of \$750,000 and a further \$750,000 from the Tax Sale Fund, the latter to be repaid with interest over a ten year period. Under the circumstances, Council may wish to forego the charge to the annual budget as recommended herein for the repayment of the \$750,000 to be appropriated from Trust & Agency Fund interest earnings.

B. Moneys held in trust for specific purposes

Reserves with a trust aspect about them are held in the Trust and Agency Account rather than being placed in a general revenue or statutory reserve fund. Reserves of this nature, on hand, are:

<u>Canada Summer Games</u>	\$ 82,063	
Interest earnings 75 04 17 to 79 12 31	<u>40,243</u>	\$ 122,306

Of the \$82,063 there was a surplus of \$55,384.90 from the Canada Summer Games Society to assist in the construction of the Burnaby Lake Sports Complex field-house and \$26,678.20 being Burnaby's share of the unused portion of the trust fund established to pay for the possible deficit in the Burnaby Lake dredging contract. This money, together with interest, has been allocated by the Parks & Recreation Commission for the expansion of the field-house by the Burnaby Lake Rugby Committee.

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<u>McGillivray Development</u>	\$ 18,275	
Interest earnings 77 10 17 to 79 12 31	<u>3,838</u>	22,113

A security deposit on a proposal to develop the 3800 & 3900 blocks Hastings Street south side in the amount of \$76,500 was forfeited by the developer and on 1977 October 17 was distributed to the partnership - C.M.H.C., the Province and Burnaby. Burnaby's share, together with interest, has been set aside for possible future development of this site. It will be the recommendation of this report that the sums on hand be transferred to the Capital Works financing section of the Corporation's Reserve for Capital Works, Machinery & Equipment for appropriation by by-law when the need arises.

<u>Estate of Picard</u>	14,607	
Interest earnings 78 10 01 to 79 10 01	<u>2,788</u>	17,395

A bequest given the Burnaby Public Library Board, a decision on its use not having been made on date of this report.

<u>Burnaby 200</u>	240,000	
Interest earnings 76 12 08 to 79 12 31	<u>68,462</u>	308,462

In 1976 the Housing Corporation of the Province of B.C. gave the Corporation \$240,000 towards the construction within three years of a community recreation facility on the designated Cameron/Reese site adjacent to the Lougheed Mall. The Cameron Library & Recreation Centre is under construction and the moneys on hand in this account will be transferred to the Capital Improvement Program when needed. Council need take no further action in this matter.

TOTAL RESERVES IN TRUST & AGENCY FUND	\$1,120,503
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WATERWORKS UTILITY

<u>Waterworks General Revenue Fund Surplus</u>	1,497,616
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The surplus in this fund is used to pay for extensions to the waterworks system and to offset a constant level of trade accounts and inventories. The system is self-liquidating and generates sufficient income to permit capital works to be undertaken as required, without borrowing. A portion of the surplus is brought into the annual budget from time to time to pay for extensions to the system. As the operations of the system are financed out of the General Revenue Fund of the Municipality, interest earnings are not credited to the utility.

Capital Fund

Appropriations for a capital program were made in 1979 and of the sums appropriated there remains on hand the sum of
The work concerned will be completed in 1980. Interest earnings are not credited to the utility for the reason given above.

\$ 464,439

Sinking Fund Surplus Reserve

112,060

On 1960 January 02 the Corporation issued \$721,000 6% sinking fund debentures due 1980 January 02 guaranteed by the Province of B.C. By terms of the debenture by-laws the sinking fund was calculated at 5%. Over the years the sinking fund accumulated and by 1980 January 02 it had grown to \$112,060.26 in excess of requirements. In accordance with Section 371(2) of the Municipal Act, this money must be placed in reserve and be available for expenditure by by-law approved by vote of at least two-thirds of all members of Council upon prior approval of the Minister of Municipal Affairs. The money has been placed in the statutory Reserve for Capital Expenditures, Machinery & Equipment in the year 1980 and a by-law for the financing of waterworks facilities from the surplus will be brought down when the need arises.

TOTAL WATERWORKS UTILITY SURPLUS AND RESERVES

\$ 2,074,115

SANITARY SEWER SYSTEM

General Revenue Fund

Cash deposit - Municipal Finance Authority

115,061

The explanation appearing on page 5 of this report applies to this cash deposit as well.

Surplus

636,069 \$ 751,130

The surplus in this fund is used to pay for extensions to the sewerage system and to offset a constant level of trade accounts and inventories. From time to time a portion of the surplus is brought into the annual budget to pay for extensions to the system. As with the Water Utility, operations are financed from the Municipal General Revenue Fund and interest earnings are not credited to the Utility.

Capital Fund

By-laws nos. 6862 & 6920 passed 1976 July 14 and 1976 November 01 provide for the borrowing of \$1,260,000 for sanitary sewer construction. Of this sum there remains on hand to carry out works in the 1980-85 C.I.P. the amount of Allocation from sewer system general revenue fund

534,770

16,838 551,608

Interest earnings are not credited to the Utility for the reason given above.

Sinking Fund Surplus Reserve

654,790

Over a period of years 1959 to 1969 inclusive, the Greater Vancouver Sewerage & Drainage District borrowed a total of \$5,250,000 for Burnaby for sanitary sewer purposes, some of which was in U.S. funds. Under the terms of the borrowing by-laws, the sinking funds were calculated at 5%.

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Earnings in excess of earnings at 5% accumulate as surplus and become available to meet the discount, if any, on the Canadian dollar issues when they become due. As each sinking fund debenture becomes due, any surplus relating thereto reverts to the Municipality. Such surpluses must be placed in reserve pursuant to Section 371(2) of the Municipal Act and expended by by-law approved by vote of at least two-thirds of all members of Council upon prior approval of the Minister of Municipal Affairs.

\$ 1,957,528

TOTAL SANITARY SEWER SYSTEM SURPLUS AND RESERVES

\$ 41,471,151

After the various adjustments as recommended in this report are made, the summary of surpluses and reserves may be revised as follows:

	<u>Surplus</u> \$	<u>Reserves</u> \$	<u>Total</u> \$
General Revenue Fund	2,511,001	1,766,235	4,277,236
Capital Fund		8,107,028	8,107,028
Sinking Fund Surplus Reserve		383,260	383,260
Statutory Reserves		24,223,821	24,223,821
Trust and Agency Fund		448,163	448,163
Waterworks Utility	1,497,616	576,499	2,074,115
Sanitary Sewer System	<u>636,069</u>	<u>1,321,459</u>	<u>1,957,528</u>
	<u>4,644,686</u>	<u>36,826,465</u>	<u>41,471,151</u>

B. M. Byrnes
MUNICIPAL TREASURER

BM:gw

