

March 9, 2015

# **CITY OF NANAIMO DRAFT 2015 - 2019 FINANCIAL PLAN UPDATE**

Open Committee of the Whole  
2015-MAR-09  
Supplemental Presentation



# Financial Plan Review to date

- COW 2015-JAN-12
  - Discussion on early approval projects
- Council 2015-JAN-19
  - Completed discussion and approval of early approval projects
  - Budget Presentation and report to Council
- Special COW 2015-JAN-21
  - Council directed staff to identify reductions to attain 0% plus 1% for asset management
  - Council directed staff to delay fire plan implementation by one year

# Financial Plan Review to date

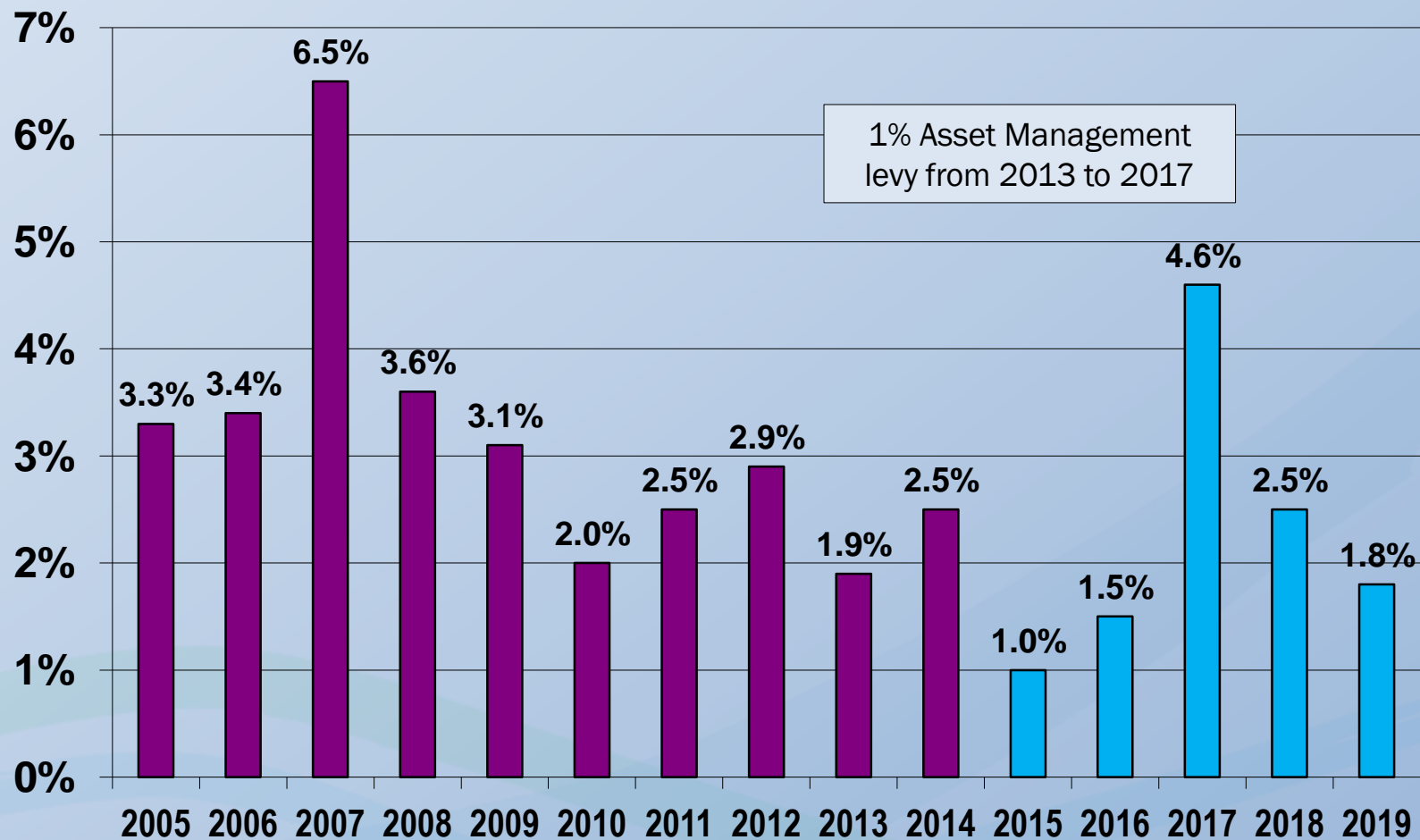
- Special COW 2015-JAN-30
  - Staff brought changes to reduce taxation funding by \$744,000 (i.e., tax increase for 2015 is now 1%)
  - Council directed staff to bring forward 2015 Financial Plan bylaw
- Council 2015-FEB-16
  - Council deferred discussion to 2015-FEB-23 (meeting cancelled)

# Property Tax Increases

	2015	2016	2017	2018	2019
2014-2018 Financial Plan	2.2%	2.2%	6.1%	0.1%	NA
2015-2019 First Draft	1.8%	3.0%	4.7%	2.1%	1.2%
2015-2019 Current version	1.0%	1.5%	4.6%	2.5%	1.8%

Includes Asset Management increases of 1% in 2015-2017

# Annual Tax Increases



Average of all property classes  
Municipal portion of taxes only

# 2015 Budget

## Effect on \$350,000 Home

Taxes	1.0%	\$20.78	Was \$37.40
(City of Nanaimo & VIRL taxes only)			
Water	7.5%	28.84	
Sewer	5.0%	5.35	
Garbage	-9.7%	<u>-10.75</u>	
Total increase =	1.7%	<u>\$ 44.22</u>	Was \$60.84

Based on Council direction 2015-JAN-30

# Commercial Tax

	2015	2016	2017	2018	2019
Current taxes All classes	1.0%	1.5%	4.6%	2.5%	1.8%
Freeze Commercial	1.4%	2.1%	6.4%	3.3%	2.4%

1% of Commercial Taxes = \$268,000



# What causes tax increase in 2015?

- Increase contribution to Asset Management Reserve (\$927k)
- VIRL requisition (\$206k = 5.6%)
- RCMP contract increases (\$543k)
- Wage increases (2% CUPE & Exempt, provision for IAFF)
- Less:
  - 3 Management positions eliminated (\$359k)
  - Reduced general revenue funding for projects (\$670k)
  - New Construction revenue (\$1.5m)
  - Changes made 2015-JAN-30 (\$744k)



# Changes not included in draft budget book

- Core Review (\$200k - \$50k in budget)
- WCB re-assessment (\$325k)
- Loaves & Fishes grant (\$275k over 2 years)
- Project adjustments (reduction of \$80k)
- Delete transfer to Housing Legacy for 2 years (\$165k per year)
- Additional new construction revenue (\$332.5k)
- Changes made 2015-JAN-21 and 2015-JAN-30
  - Deferral of Fire Plan
  - Delete 3 RCMP members (\$326k)
  - Reduced consulting, training, operating budgets (268k)
  - Removal of 3 projects (150k)

# Possible approaches for reducing property taxes

1. Add new revenues
2. Reduce base operating budgets
3. Eliminate or defer projects
4. Use additional reserves or surplus

# 1. New Revenues

- Real new revenues are rare (Casino, Fortis)
- Often achieved by increasing user fees
- Real new revenues can provide long term impacts on budget
- Option to review existing revenue sources – some may be identified in Core Review
- Not likely to have impact until 2016

## 2. Reduce Operating Budgets

- Examining what we do and how we do it is the essence of a Core Review.
- A detailed examination of base operating budgets with Council would be difficult to complete in the time available, will occupy significant staff and Council resources and likely delay the Core Review.
- Cannot achieve full savings in the first year.
- The only areas where service levels are increasing are Fire, Police and Water Treatment Plant.

# 3. Eliminate or Defer Projects

- Many projects are funded from other sources, so have no impact on taxation
- Less funding required from general taxation (spending on projects not causing tax increase)
  - Starting in 2015 - \$ from Asset Management Reserves used to fund many renewal projects
- Staff can provide Council with a prioritized list of projects at a working session

# Reviewing Projects

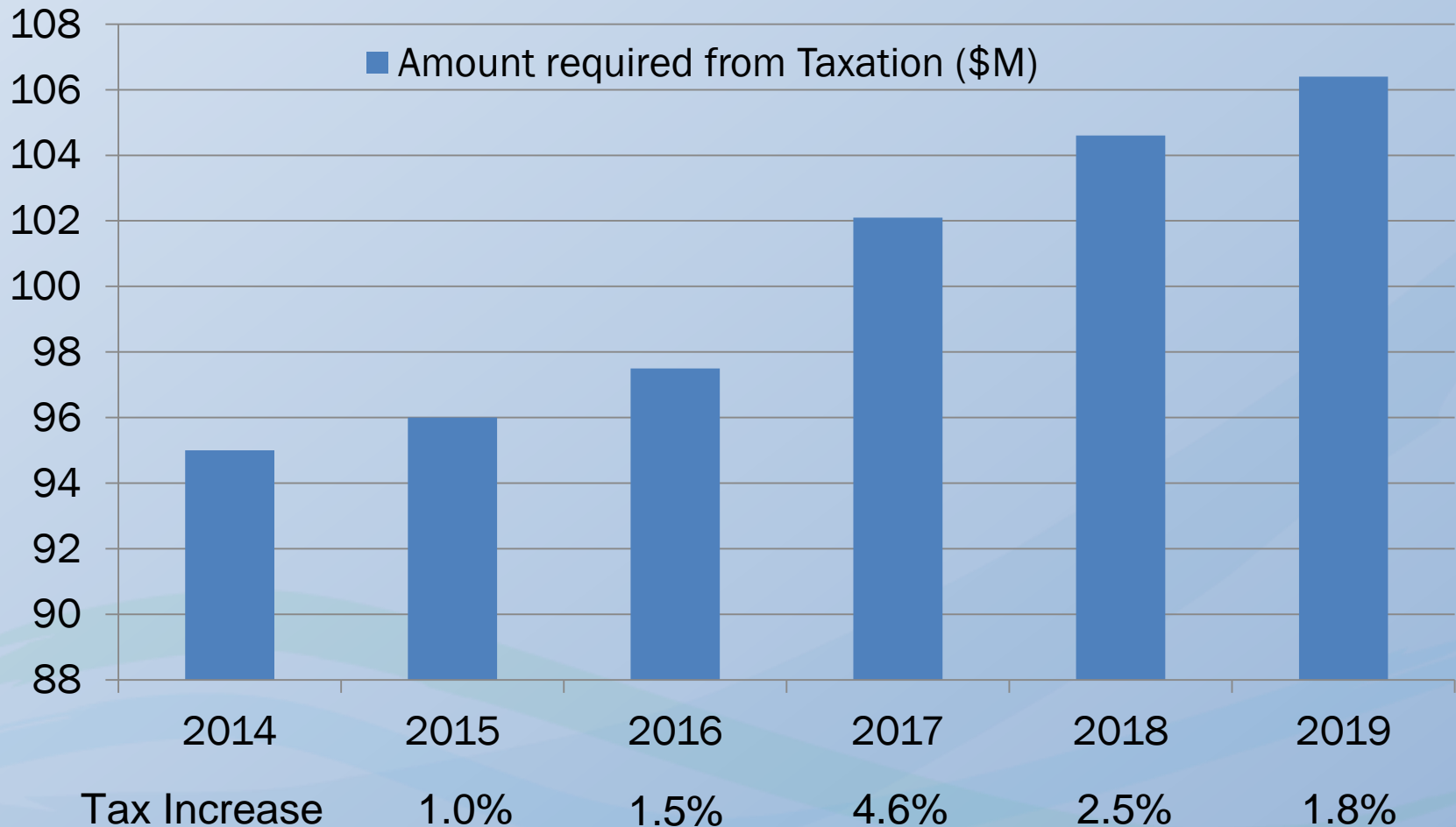
- Use Project Priority Ranking tool to identify if any projects can be eliminated/delayed
  - Can achieve full savings in first year
  - Need to identify consequences of cancelling/delaying project
  - Will put pressure on future year tax increases where projects are delayed

## 4. Use Additional Reserves or Surplus

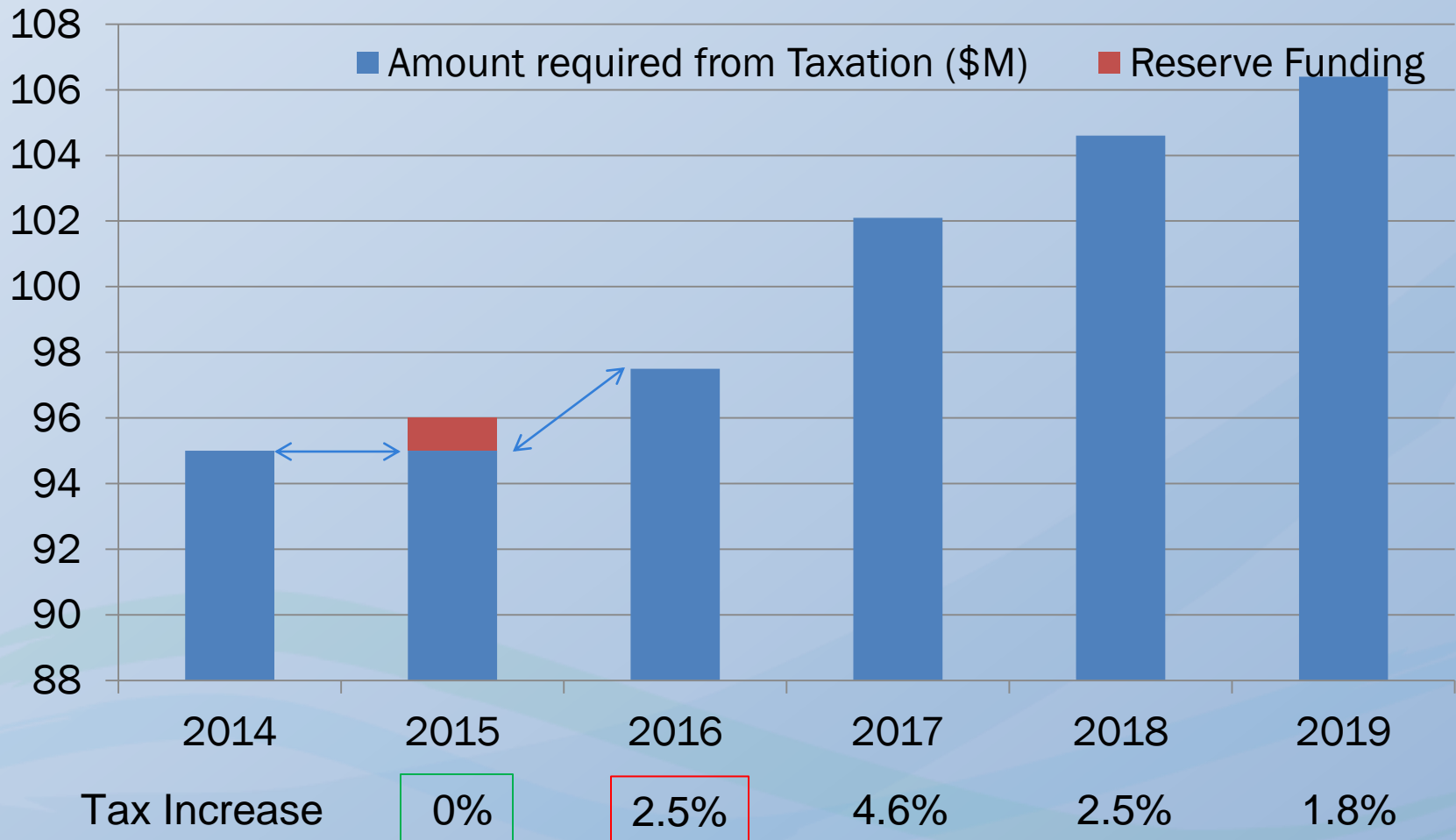
- Reserves are allocations of surplus
- Impacts of using reserves are short term unless the new source becomes permanent
- The Draft 2015-2019 Financial Plan already includes significant funding from reserves that reduce the need for property taxes by 4.4%:
  - \$3.2m from General Fund Asset Mgmt Reserve
  - \$1.0m from Facility Development Reserve Fund



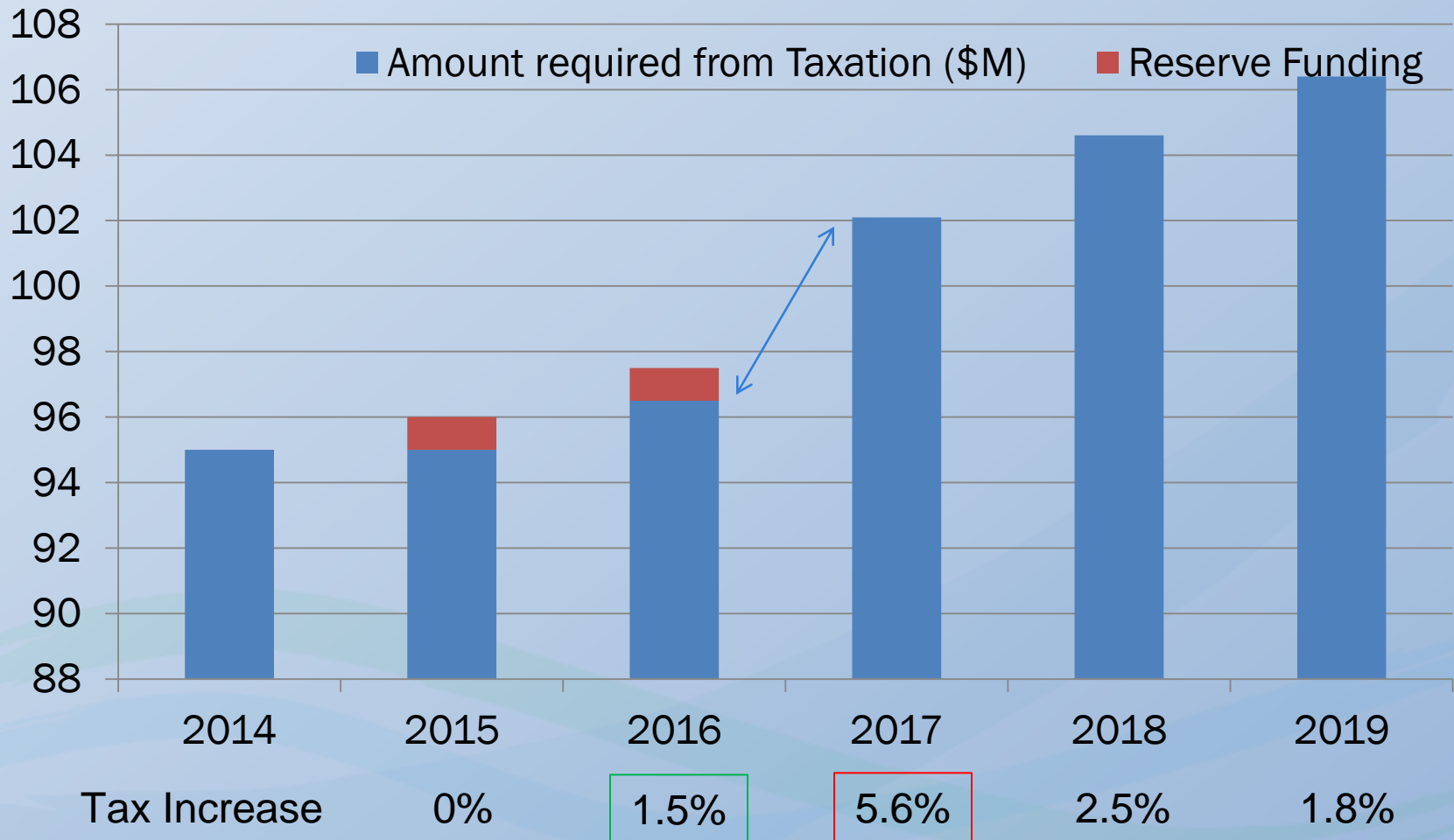
# Simplified Example



# Simplified Example - \$1M in 2015



# Simplified Example - +\$1M in 2016



# Use Additional Reserves or Surplus

- Costs for Colliery Dam remediation and contaminated sites are currently uncertain
- Until these costs are quantified, staff do not recommend using surplus or reserves to reduce property taxation

# Other comments

- While this represents current information, this is not the final budget. Expect new information (i.e., changes) prior to May 15.

# Funding requests not included in the draft Five Year Plan

- Additional annual funding for property acquisition (\$400k)
- Culture and Heritage projects (\$65k)
- Harewood Centennial Multi- Use Court (\$700k in 2015, \$1M in 2016)
- Additional Parking Meters (\$325k in 2015, \$450k in 2016)
- Transportation Improvements (\$485k in 2015, plus projects in 2016 – 2019)
- Request for Council to extend water & sewer low income subsidy to all home owners (\$ unknown)
- 3 RCMP members removed in 2015 (\$327k)

Webpage:

[www.nanaimo.ca/Residents  
Budgets and Financial Reports  
Budget Information](http://www.nanaimo.ca/Residents/Budgets%20and%20Financial%20Reports/Budget%20Information)

or

Phone: (250) 754-4251