

Staff Report for Decision

DATE OF MEETING MAY 4, 2020

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SUBJECT **2020 – 2024 Financial Plan Options**

OVERVIEW

Purpose of Report

To receive direction from Council on the Final 2020 – 2024 Financial Plan. |

Recommendation

That Council direct Staff to prepare the “Financial Plan Amendment Bylaw 2020 No. 7307.01” based on the current Final 2020 – 2024 Financial Plan, Option #1.

BACKGROUND

Council at the 2020-JAN-13 Council Meeting adopted the Provisional 2020 – 2024 Financial Plan Bylaw “Financial Plan Bylaw 2019 No. 7307”. The Financial Plan reflected decisions made by Council during the budget review process in 2019. The projected property tax increases in the Provisional 2020 – 2024 Financial Plan were:

	2020	2021	2022	2023	2024
General Asset Management Reserve	1.0%	1.0%	1.0%	0.0%	0.0%
General Property Tax Increase	4.2%	1.9%	2.4%	1.9%	1.8%
Total Municipal Taxes	5.2%	2.9%	3.4%	1.9%	1.8%

The 1% annual increase for the General Asset Management Reserve is currently scheduled to end in 2022. Staff intend to bring forward recommendations regarding increased funding for the General Asset Management Reserve prior the end of the annual increase.

At the 2020-APR-20, Special Council Meeting staff provided Council with an update on the projected property tax increase and provide alternative options.

A Final 2020 – 2024 Financial Plan Bylaw and a Property Tax Rates Bylaw must be adopted by 2020-MAY-15 to enable the calculation and collection of 2020 property taxes. |

DISCUSSION

The Final 2020 – 2024 Financial Plan is informed by policies and plans endorsed by Council including the *2019 – 2022 Strategic Plan*, the *Official Community Plan (OCP)* and the *20 Year Investment Plan* and supports 2020 Departmental Business Plans. Given the unforeseen impact

of the COVID-19 pandemic staff have provided two alternatives for Council's consideration and would recommend option 2 over option 3.

In considering the options a number of factors must be taken into consideration including:

- The extent of the economic impact of COVID-19 is uncertain. The three options provided reflect revenue and expenditure projections prior to the declaration of a Provincial Health Emergency.
- 2021 – 2024 property tax increases are a projection. They may increase or decrease as the 2021 Budget and 2021 – 2025 Financial Plan are developed. The City uses modified zero-based budgeting to update the Financial Plan each budget cycle.
- Revenue and growth projections for 2021 will be updated as part of the upcoming budget cycle. Economic conditions may require projections to be lowered. This will increase the tax rate in 2021 beyond the projected rate unless corresponding expenditure reductions are also implemented. To reduce expenditures, changes to service levels would likely need to be considered.
- At the 2020-MAR-18, Special Council Meeting, Council approved Staff's recommendation to allocate \$2,955,073 of the 2019 General Surplus to the Special Initiatives Reserve to allow Council maximum flexibility in accessing these funds for the best use.
- Any funding used from the General Financial Stability Reserve must be repaid within a reasonable timeframe.
- One time funding to reduce property taxes results in an increase to the tax rate in year 2.

Option #1 – Approve 2020 – 2024 Financial Plan as Presented

Approve the 2020 – 2024 Financial Plan as presented 2020-APR-20.

Projected Property Tax Increases:

	2020	2021	2022	2023	2024
General Asset Management Reserve	1.0%	1.0%	1.0%	0.0%	0.0%
General Property Tax Increase	3.5%	2.0%	2.4%	1.9%	1.8%
Total Municipal Taxes	4.5%	3.0%	3.4%	1.9%	1.8%

Impact on Typical Home

	2019	2020	\$ Change	% Change
Assessment - Average Home	\$518,384	\$527,145	\$8,761	1.7%
Property Taxes	\$2,110	\$2,205	\$95	4.5%
Municipal User Fees				
Water Fees	552	594	42	7.5%
Sewer Fees	135	141	6	4.0%
Sanitation Fees	170	171	1	0.6%
Total Municipal Taxes & User Fees	\$2,967	\$3,111	\$144	4.8%

Rounded to nearest dollar

Assumes a typical single family house with average assessment change of 1.69%

Option #2 – Smooth Property Tax Increase between 2020 and 2021

Allocate \$830,000 from the Special Initiatives Reserve to reduce 2020 property taxes by smoothing the 2020/2021 increases.

Projected Property Tax Increases:

	2020	2021	2022	2023	2024
General Asset Management Reserve	1.0%	1.0%	1.0%	0.0%	0.0%
General Property Tax Increase	2.8%	2.8%	2.4%	1.9%	1.8%
Total Municipal Taxes	3.8%	3.8%	3.4%	1.9%	1.8%

Impact on Typical Home

	2019	2020	\$ Change	% Change
Assessment - Average Home	\$518,384	\$527,145	\$8,761	1.7%
Property Taxes	\$2,110	\$2,189	\$79	3.8%
Municipal User Fees				
Water Fees	552	594	42	7.5%
Sewer Fees	135	141	6	4.0%
Sanitation Fees	170	171	1	0.6%
Total Municipal Taxes & User Fees	\$2,967	\$3,095	\$128	4.3%

Rounded to nearest dollar

Assumes a typical single family house with average assessment change of 1.69%

Option #3 – No General Property Tax Increase, Property Tax Increase for General Asset Management Reserve Only

Allocate \$2,955,073 from the Special Initiatives Reserve and \$824,927 from the General Financial Stability Reserve to limit the property tax increase to the 1% annual increase for the General Asset Management Reserve.

Repayment of \$824,927 from the General Financial Stability Reserve is distributed over 2021 to 2024.

Projected Property Tax Increases:

	2020	2021	2022	2023	2024
General Asset Management Reserve	1.0%	1.0%	1.0%	0.0%	0.0%
General Property Tax Increase	0.0%	5.8%	2.4%	1.9%	1.8%
Total Municipal Taxes	1.0%	6.8%	3.4%	1.9%	1.8%

Impact on Typical Home

	2019	2020	\$ Change	% Change
Assessment - Average Home	\$518,384	\$527,145	\$8,761	1.7%
Property Taxes	\$2,110	\$2,131	\$21	1.0%
Municipal User Fees				
Water Fees	552	594	42	7.5%
Sewer Fees	135	141	6	4.0%
Sanitation Fees	170	171	1	0.6%
Total Municipal Taxes & User Fees	\$2,967	\$3,037	\$70	2.3%

Rounded to nearest dollar

Assumes a typical single family house with average assessment change of 1.69%

OPTIONS

- That Council direct Staff to prepare the “Financial Plan Amendment Bylaw 2020 No. 7307.01” based on the current Final 2020 – 2024 Financial Plan, option #1.
 - The advantages of this option: Due to the economic uncertainty at this time and how this may affect 2021 this option provides the lowest projected starting point for 2021 property taxes giving Council the most flexibility for 2021 property tax rates. This option also leaves the full \$2,955,073 allocated to the Special Initiatives Reserve from the 2019 General Surplus available to fund any potential shortfall to 2020 revenues or costs incurred because of COVID-19 and the resulting closure of facilities with no impact to future tax rates.
 - The disadvantages of this option: Provides no additional financial relief for residents.
 - Financial Implications: Allows for the calculation of the 2020 property taxes and preparation of the property tax bylaw.
- That Council direct staff to prepare the “Financial Plan Amendment Bylaw 2020 No. 7307.01” so that the projected property tax increase is smoothed between 2020 and 2021, option #2.
 - The advantages of this option: Provides some additional financial relief to residents in uncertain economic times. This option also leaves an unallocated balance of \$2,125,073 in the Special Initiatives Reserve, which could be a potential funding source for any shortfall to 2020 revenues or costs incurred because of COVID-19 and the resulting closure of facilities.
 - The disadvantages of this option: Increases the projected starting property tax increase for 2021 as reserve funding is one-time funding. Due to the uncertainty around how quickly the economy may recover this may, put additional upward pressure on property taxes in 2021.
 - Financial Implications: Allows for the calculation of the 2020 property taxes and preparation of the property tax bylaw.

3. That Council direct Staff to prepare the “Financial Plan Amendment Bylaw 2020 No. 7307.01” with no general property tax increase and a 1% increase for the General Asset Management Reserve as per option #3.
 - The advantages of this option: Provides some additional financial relief to residents in uncertain economic times.
 - The disadvantages of this option: Substantially increases the projected starting property tax increase for 2021 as reserve funding is one-time funding. As well, the funding from the General Financial Stability Reserve will need to be repaid. If additional funding were required to address any shortfall to 2020 revenues or costs incurred because of COVID-19 and the resulting closure of facilities additional funding would be needed from the General Financial Stability Reserve. This would affect future property tax increases, as funds must be repaid. Furthermore, due to the uncertainty around how quickly the economy may recover this may put additional upward pressure on property taxes in 2021 additional
 - Financial Implications: Allows for the calculation of the 2020 property taxes and preparation of the property tax bylaw.
4. That Council table the report and request more information from Staff.
 - The disadvantages of this option: Additional meetings may be required to complete adoption of bylaws by 2020-MAY-20 deadline. |

SUMMARY POINTS

- The project property tax increase for 2020 based on the current Final 2020 – 2024 Financial Plan is 4.5%.
- Alternative options for Council to lower 2020 property tax rates have been presented.
- A Final 2020 – 2024 Financial Plan Bylaw and a Property Tax Rates Bylaw must be adopted by 2020-MAY-15 to enable the calculation and collection of 2020 property taxes.

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