

2019 – 2023 Draft Financial Plan Review



November 26, 2018

Proposed Timeline

- Operating Budget Review - November 26 & 27
 - Presentations by Directors on their 2019 Business Plans
- Project Budget Review – December 4
 - Asset Management Overview
 - Review of the City's 20 Year Investment Plan
 - Project Framework Update
 - Review of 2019 – 2023 Draft Project Plan
- E-Town Hall – December 10
- Final review and recommendations for 2019 – 2023 Financial Plan Bylaw
 - Referred to as the Provisional Five Year Financial Plan

Proposed Timeline

- Adoption of User Rate Bylaws – prior to December 31st
- Adoption of Provisional 2019 – 2023 Financial Plan Bylaw
- February – April 2019
 - Review and update Financial Plan for new information
- April 2019
 - Adoption of Annual 2019 – 2023 Financial Plan Bylaw
 - Adoption of 2019 Property Tax Rates Bylaw

Budget Process Overview

Planning Framework

The City's integrated planning framework is comprised of three separate but complementary planning processes. These processes support alignment and integration of resources and activities to achieve the strategic goals and priorities set by Council.



Three Main Components

| Operating Budgets | Projects | Business Cases |
|--|---|--|
| <ul style="list-style-type: none">• Sometimes referred to as 'base' budgets• Five year plans• Modified 'zero based' budgeting• Identify the annual budgets required to carry out the day to day delivery of City services/functions | <ul style="list-style-type: none">• Projects are classified as either operating or capital per City's Capital Expenditure Policy• Ten year plans• Informed by the City's asset management and 20 Year Infrastructure Plans• Identify budgets required to complete infrastructure renewal, increase infrastructure capacity required due to growth and implement Council's strategic priorities | <ul style="list-style-type: none">• Prepared by departments with support from Financial Planning• Support requests for new resources, new services or changes in current service delivery models• Must clearly articulate business issue, specific options and related impact on services and include both capital investment and annual operating costs• Must be endorsed by department's Director |

Informed by and consistent with corporate planning documents such as:

*The Official Community Plan, planNanaimo
Strategic Plan Update 2016 – 2019
Core Services Review (2016)
Transportation Master Plan (2014)*

*A Cultural Plan for a Creative Nanaimo (2014)
20 Year Investment Plan
Parks, Recreation and Culture Master Plan (2005)*

2019 – 2023 Budget Timelines

**Feb -
June**

- Departments prepare 10 year project plans

June

- June 15th – Deadline for scope sheets
- June 30th – Deadline for 10 year project plans

**June -
August**

- Departments prepare operating budgets and business cases

August

- August 17th – Deadline for operating budgets
- August 24th – Deadline for business cases

2019 – 2023 Budget Times

Sept

- Completion of budget preparation by Finance
- Review of business cases by Senior Leadership Team

Oct

- Preparation of budget reports
- Review by Senior Leadership Team

**Nov –
Dec**

- Budget workshops with Council
- Public consultation
- Provisional 2019 – 2023 Financial Plan approved by Council

Draft 2019 – 2023 Financial Plan

Projected Property Tax Increases & User Fees

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|--------------|--------------|--------------|--------------|--------------|
| General Asset Management Reserve | 1.00% | 1.00% | 1.00% | 1.00% | 0.00% |
| General Property Tax Increase | 4.03% | 2.38% | 1.48% | 1.59% | 1.44% |
| Draft 2019 - 2023 Financial Plan | 5.03% | 3.38% | 2.48% | 2.59% | 1.44% |

The approved annual 1% property tax increase for contribution to the General Asset Management Reserve currently ends in 2022

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------|-------|-------|-------|-------|-------|
| Sanitary Sewer User Fee Increase | 4.00% | 4.00% | 4.00% | 4.00% | 0.00% |
| Water User Fee Increase | 7.50% | 7.50% | 5.00% | 5.00% | 5.00% |

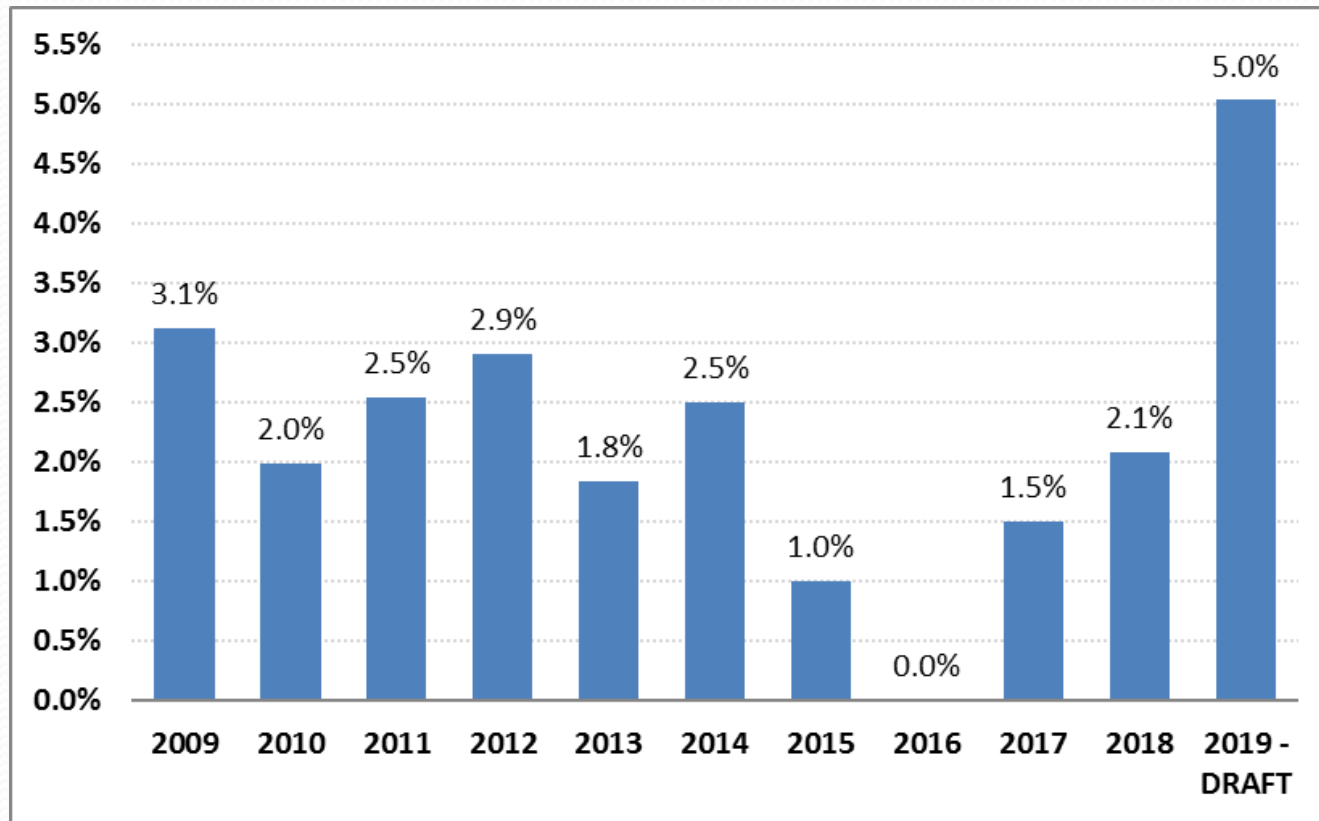
2.5% annual increase for asset management for Water currently ends in 2020 and the 4% annual increase for asset management for Sewer currently ends in 2022

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|--------|--------|--------|--------|--------|
| Sanitation User Fees | \$ 170 | \$ 170 | \$ 170 | \$ 175 | \$ 179 |

Property Tax History

2009 – 2014: Phased reduction of industrial tax rates to same level as commercial

2013: Implementation of 1% annual increase for General Asset Management Reserve extended in 2017 to 2022



10 Year Avg (2009- 2018) – 1.9%

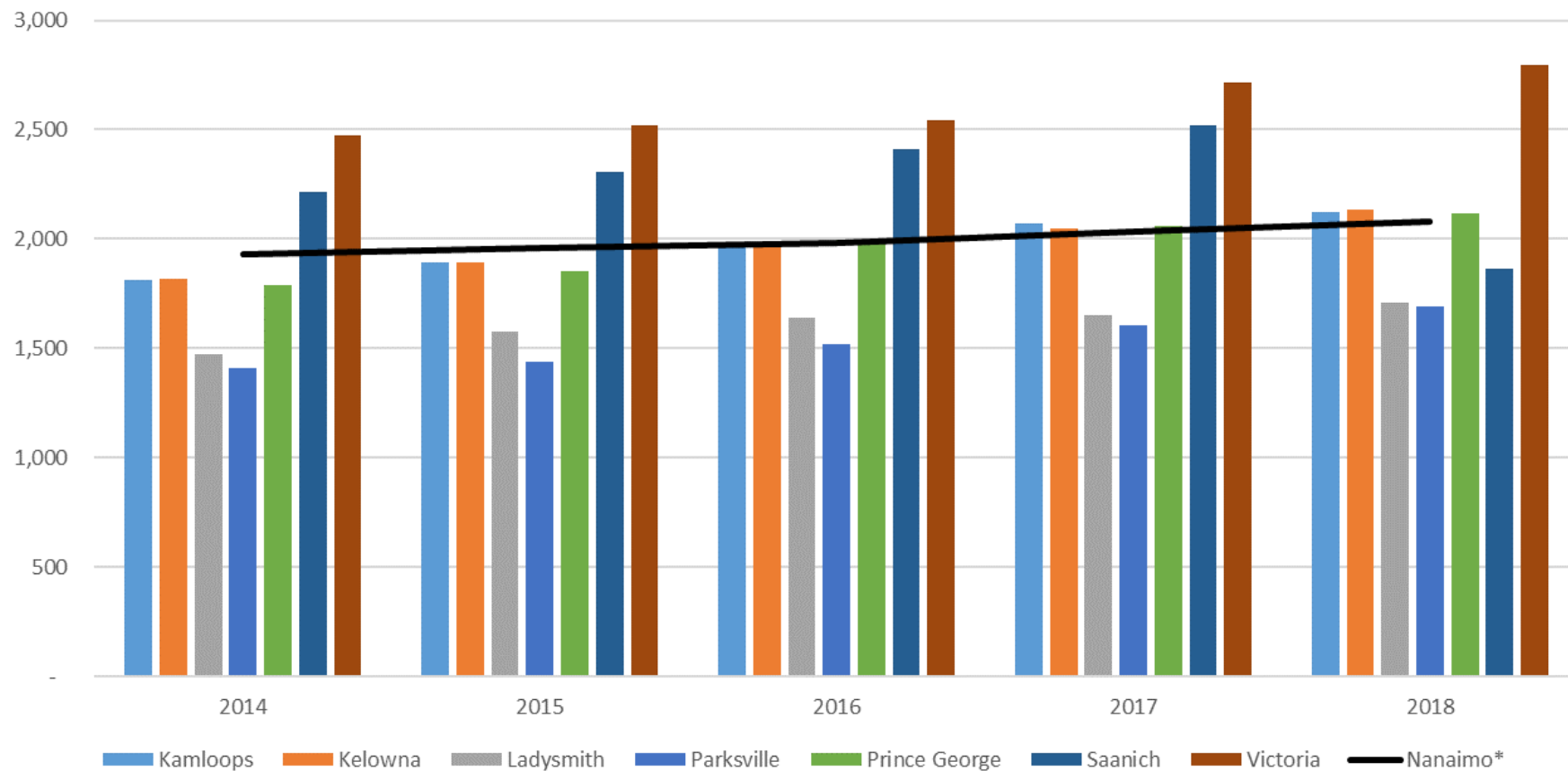
2015 – 2018 Avg – 1.1%

Municipal Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Kamloops | 1,812 | 1,894 | 1,970 | 2,073 | 2,121 |
| Kelowna | 1,818 | 1,894 | 1,977 | 2,050 | 2,136 |
| Ladysmith | 1,471 | 1,578 | 1,638 | 1,653 | 1,708 |
| Nanaimo* | 1,931 | 1,961 | 1,982 | 2,037 | 2,081 |
| Parksville | 1,413 | 1,439 | 1,517 | 1,608 | 1,693 |
| Prince George | 1,792 | 1,853 | 1,979 | 2,059 | 2,116 |
| Saanich | 2,215 | 2,305 | 2,409 | 2,521 | 1,863 |
| Victoria | 2,472 | 2,518 | 2,544 | 2,715 | 2,795 |

* Includes Vancouver Island Regional Library (VIRL), since 2016 the City of Nanaimo has considered VIRL as a collection for other governments
Source - BC Stats: 704 Taxes & Charges on a Representative House

Municipal Comparison



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Typical Home

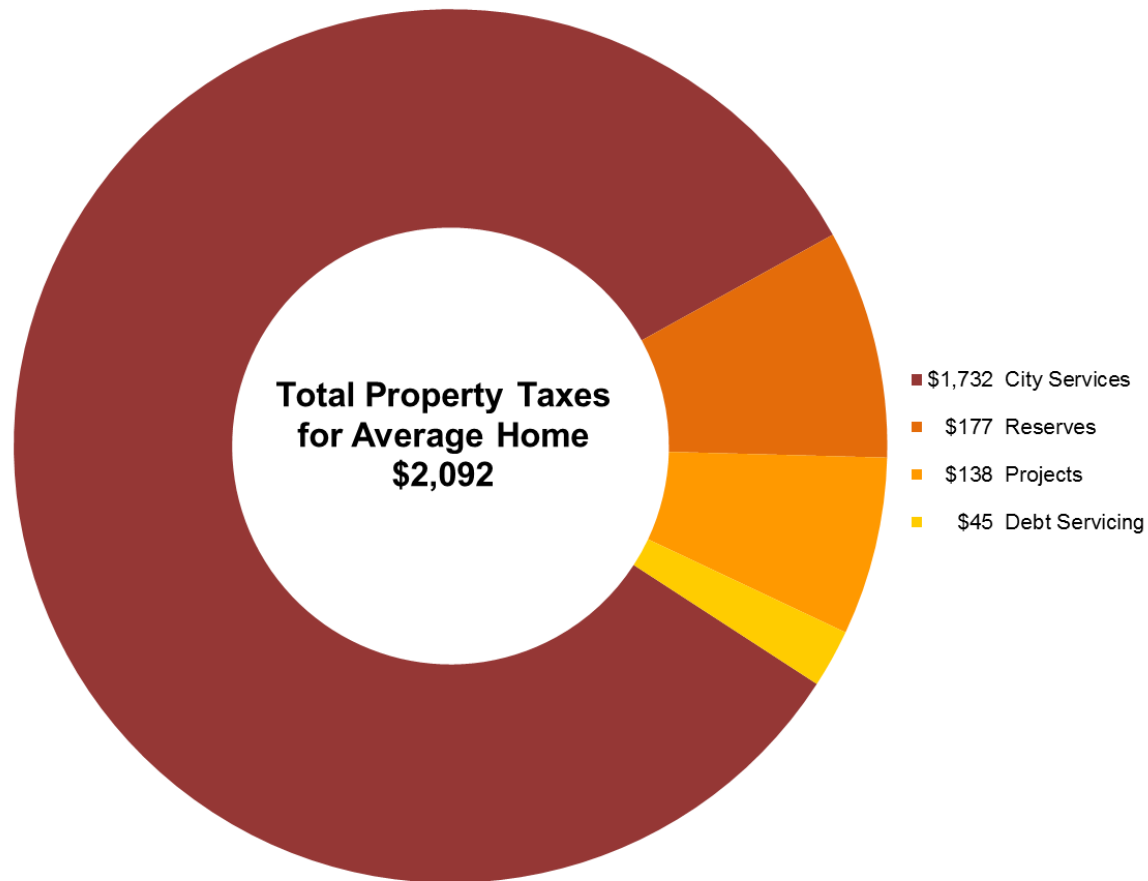
excludes property taxes collected for
the RDN, School District, Hospital and
Vancouver Island Regional Library

Impact on a Typical Home

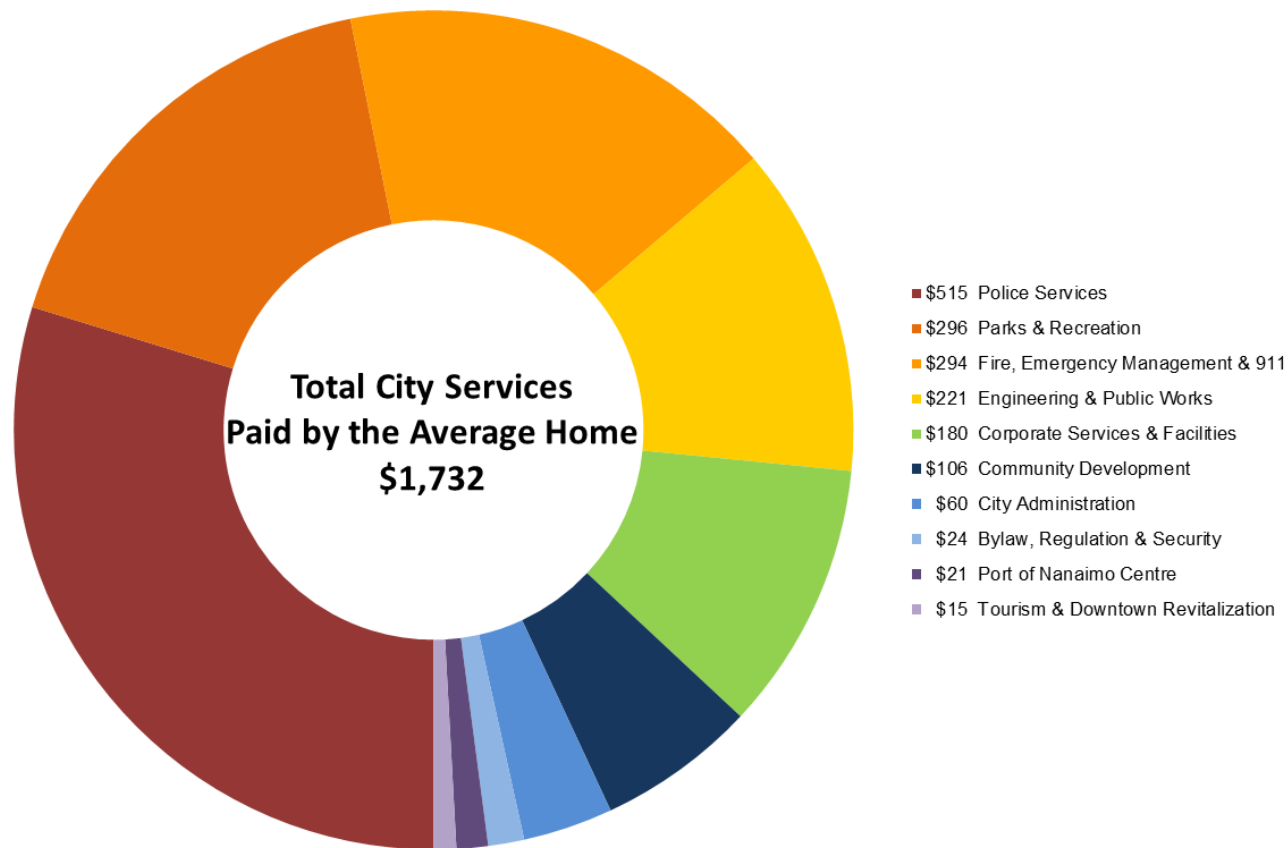
| | 2018 | 2019 | \$ Change | % |
|---|----------------|----------------|--------------|--------------|
| Property Taxes | \$1,991 | \$2,092 | \$100 | 5.03% |
| Municipal User Fees | | | | |
| Water Fees | 514 | 552 | 39 | 7.50% |
| Sewer Fees | 130 | 135 | 5 | 4.00% |
| Sanitation Fees | 165 | 170 | 5 | 3.03% |
| Total Municipal Taxes & User | \$2,800 | \$2,949 | \$149 | 5.33% |

Based on \$464,403 assessed value (2018 average per BC Assessment)

Total Property Taxes for Average Home



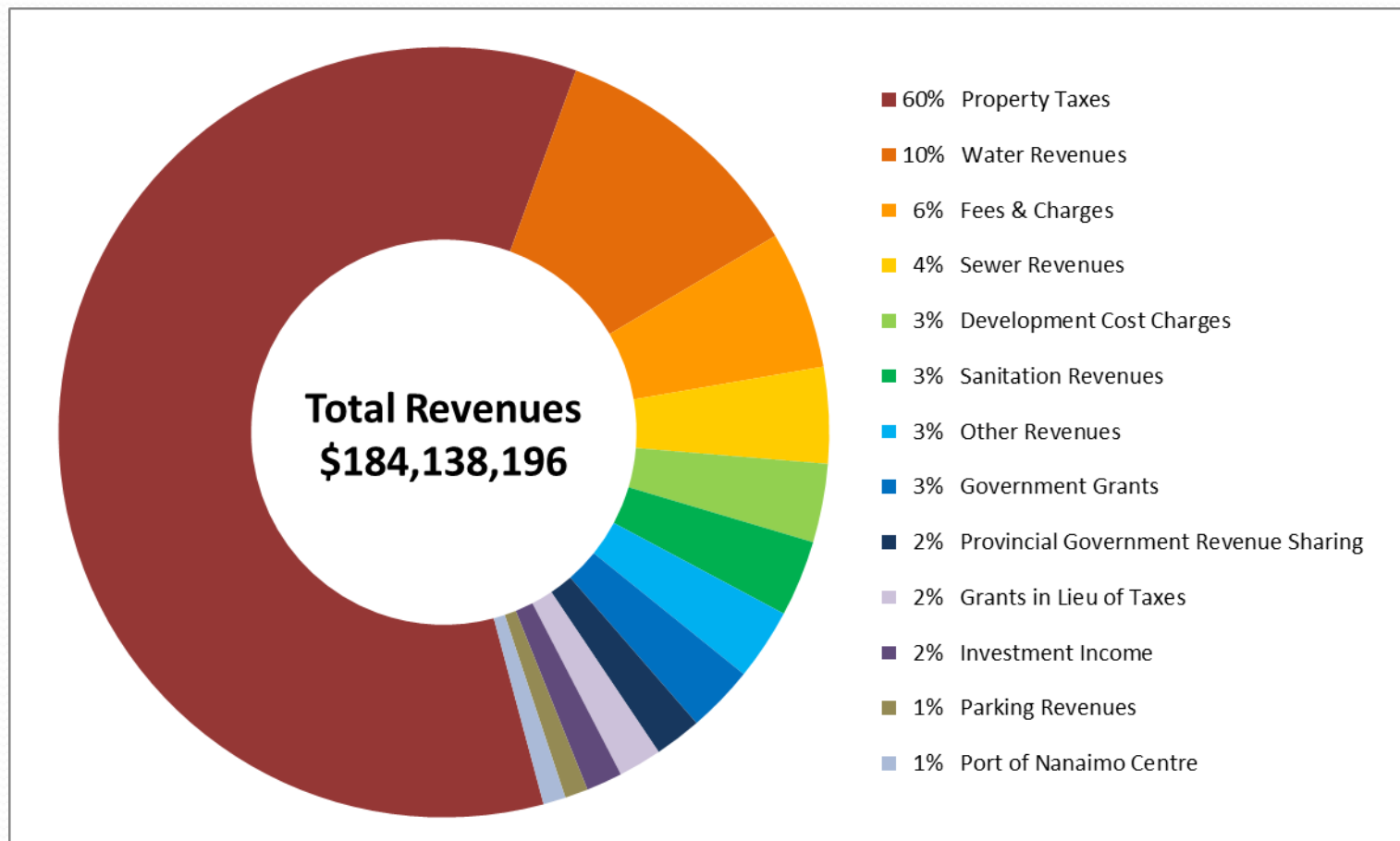
Total City Services Paid by Average Home



Financial Summary

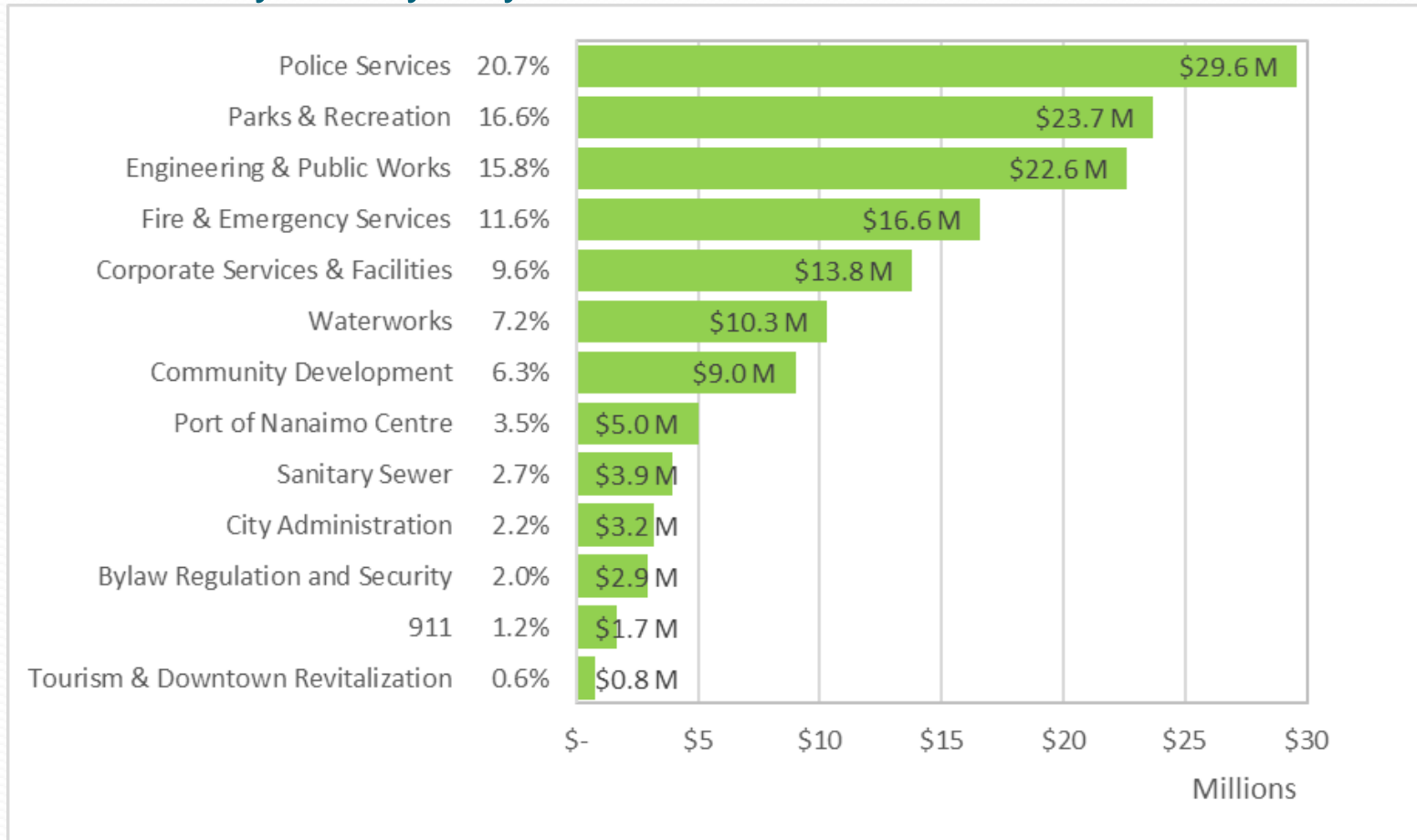
2019 Revenues

\$184 million provides funding for annual operating and maintenance, projects and contributions to infrastructure renewal reserves



2019 Operating Budget

\$143 M will be spent for annual operating and maintenance resources that deliver day-to-day City Services.



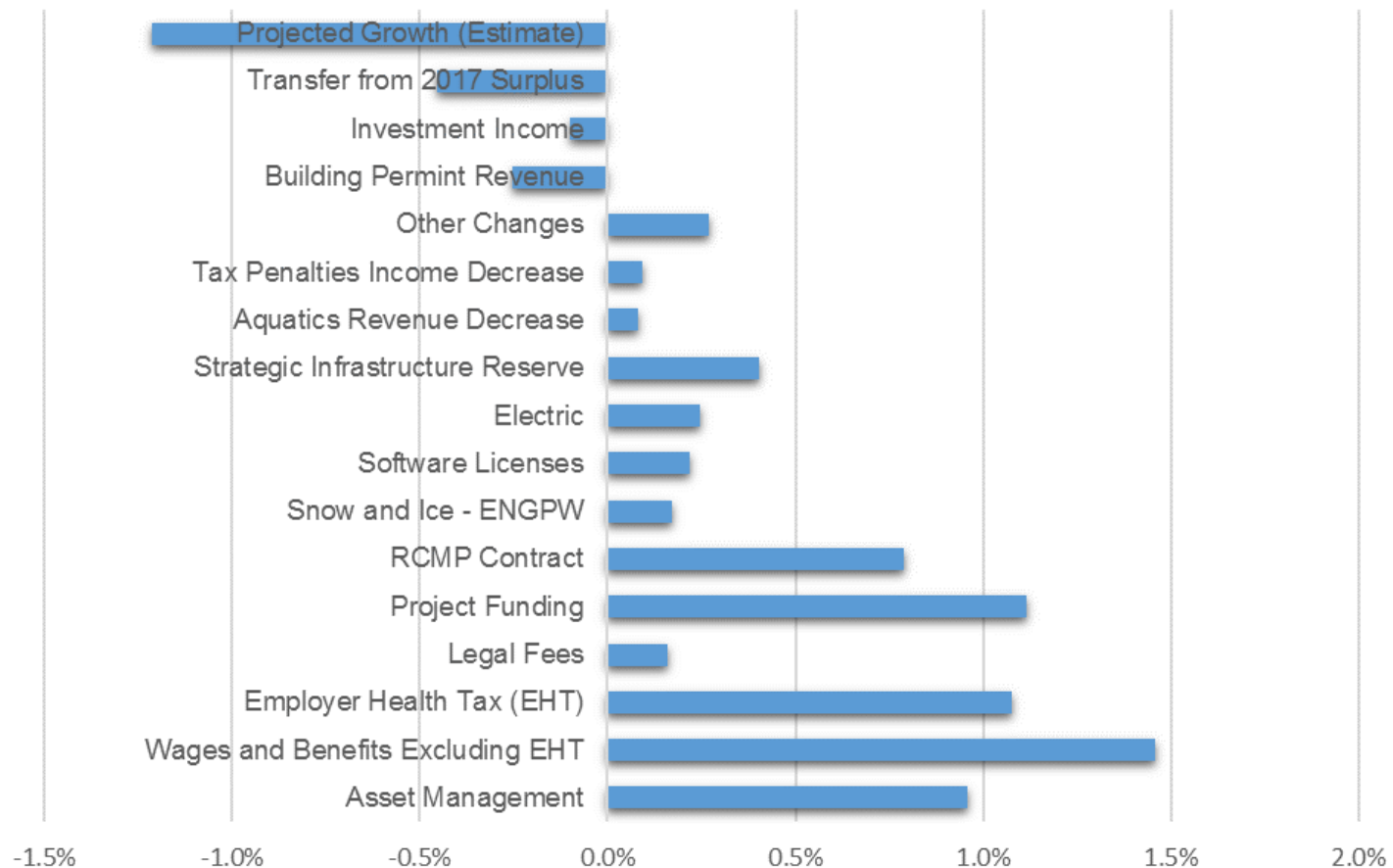
2019 Key Budget Drivers – General

| | | DRAFT |
|--|------------------|--------------------|
| Expenditure Increases/(Decreases) | | |
| Asset Management | | \$ 948,000 |
| Operating Expenditures | | |
| Wages and Benefits excluding EHT | \$ 1,445,000 | |
| Employer Health Tax (EHT) | <u>1,064,000</u> | |
| | | 2,509,000 |
| Legal Fees | | 160,000 |
| Project Expenditures | | |
| Annual general revenue funding | | 1,105,000 |
| RCMP Contract (budgeted at 92%) | | 783,000 |
| Snow and Ice Control - ENGPW (portion funded from surplus in 2018) | | 170,000 |
| Software Licenses | | 218,000 |
| Electric | | |
| Street Lights | \$ 153,000 | |
| Other | <u>90,000</u> | |
| | | 243,000 |
| Strategic Infrastructure Reserve | | <u>400,000</u> |
| Subtotal Expenditure Increases | | \$6,536,000 |

2019 Key Budget Drivers – General

| | | DRAFT |
|---|---------------|---------------------|
| Revenue (Increases)/Decreases | | |
| Aquatics Revenue - Beban/NAC | | \$ 81,000 |
| Building Permit Revenue | | (250,000) |
| Investment Income | | (100,000) |
| Tax Penalties | | 92,000 |
| Tsf from Surplus | | |
| 2017 Surplus Allocated to EHT | \$ (500,000) | |
| 2017 Surplus Allocated to General Expenditures | <u>50,000</u> | |
| | | <u>(450,000)</u> |
| Subtotal Revenue Increases | | \$ (627,000) |
| Other Changes | | \$ 268,000 |
| Net Expenditure Increases before Growth | | \$6,177,000 |
| Less Increased Property Tax Revenues due to Growth - Estimate | | 1,200,000 |
| Net Expenditures Increase | | \$4,977,000 |

2019 Key Budget Drivers – General



Staff Changes Highlights

| Positions Added: | Projected Impact to Property Taxes |
|--|--|
| City Administration | |
| Manager, Communications | 0.14% |
| Public Safety | |
| Bylaw Enforcement Officer – Parking Patroller (Hospital Area Parking Strategy) | 0.03% for vehicle for position, position to be funded from parking |
| Bylaw Enforcement Officer – Parking Patroller (CPSO Office) | 0.09% |
| Community Development | |
| Administrative Support | 0.08% |
| Engineering and Public Works | |
| Parking and Street Use Coordinator | 0.11% |
| Public Works Clerk/Dispatcher | 0.08% (24% of position funded from sewer and water) |
| Parks and Recreations | |
| Special Events Coordinator | 0.10% |

Other changes:

Additional 2,184 hrs annually for Arena Maintenance Workers to meet new Technical Safety BC requirements
Planning Co-op Student (4 months)

RCMP Contract

Add 15 new members, 3 per year, over a 5 year period 2020 - 2024

City's Share of Contract - 90% - no new members
City's Share of Contract - 90% - additional members
Contract Increase

| 2019 | 2020 | 2021 | 2022 | 2023 |
|------------|------------|------------|------------|------------|
| 25,559,593 | 26,488,346 | 27,223,148 | 27,920,884 | 28,640,131 |
| 25,559,593 | 26,928,090 | 28,273,940 | 29,615,520 | 31,009,389 |
| - | 439,744 | 1,050,792 | 1,694,636 | 2,369,258 |

Budget Impact*

Projected annual budget - no new members
Projected annual budget - additional members
Budget Increase

| 2019 | 2020 | 2021 | 2022 | 2023 |
|------------|------------|------------|------------|------------|
| 23,514,826 | 24,634,162 | 25,317,528 | 25,966,422 | 26,635,322 |
| 23,514,826 | 25,043,124 | 26,294,764 | 27,542,434 | 28,838,732 |
| - | 408,962 | 977,236 | 1,576,012 | 2,203,410 |

* City budgets at less than 100% of contract due to vacancies



Debt

Debt - Outstanding Debt at Dec 31, 2017-\$42.3 M

2018 New Debt

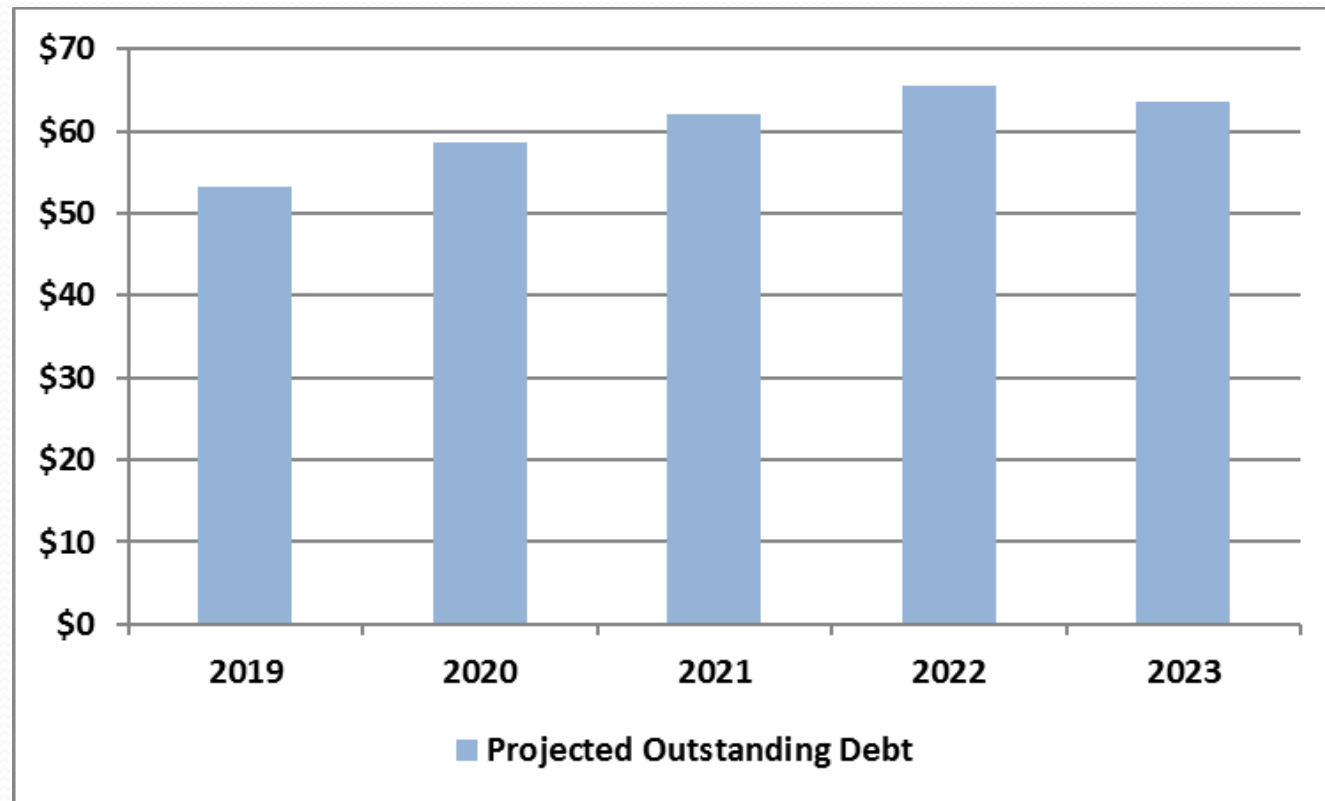
| | Amount | Term |
|---|--------------------|----------|
| External Borrowing (MFA) | | |
| Fire Station #1 | \$3,235,354 | 20 Years |
| Sanitation – Trucks and Carts | \$4,195,967 | 5 Years |
| Total External Borrowing | \$7,431,321 | |
| Internal Borrowing | | |
| DCC SS45: Chase River Pump Station & Forcemain* | \$4,915,000 | 20 Years |
| | | |

* Budgeted amount – project will not be completed by year-end. Remaining budget will be carried forward to 2019

New Debt: 2019 – 2023 Financial Plan

| | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| External Borrowing (MFA) | | | | | | |
| Fire Station #1 | \$ 6,000,000 | \$ 7,200,000 | \$ 240,269 | | | \$13,440,269 |
| Waterfront Walkway | \$ 5,241,660 | \$ 3,350,000 | \$ 8,300,000 | \$ 8,500,000 | \$ 3,675,000 | \$29,066,660 |
| Sanitation (5 Year Term) | \$ 432,396 | | | \$ 458,863 | | \$ 891,259 |
| Total External Borrowing | | | | | | \$43,398,188 |
| Internal Borrowing | | | | | | |
| Sewer DCC Projects | | \$ 1,740,500 | \$ 908,600 | \$ 2,008,300 | \$ 2,779,560 | \$ 7,436,960 |
| Total Borrowing | \$11,674,056 | \$12,290,500 | \$ 9,448,869 | \$10,967,163 | \$ 6,454,560 | \$50,835,148 |

Projected Outstanding Debt (\$ millions)



10 year project plan includes additional \$13.95 million in borrowing between 2024 – 2026 for Waterfront Walkway

Debt Servicing Limit

- The Liability Servicing Limit is defined as 25% of municipality's controllable and sustainable revenues for the year
- City of Nanaimo current limit at September 10th is \$40.13 M for annual principle and interest payments
- At September 10th the City was at 14.3% of current limit

Municipal Comparison

| | Debt Servicing Limits | | | | |
|----------------------|-----------------------|------------|------------|------------|------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Kamloops | 38,303,053 | 39,782,700 | 40,479,526 | 42,257,694 | 44,590,765 |
| Kelowna | 58,381,705 | 59,528,563 | 62,523,323 | 65,056,358 | 70,309,126 |
| Ladysmith | 2,853,888 | 2,973,984 | 3,186,999 | 3,375,160 | 3,588,988 |
| Nanaimo | 34,741,218 | 35,461,057 | 37,733,162 | 38,379,597 | 40,133,329 |
| Parksville | 4,474,316 | 4,586,314 | 4,719,654 | 5,074,924 | 5,306,651 |
| Prince George | 35,921,387 | 38,012,435 | 40,204,075 | 41,228,230 | 41,257,408 |
| Saanich | 40,572,651 | 42,379,316 | 44,752,096 | 46,593,964 | 48,279,619 |
| Victoria | 49,332,075 | 50,940,849 | 52,598,039 | 54,727,929 | 57,248,034 |

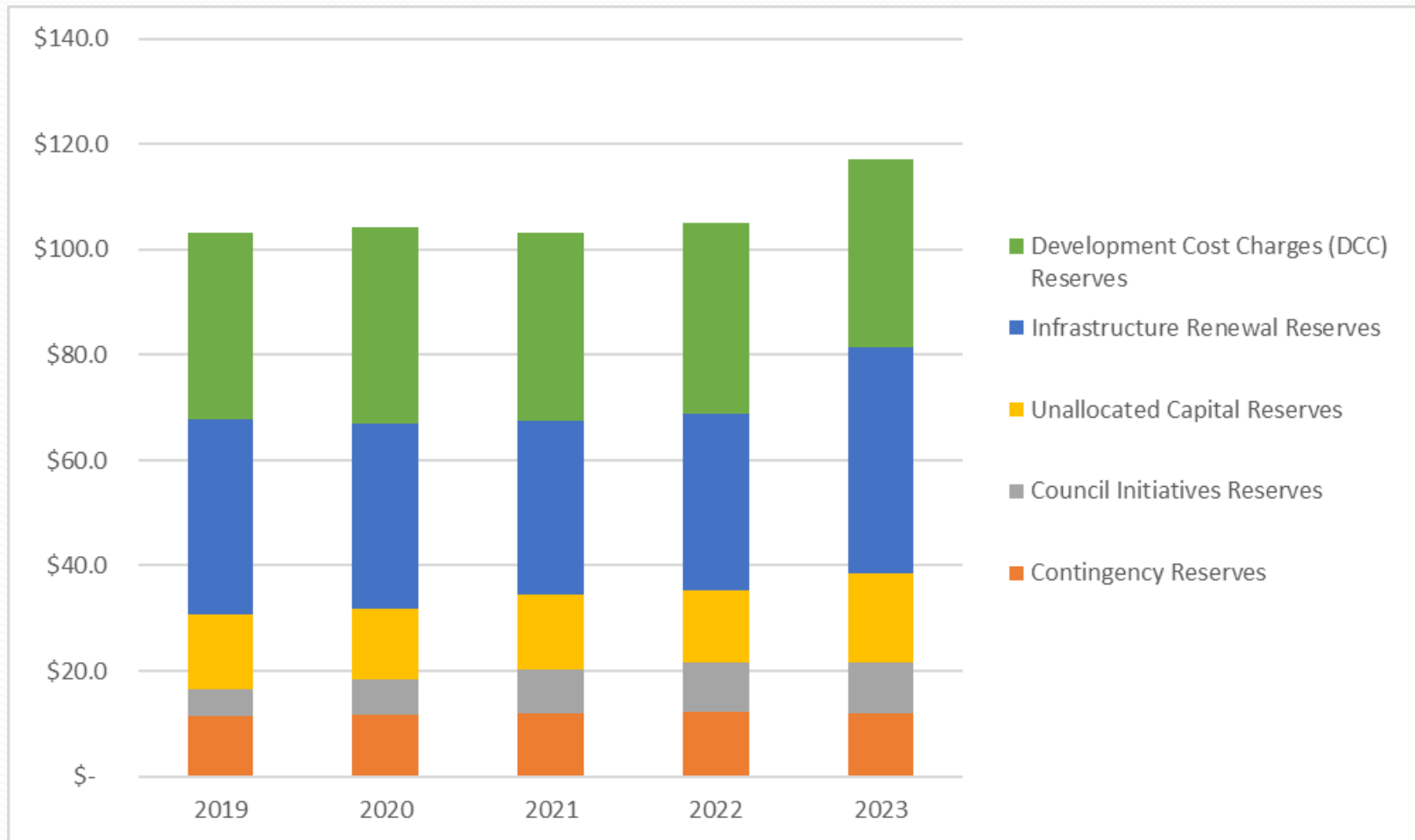
| | Debt Servicing Cost % of limit | | | | |
|----------------------|--------------------------------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Kamloops | 30.5% | 28.4% | 29.5% | 28.4% | 29.0% |
| Kelowna | 38.1% | 34.7% | 27.2% | 34.9% | 34.6% |
| Ladysmith | 17.1% | 16.7% | 16.5% | 20.1% | 44.8% |
| Nanaimo | 9.9% | 12.7% | 13.1% | 14.8% | 11.1% |
| Parksville | 9.7% | 9.6% | 9.4% | 8.7% | 8.1% |
| Prince George | 43.5% | 38.6% | 37.3% | 43.5% | 32.2% |
| Saanich | 8.0% | 8.7% | 7.4% | 6.6% | 7.6% |
| Victoria | 11.1% | 10.9% | 11.2% | 9.4% | 9.3% |

Reserves

Reserves

- Operating Reserves
 - Provide funds for contingency, future infrastructure and strategic investment
 - Contributions – annual contributions and allocations of prior years surplus
 - Operating reserves include:
 - Contingency reserves
 - Council strategic priority reserves
 - Capital and infrastructure reserves
- Statutory Reserves
 - Authorized by the *Community Charter* and/or City Bylaws
 - Contributions – annual allocations and development cost charges
 - Can only be used as authorized by the *Community Charter* and the related Council bylaw.

Reserves Summary (\$ millions)





Questions?

Projected Property Tax Increases

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|--------------|--------------|--------------|--------------|--------------|
| General Asset Management Reserve | 1.00% | 1.00% | 1.00% | 1.00% | 0.00% |
| General Property Tax Increase | 4.03% | 2.38% | 1.48% | 1.59% | 1.44% |
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| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------|--------------|--------------|--------------|--------------|
| General Asset Management Reserve | 1.00% | 1.00% | 1.00% | 1.00% | 0.00% |
| General Property Tax Increase | 4.41% | 2.37% | 1.47% | 1.59% | 1.44% |
| Revised Draft 2019 - 2023 Financial Plan* | 5.41% | 3.37% | 2.47% | 2.59% | 1.44% |

The approved annual 1% property tax increase for contribution to the General Asset Management Reserve currently ends in 2022

*Reflects additional information received after completion of Draft Financial Plan including benefit changes (pension, CPP, EI, WorkSafe)