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## STAFF REPORT

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**TO:** Chief Administrative Officer  
**FROM:** Ronnie Gill, Director of Finance  
**SUBJECT:** Cash Balances and Reserves  
**MEETING DATE:** January 27, 2026

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### PURPOSE

The purpose of this report is to provide Council with an update on the current cash and reserve balances. Note that reserve balances will change as the 2025-year end is incomplete.

### SUMMARY

The Town of Lake Cowichan primarily operates two consolidated accounts – one that covers day to day operational expenses and the second is the investment portfolio. All cash (including restricted funds), not needed for normal operating requirements is held in the investment account.

As of December 31, 2025, the balance of the investment account was \$26,960,342 and a summary of the balances in the account is shown below:

Cash held in restricted and non-restricted reserves	7,456,167.69
Grant funds received	1,128,970.50
Unrestricted cash balance	18,375,203.78
<u>Total funds held with MFA</u>	<u>26,960,341.97</u>

The unrestricted cash balance is close to the operating surplus balance (\$18,171,655) as shown in Note 12 to the 2024 financial statements. The surplus is the excess of revenues over expenses and is a “savings” that can be used in future.

The tables on the following page shows the reserve and grants funds in detail.

**Reserve funds summary:**

<b>Unrestricted Reserves</b>	<b>2025</b>
General equipment	1,315,723.55
Capital Expenditure Reserve	4,602.29
Firehall equipment	666,823.02
Firehall Reserve	410,845.67
Parks Capital Improvement Reserve	38,639.82
Growing Communities Funds	1,014,233.39
Sewer General Reserve	2,027.24
Water General Reserve	9,974.37
Covid Restart Funds	59,472.42
Snow Removal Reserve	119,333.72
Road Reserve Fund	120,127.43
Municipal Hall Reserve	557,592.12
	<b>4,319,395.04</b>
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<b>Restricted Reserves</b>	
Parks Dedication Reserve	357,159.36
DCC Roads	678,965.01
DCC Water	1,466,013.67
DCC Sewer	479,547.27
Land Acquisition Reserve	119,122.14
DCC Parks Reserve	16,513.47
DCC Stormwater Reserve	19,451.73
	<b>3,136,772.65</b>
<b>Total Reserves</b>	<b>7,456,167.69</b>

**Grant funds summary:**

<b>Grant funds received included in Cash:</b>	
Community Works Funds	449,408.00
CMHC Grant Funds	403,805.00
Development Approval Grant	149,007.50
LG Cap Funds	126,750.00
	<b>1,128,970.50</b>

## IMPLICATIONS

a. **Financial:**

The operating surplus and the related cash reserves are essential to maintain the financial stability of the Town. The Town provides essential services and infrastructure including roads, sidewalks, water and sewer systems, solid waste collection, parks and other services required to meet the needs of the community.

The question often asked is how much in reserves or operating surplus should there be?

The Town is responsible for funding the future replacement of its assets. While the future costs of asset replacement have not yet been fully estimated, it is known that much of the infrastructure is aging and some water and sewer infrastructure are nearing the end of useful lives, and that the costs of replacement are substantial. In particular, the wastewater treatment plant alone could require a significant financial investment by the Town.

The tangible capital assets of the Town exceed \$54 million at historical costs. The 2025 appraised value of Town owned buildings exceed \$55 million.

While a savings of \$18 million may seem substantial, rising costs and replacement costs – illustrated by the fact that a single home can now cost \$1 million, mean these funds may not be sufficient to address the Town’s future infrastructure projects and asset replacement requirements.

b. **Policy/Legislation:**

**ADDITION BY CAO:**

In local government, good governance is driven in large part by policy decisions of Council, regulatory changes, and operational requirements. A core policy document for most local government is an Infrastructure Masterplan (IMP) and an Asset Management Program (AMP). A comprehensive AMP will include a plan that outlines the assets, their condition, and underscores the future asset requirements of the Town as the community grows, all of which will be derived from the IMP. Additionally, the program will require an asset finance strategy which outlines how the Town will finance future replacement and improvements to the asset.

Developing a comprehensive Asset Management Plan and Infrastructure Master Plan is a critical next step in strengthening the Town’s long-term financial planning and service delivery framework. Together, these plans will provide Council with a clear, evidence-based understanding of the condition, performance, lifecycle costs,

and replacement timing of core municipal assets, enabling informed decisions about prioritization, funding strategies, and risk management. By aligning infrastructure investment decisions with long-term financial capacity, growth projections, and service level expectations, the Town can move from reactive decision-making to proactive stewardship—ensuring that capital investments are timed strategically, reserves are deployed effectively, and future financial obligations are anticipated rather than deferred.

**c. Strategic Priority:**  
**ADDITION BY CAO:**

Over the past several years, one of Council’s foremost strategic priority has been the long-term financial security of the Town. This deliberate focus has resulted in the accumulation of approximately \$18 million in reserves and financial assets. This achievement merits recognition and positions Lake Cowichan well among comparable communities.

Further, it provides clear evidence of Council’s commitment to protecting the financial interests of the community and ensuring organizational resilience. This prudent approach has strengthened the Town’s ability to manage risk, respond to unforeseen challenges, and maintain essential services without undue financial pressure on residents.

As the Town looks ahead, this priority must continue, while being thoughtfully **balanced** against current service demands and future community needs, ensuring that financial stewardship remains a foundation, not a constraint of sustainable growth and community well-being while ensuring that the future cost of delaying critical investments does not outweigh the present value of the savings.

Maintaining financial discipline must be paired with a deliberate assessment of the **opportunity costs** associated with **deferring critical investments**. While reserve accumulation strengthens fiscal resilience, prolonged delays in adequate staffing levels, infrastructure renewal, service enhancements, or regulatory compliance can result in higher long-term costs, increased operational risk, and/or diminished service levels. From a financial and asset management perspective, the future cost of remediation, inflation, regulatory escalation, and service disruption can exceed the present value of short-term savings achieved through deferral. For example, following COVID-19, it was not unusual for local governments to see cost inflations for capital projects that exceed 20%, 30%, or even 40% year over year; meanwhile, investment returns were a fraction of this amount.

Accordingly, Council's challenge moving forward is not whether to preserve financial security of the Town – this is a requirement. However, Council's challenge is also about the strategic deploy it of financial resources with a clearly defined **prioritization to ensure a balance** between timing investments to minimize lifecycle costs, reduce risk exposure, and ensure that today's fiscal prudence does not inadvertently create tomorrow's financial and service liabilities.

- d. **Sustainability:**  
N/A
- e. **Communication:**  
N/A
- f. **Staffing Implication:**  
N/A

**Recommendation**

No recommendation – for information only.

Signed:

***Ronnie Gill***

Ronnie Gill, CPA, CGA

Director of Finance

Concurrence:

***John T***

John Thomas

Chief Administrative Officer