



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Patti Bridal, Chief Administrative Officer **FILE:** 1855-20 (GCF)
PC: Senior Management Team **DATE:** March 29, 2023
FROM: Debra Law, Director, Financial Services
SUBJECT: GROWING COMMUNITIES FUND (GCF) STATUTORY RESERVE

The purpose of this memorandum is to advise Council that the City has received the one-time Growing Communities Fund grant from the Province. There was a letter and frequently asked questions (FAQ) document sent to Administration outlining the purpose of the grant funds, conditions for spending the grant funds, and the process required by the City to track grant spending.

On March 17, 2023 Administration received a letter (Attachment 1) from the Ministry of Municipal Affairs ("the Ministry") advising that the City of Vernon would be receiving a one-time grant from the Province in the amount of \$9,575,000 by the end of March, 2023. Administration can confirm that the funds were received in the City's bank account on Friday, March 24, 2023. Administration also received a document with Frequently Asked Questions (FAQ's) providing additional information.

In paragraph 4 of the letter, the Ministry details how the City is allowed to spend these one-time funds: *"The funding provided through the GCF should be limited to one-off costs needed to build required infrastructure and amenities rather than funding ongoing or operational activities. These funds are to be incremental to currently planned investments and should accelerate the delivery of capital costs."* The rest of the paragraph details a list of eligible costs. The FAQ document gives more detail on the type of spending allowed.

The letter also states: *"As a condition of this funding, the grant must be placed in a segregated reserve fund established by bylaw under section 188 of the Community Charter for the Capital and Planning purposes of the GCF."* Annual reporting is required in the annual financial statement detailing how the reserve funds were spent until the money is fully utilized. The letter indicates there is an expectation that these funds will be utilized within a five-year period. In addition, there is a requirement to provide an annual report that identifies work related to Housing Needs Reports and pre-zoning requirements, as applicable, highlighting projects that align with provincial priorities such as CleanBC and the province's Environmental, Social and Governance framework for capital projects.

In order to facilitate the requirements of the Growing Communities Fund, Administration has included in the agenda, for Council consideration, a statutory reserve bylaw titled "Growing Communities Fund Reserve", for first three readings.

RECOMMENDATION:

THAT Council receive for information the memorandum titled "Growing Communities Fund (GCF) Statutory Reserve" dated March 29, 2023 and respectfully submitted by the Director, Financial Services.

Respectfully submitted:

A handwritten signature in cursive script, appearing to read "Law".

Attachments: Letter from Ministry of Municipal Affairs
Frequently Asked Questions (FAQ's) - Municipalities

A handwritten signature in cursive script, appearing to be a stylized "B" or similar character.



March 16, 2023

Ref: 271994

Their Worship Mayor Victor Cumming
City of Vernon
3400-30th St
Vernon BC V1T 5E6

Dear Mayor Cumming:

The population of B.C. has increased consistently over the past decade and is projected to keep growing in the next 10 years. The provincial government understands the need to facilitate greater housing supply for our growing population. The province will support local governments in addressing the multiple funding and financing constraints to aid in the construction of infrastructure and amenities for all B.C. communities. Local governments' investment in core community infrastructure and amenities increases the amount of land that is ready to be developed to a higher density.

The Government of B.C. has invested considerable resources in infrastructure and amenities in the past 10 years and has strategically leveraged federal funding to that effect. More than \$1.6 billion in federal and provincial funding have been invested in our communities since 2018 through the Investing in Canada Infrastructure Program. However, as there is still more to be done for infrastructure and amenities, the provincial government is pleased to provide the Growing Communities Fund (GCF) for local governments province-wide.

As a one-time grant, the GCF will provide up to \$1 billion through direct grants to local governments to support all B.C. communities, with a focus on those communities that need to increase the pace and scale of housing supply. The principal objective of the GCF is to increase the local housing supply with investments in community infrastructure and amenities. Municipalities are encouraged to work closely with adjacent local First Nations, in recognition of the *Declaration on the Rights of Indigenous Peoples Act*, as this collaboration strengthens our communities and regions.

The funding provided through the GCF should be limited to one-off costs needed to build required infrastructure and amenities rather than funding ongoing or operational activities. These funds are to be incremental to currently planned investments and should accelerate the delivery of capital projects. Eligible costs are as follows:

- Public drinking water supply, treatment facilities and water distribution;
- Local portion of affordable/attainable housing developments;

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- Childcare facilities;
- Municipal or regional capital projects that service, directly or indirectly, neighbouring First Nation communities;
- Wastewater conveyance and treatment facilities;
- Storm water management;
- Solid waste management infrastructure;
- Public safety/emergency management equipment and facilities not funded by senior level government;
- Local road improvements and upgrades;
- Sidewalks, curbing and lighting;
- Active transportation amenities not funded by senior level government;
- Improvements that facilitate transit service;
- Natural hazard mitigation;
- Park additions/maintenance/upgrades including washrooms/meeting space and other amenities; and
- Recreation-related amenities.

Further to the above-noted capital costs, one-off costs can include:

- Costs of feasibility studies (including infrastructure capacity assessment); other early-stage development work; costs of designing, tendering and acquiring land (where it is wholly required for eligible infrastructure projects); constructing eligible infrastructure projects; and, in limited situations, non-capital administrative costs where these are necessary, for example adding staff capacity related to development or to establish complementary financing for local government owned infrastructure or amenities.

I am pleased to advise you that the City of Vernon is the recipient of a \$9,575,000 grant under the Growing Communities Fund. This amount will be directly transferred to your local government by March 31, 2023.

Under part 7 of the Local Government Grants Regulations, the amount of the grant to each local government is set by the Minister of Municipal Affairs. The determination of this amount was based on a formula that applies to all municipalities.

This formula is based on three components: a flat funding amount, an “adjusted population” amount and a “population growth” amount. The flat amount is \$500,000. The “adjusted population” amount is \$365 per adjusted population. The population adjustment ensures smaller municipalities get a higher per capita share of funding despite larger municipalities receiving more funding in absolute dollars. The “population growth” amount is \$1,000 per capita population growth between 2016 and 2021.

As a condition of this funding, the grant must be placed in a segregated reserve fund established by bylaw under section 188 of the *Community Charter* for the Capital and Planning purposes of the GCF. This fund must be separate from other existing reserve funds. To ensure full transparency regarding the use of funds, your local government will be required to annually report on how it spends this grant. This will be part of the annual financial reporting required under section 167 of the *Community Charter*. Your local government will provide a schedule to the audited financial statements respecting the amount of funding received, the use of those funds and the year-end balance of unused funds. Your local government must continue to annually report on the use of grant money until the funds are fully drawn down.

Further to the financial reporting, an annual report that identifies work-related Housing Needs Reports and pre-zoning requirements, as applicable, is required. The province also encourages highlighting projects that align with provincial priorities such as CleanBC and childcare; as well as those that align with the province's Environmental, Social and Governance framework for capital projects.

Finally, requirements will include parameters for public recognition of the funding related to projects. The province must be consulted prior to any proactive media events or news releases related to the project. Funded projects must also acknowledge the province's contribution through temporary and permanent on-site signage. The provincial government anticipates that the funds will be expended within approximately five years of receipt.

If you have any questions or comments regarding this letter, please feel free to contact the Local Government Infrastructure and Finance Branch by email at: LGIF@gov.bc.ca. Further information on the program will be available on the following webpage:
<https://www2.gov.bc.ca/gov/content/governments/local-governments/grants-transfers/grants/bc-s-growing-communities-fund>.

The province welcomes this opportunity to support the growth of the supply of housing throughout British Columbia. We believe that this funding will contribute to the capacity of B.C. local governments to provide critical services as our province and economy grows.

Sincerely,



Anne Kang
Minister

pc: Patti Bridal, Chief Administrative Officer, City of Vernon
Debra Law, Director, Finance, City of Vernon

Attachment with Example Calculation for a Municipality with 15,000 People

Population Range	From	To	Adjustment Factor
1. Very Small	0	2,000	100%
2. Small	2,001	5,000	80%
3. Small-Med	5,001	10,000	60%
4. Medium	10,001	20,000	40%
5. Large-Med	20,001	40,000	20%
6. Large	40,001	150,000	10%
7. Very Large	150,001	900,000	5%

To illustrate, for a city of 15,000 people, the adjusted population is:

- For this first 2,000 residents, adjustment of 100% = 2,000 x 100% = 2,000
- For the next 3,000 (up to 5,000), adjustment of 80% = 3,000 x 80% = 2,400
- For the next 5,000 (up to 10,000), adjustment of 60% = 5,000 x 60% = 3,000
- For the last 5,000 (up to 15,000), adjustment of 40% = 5,000 x 40% = 2,000

Thus, the city of 15,000 people has an adjusted population of 9,400 (=2,000 + 2,400 + 3,000 + 2,000).

If the city grew by 4,500 people between 2016-2021, the total grant amount is calculated as follows:

Component	Calculation	Result
Flat Funding	\$500,000	\$500,000
Adjusted Population	= 9,400 x \$365	\$3,431,000
Population Growth	= 4,500 x \$1,000	\$4,500,000
Total Grant		\$8,431,000



GROWING COMMUNITIES FUND (GCF) Frequently Asked Questions (FAQ's) - Municipalities	
Program Description	
Question	Answer
What is the purpose of the Growing Communities Fund for local governments?	The GCF will provide a one-time grant to all 188 of B.C.'s municipalities and regional districts, which they can use to address their community's unique infrastructure and amenity demands.
What is the formula-based model used to allocate funding?	<p>For all municipalities, allocations are the sum of:</p> <ul style="list-style-type: none"> • A flat amount of \$500,000; • A pro-rated funding amount based on an "adjusted population" basis; • A growth-based funding amount determined by total population increase between 2016-2021. <p>See more detail in the Appendix.</p>
What is the "adjusted population" method?	<p>The adjusted population method ensures that smaller municipalities get a higher per capita share of funding despite larger municipalities receiving more funding in absolute dollars.</p> <p>This method groups municipalities by size categories (from "Very Small" - less than 2,000 people to "Very Large" - over 150,000). As a municipality's population increases it is incrementally adjusted downward by an "adjustment factor"</p>



<p>What is the source of the population data?</p>	<p>The source of the population data is from the BC population estimates (as of January 27, 2023).</p> <p>BC Stats population estimates are based on the Census, they also incorporate other information including provincial health records and tax records from CRA, and accordingly they have historically, on average, been higher than the Census baseline. Because of these reasons the federal and provincial governments have viewed population estimates as the more accurate of the two (e.g., population estimates are used to determine provincial health transfers from the federal government).</p>
<p>Use of Funds</p>	
<p style="text-align: center;">Question</p>	<p style="text-align: center;">Answer</p>
<p>What are the eligible use of funds?</p>	<p>Eligible infrastructure projects are as follows:</p> <ul style="list-style-type: none"> • Public drinking water supply, treatment facilities and water distribution; • Development finance portions of infrastructure costs that support affordable/attainable housing. These may include DCCs or subdivision servicing charges payable or similar costs. • Childcare facilities; • Municipal or regional capital projects that service, directly or indirectly, neighbouring First Nation communities, • Wastewater conveyance and treatment facilities; • Storm water management; • Solid waste management infrastructure; • Public safety/emergency management equipment and facilities not funded by senior level government; • Local road improvements and upgrades; • Sidewalks, curbing and lighting;



	<ul style="list-style-type: none"> • Active transportation amenities not funded by senior level government; • Improvements that facilitate transit service; • Natural hazard mitigation; • Park additions/maintenance/upgrades including washrooms/meeting space and other amenities; and • Recreation related amenities.
Can the funds be used for costs other than capital?	Yes. Other eligible one-off costs include: costs of feasibility studies (including infrastructure capacity assessment); other early-stage development work; costs of designing, tendering, and acquiring land (where it is wholly required for eligible infrastructure projects); constructing eligible infrastructure projects; and in limited situations, non-capital administrative costs where these are necessary, for example adding staff capacity related to development or to establish complementary financing for local government owned infrastructure or amenities
Are expenditures on natural assets eligible?	Yes, provided the natural asset is providing, or part of providing, one of the services described in the eligible categories above.
Will receipt of the GCF affect our eligibility for other infrastructure grant programs?	No. The GCF will not affect decisions on eligibility for infrastructure grant funding. For local governments with approved projects the GCF funding cannot be used as their match as an incremental spend is required. The GCF could be used to offset cost overruns that exceed the grant amount and the local share.
Can local governments provide contributions to third parties from GCF?	No, with the exceptions of: <ul style="list-style-type: none"> • municipal contributions to housing projects and infrastructure owned by a regional district when the municipality is a participant in that service. • First Nations infrastructure when it is a shared service or there is a service relationship.
Can municipalities use these funds to support a regional response to an issue (i.e. municipal funds paid directly to a regional district)	Yes. While a municipality is generally not permitted to use GCF funding for any capital projects that they will not own, a municipality may contribute from its GCF reserves to a



	regional service if that municipality is a participant and the funding is dedicated for capital or planning purposes.
Can we claim staff time on projects?	Permitted in limited situations. Specifically for non-capital administrative costs where these are necessary, for example adding staff capacity related to development or to establish complementary financing for local government owned infrastructure or amenities
Can a local government use GCF funding for multi-year project that has already started?	Yes. The GCF can be used for any capital project that has not yet been completed. Projects completed prior to March 1st, 2023 are not eligible for GCF funding. GCF is designed to enable incremental additional expenditures for local governments and not to replace existing capital commitments.
Can a municipality use GCF for a contribution to a regional project that they will not own?	Yes. While a municipality is generally not permitted to use GCF funding for any capital projects that they will not own, a municipality may contribute from its GCF reserves to a regional service if that municipality is a participant and the funding is dedicated for capital or planning purposes.
Can GCF be used for related planning projects?	Yes. Feasibility studies (including infrastructure capacity assessment); other early-stage development work are eligible costs.
What happens if funds are ineligibly allocated, if reporting requirements are not met or if funds remain unspent after five years?	The ministry may reclaim any grant funds that are not used for the intended purposes or meet the accountability requirements of the Growing Communities Fund. However, the ministry will work with the local government to determine methods of expending it within eligible categories.
Can the funds be invested while being held in reserve?	The funds may be invested in any of the instruments permissible for local governments under section 183 of the <i>Community Charter</i> .
How will these grants impact DCCs and other development finance charges?	The intent of the Growing Communities Fund grant is to support the delivery of projects that are incremental to currently planned infrastructure. As such, the projects may not have



	<p>been included in the current DCC program. However, if the DCC program contains a project to which GCF funds will be allocated, the DCC bylaw must be amended so that the charges take the grant into account. Similar treatment should be used to adjust other development finance charges.</p>
Timing	
Question	Answer
When will the grants be disbursed?	The grants will be directly transferred to local governments by March 31, 2023.
What is the timeline over which these grant funds must be expended?	The Provincial Government requests that the funds will be expended within approximately five years of receipt.
Reporting	
Question	Answer
What are the GCF reporting requirements for municipalities?	<p>The municipality must annually report on:</p> <ul style="list-style-type: none"> • The amounts and uses of money expended from the GCF reserve fund over the calendar year, and • The balance of the reserve fund at the end of the calendar year. <p>Municipalities must provide a separate report (schedule) to their annual audited financial statements. (as required under S.167 of the <i>Community Charter</i>) until the GCF funding is fully expended (drawn down to zero).</p> <p>Further to the financial reporting, an annual report that identifies work related to Housing Needs Reports and pre-zoning requirements as applicable, is required. The province also encourages highlighting projects that align with provincial priorities such as CleanBC and childcare; as well as those that align with the province's Environmental, Social and Governance framework for capital projects.</p> <p>Templates for reporting will be posted on line at a later date</p>



Will the schedule to the annual audited financial statements be left to the discretion of the municipality? Does the Ministry have authority to request additional information?	Yes, and yes. The form of the schedule to the annual audited financial statements will be left to the discretion of the municipality. The Ministry retains the right to request additional information from municipalities as required.
Is a separate auditors' report required for this schedule?	No. The Province does not require a separate auditor's report.
Am I required to acknowledge the provincial financial contribution towards funded projects?	Yes. Fund requirements will include parameters for public recognition of the funding related to capital projects.
Reserve Funds	
Question	Answer
Do municipalities need to segregate GCF funding from other funding sources?	Yes. The municipality must place its GCF grant in a separate dedicated reserve fund for capital and planning purposes (established under S.188 of the <i>Community Charter</i>). This fund must be separate from other existing reserve funds. That said, the municipality may transfer other money into the GCF reserve fund but may not transfer money from this fund to other reserve funds or into general surplus.
Does interest earned on the GCF need to be tracked and added to the GCF amounts once the funds are allocated to reserve?	Yes. Interest earned in the GCF fund must be tracked and allocated back to the fund and may only be used for eligible purposes related to the GCF program. This is in accordance with S. 189(1) of the <i>Community Charter</i> .

Appendix: Detailed Calculation of Grants

Example Calculation for a Municipality with 15,000 People

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