

DATE OF MEETING April 19, 2017

AUTHORED BY VICTOR MEMA, CHIEF FINANCIAL OFFICER,
DEBORAH DUNCAN, DEPUTY DIRECTOR, FINANCIAL SERVICES

SUBJECT **2017 – 2021 FINANCIAL PLAN UPDATE**

OVERVIEW

Purpose of Report

To update the Finance and Audit Committee on key changes in the 2017 – 2021 Financial Plan.

Recommendation

That the 2017 – 2021 Financial Plan Update report dated 2017-APR-19 be received for information.

DISCUSSION

Further to direction received at the 2017-APR-12 Finance and Audit Committee meeting, the 2017 – 2021 Financial Plan has been updated with the following changes:

- Delay implementation of the proposed Debt Stabilization Reserve. The creation of a Debt Stabilization Reserve will be considered during development and review of a Reserve and Reserve Fund Policy later in 2017.
- The annual decrease in repayment costs for Port of Nanaimo Centre debt and general reserves will offset budget increases including SNIC.

Key 2017 Budget Drivers

Final changes have now been updated to the 2017 – 2021 Financial Plan for Council's consideration. These changes reflect the impact of the recent severe winter, lower growth and other new information.

The 2017 key budget drivers include changes in expenditure and revenue budgets:

- \$1.0 million expenditure increase for contribution to General Asset Management Reserve
- \$1.3 million expenditure increase for wages and two new positions
- \$349,000 expenditure increase for RCMP contract
- \$393,000 expenditure increase for snow and ice control budgets
- \$288,000 expenditure increase for road repair budgets
- \$115,000 expenditure decrease for downtown grant
- \$128,000 net expenditure decrease for the Vancouver Island Conference Centre
- \$274,000 expenditure decrease for Economic Development and Tourism pending completion of organizational/service delivery restructuring
- \$637,000 expenditure decrease for debt repayment re Port of Nanaimo Centre
- \$600,000 funding change for annual Property Acquisition allocation from general revenues to Strategic Infrastructure Reserve
- \$75,000 revenue decrease for investment income

- \$200,000 revenue decrease due to elimination of prior year surplus funding
- \$1.3 million revenue decrease due to transition of Casino and Fortis revenues to new reserve for strategic projects
- \$1.5 million increased property tax revenues due to growth
- \$294,000 increased Grants in Lieu revenues

t expenditure increase is \$1.4 million.

As previously reported in the Staff Report dated 2016-DEC-19, user fee increases are:

- 5% sewer user fee increase for contribution to Sewer Asset Management Reserve;
- 7.5% water user fee increase that includes a 5% increase for contribution to Water Asset Management Reserve; and,
- 2% solid waste collection user fee increase pending implementation of automation service delivery.

A summary of the projected property tax increases is provided below.

	2017	2018	2019	2020	2021
2016 - 2020 Financial Plan	2.8%	1.8%	0.7%	1.0%	
Draft 2017 - 2021 Financial Plan	2.4%	1.0%	0.9%	1.0%	0.5%
Provisional 2017 - 2021 Financial Plan	1.5%	1.6%	1.9%	1.5%	0.4%
Annual 2017 - 2021 Financial Plan	1.5%	2.1%	2.5%	2.4%	1.5%

The property tax increases include 1% for increased annual contribution to the General Asset Management Reserve Fund for all five years, and the impact of transitioning revenues to the Strategic Infrastructure Reserve for years 2017 to 2020.

These increases do not include the impact of increased requisitions or levies from the Vancouver Island Regional Library, the Regional District of Nanaimo, School District 68, Island Health Authority, Municipal Finance Authority and BC Assessment.

SUMMARY POINTS

- Provide updated information on the 2017 – 2021 Financial Plan for Council's review and direction.
- Provide information on proposed Debt Stabilization Reserve.
- The property tax increase for 2017 is 1.5% which includes a 1% increase for contribution to the General Asset Management Reserve.
- User fee increases for 2017 are: 5% for sewer, 7.5% for water and 2% for solid waste collection.
- The 2017 – 2021 Financial Plan bylaw amendment and the 2017 Property Tax Rates bylaw will be presented to Council at the 2017-APR-24 Council meeting for review and approval.
- Establish a Reserve and Reserve Fund Policy in 2017 to provide guidance with respect to the development, maintenance and use of City Reserve Funds to support the City's long term financial sustainability.

Submitted by:

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Deborah Duncan
Deputy Director, Financial Services

Concurrence by:

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Victor Mema
Chief Financial Officer