

CITY OF NANAIMO
THE HARBOUR CITY

2021 – 2025 Draft Financial Plan Review



November 25, 2020

CITY OF NANAIMO
THE HARBOUR CITY

PROPOSED TIMELINE

2021 – 2025 Draft Financial Plan



November 25 & 27th

- Budget Overview
- Operating Budget Review - 2021 Business Plan Presentations

November 30th

- Project Budget Overview - Highlights of 2021 – 2025 Draft Project Plan
- COVID-19 Safe Restart Grant Final Framework and Discussion

December 4th

- Budget Recap and Recommendations for 2021 – 2025 Financial Plan (Provisional Five Year Financial Plan)

December 7th

- Budget Recap and Recommendations for 2021 – 2025 Financial Plan – if required
- E- Town Hall
- User Rate Bylaws - First Three Readings

December 9th If Required

- Final Review and Recommendations for 2021 – 2025 Financial Plan

December 21st

- Adoption of User Rate Bylaws
- 2021 – 2025 Financial Plan Bylaw – First Three Readings

January 2021

- Adoption of 2021 – 2025 Financial Plan Bylaw (Provisional Budget)

February - April 2021

- Review and update Financial Plan for new information, direction from Council and changes due to COVID-19

April – May 15, 2021

- Adoption of Annual 2021 – 2025 Financial Plan Bylaw
- Adoption of 2021 Property Tax Rates Bylaw

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COVID-19 Financial Navigation

- Developed the Financial Response and Recovery Framework (April)
 - Revenue Anticipation Borrowing Bylaw Adopted
 - Extended the discount/due date for Utility billings (30 to 90 days)
 - Provided Lease and Rental Relief for organizations who rent from the City (during closures)
 - Extended the penalty due dates on property taxes from July 2 and Aug 12 to Oct 1 and Nov 12
 - Investment in capital infrastructure projects to help support accelerated economic recovery (Ongoing)
- Postponed tax sale to 2021 (July)
- Reserved \$2.8 million from the 2019 general surplus to fund Pandemic related shortfalls (March)

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COVID-19 Financial Navigation

- Operational expense savings
 - Suspended non-essential training
 - Hiring freeze for non-essential positions
 - Minimized layoffs with redeployment of staff to other departments
 - Reduced contracted services utilizing existing staffing
 - Expense saving measures at VICC

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Key Steps Taken to Reduce Property Taxes

- Funding From General Financial Stability Reserve
- Reduced Project Funding
- Delayed Reopening of Beban Pool to January 2022
- Realign Start Date of New RCMP Members
- Delayed Start Date of 3 Previously Approved New Positions
- Reduced Operating Expenditures
- Business Case Treatment

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**FUNDING RECEIVED AFTER
COMPLETION OF DRAFT
FINANCIAL PLAN**

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**COVID-19 Safe Restart Grant for Local
Governments - Recap**

November 3rd – Received notification that Nanaimo will receive \$6.693 M

- Eligible costs will include:
 - addressing revenue shortfalls;
 - facility reopening and operating costs;
 - emergency planning and response costs;
 - bylaw enforcement and protective services like fire protection and police;
 - computer and other electronic technology costs (to improve interconnectivity and virtual communications);
 - services for vulnerable persons (e.g. persons living with disabilities, mental illness or addictions, persons experiencing homelessness or other vulnerabilities); and
 - other related costs.
- To ensure full transparency regarding the use of funds, we are required to annually report on how the grant is spent until it is fully drawn down.

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COVID-19 Safe Restart Grant for Local Governments - Framework

Must Meet Eligibility Criteria

- Draw down \$6.693 M fully in 2020
- Budget variance to be transferred to Special Initiatives Reserve for future use

- **Eligible 2020 Costs:**
 1. Revenue Shortfalls
 - a) Casino Revenues
 - b) Parking Revenues
 - c) Parks, Recreation and Culture – aquatic, arenas and program revenue
 2. Expenditures
 - a) Pandemic Internal Order
 - b) Parks Ambassador Internal Order
 - c) Water Safety Team
 - d) Facility Ambassadors
 - e) Increased Custodial
 - f) Increased Operating Costs for Nanaimo Aquatic Centre
 - g) Sanitation – Increased Tipping Fees and Wages for Increased Volume

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COVID-19 Safe Restart Grant for Local Governments - Framework

Special Initiatives Reserve

- Currently \$2.8M allocated to address pandemic related issues
- Plus 2020 budget variance

- **Potential Allocation**
 - \$1.4 M to reduce 2021 Property Taxation (in place of General Financial Stability Reserve)
 - 2021 Pandemic Internal Order
 - Reinstate 3 new positions to January 1, 2021
 - Extension of Clean Team to December 31, 2021
 - Downtown Public Safety
 - Contingency for 2021 revenue shortfalls, unanticipated pandemic costs that exceed IO
 - Reinstatement of 2021 projects delayed or cancelled

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DRAFT 2021 – 2025 FINANCIAL PLAN



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Projected Property Tax Increases

	Pandemic	Recovery - New Normal			
	2021	2022	2023	2024	2025
General Asset Management Reserve	1.0%	1.0%	0.0%	0.0%	0.0%
General Property Tax Increase	2.0%	2.4%	1.6%	2.1%	1.5%
Total Municipal Taxes	3.0%	3.4%	1.6%	2.1%	1.5%

Assumptions:

Pandemic
 Continued restrictions on group/event sizes - impacting recreation revenue, VICC revenue
 Beban Pool remains closed
 No Casino revenue - reopening date not confirmed
 Reduced parking revenue
 Global economy impact - lower return on City investments
 Funding from General Financial Stability Reserve used to offset significant revenue decrease

Recovery
 Recreation and Parking revenues return to pre pandemic levels
 Beban Pool reopens January 1, 2022
 Casino revenue recovers to ~75% in 2022 and 100% in 2023 of pre pandemic budget
 Investment return recovers to ~75% in 2022 and 100% in 2023 of pre pandemic budget

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Revised Projected Property Tax Increases*

	Pandemic	Recovery - New Normal	2023	2024	2025
General Asset Management Reserve	1.0%	1.0%	1.0%	1.0%	1.0%
General Property Tax Increase	2.3%	2.4%	1.6%	2.0%	1.4%
Total Municipal Taxes	3.3%	3.4%	2.6%	3.0%	2.4%

Assumptions:

Pandemic

- Continued restrictions on group/event sizes - impacting recreation revenue, VICC revenue
- Beban Pool remains closed
- No Casino revenue - reopening date not confirmed
- Reduced parking revenue
- Global economy impact - lower return on City investments
- Funding from General Financial Stability Reserve used to offset significant revenue decrease

Recovery

- Recreation and Parking revenues return to pre pandemic levels
- Beban Pool reopens January 1, 2022
- Casino revenue recovers to ~75% in 2022 and 100% in 2023 of pre pandemic budget
- Investment return recovers to ~75% in 2022 and 100% in 2023 of pre pandemic budget

*Includes impact of new Worksafe BC rates and extension of 1% annual increase for General Asset Management Reserve

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Projected User Fees Increases

	2021	2022	2023	2024	2025
Sanitary Sewer User Fee Increase	4.0%	4.0%	0.0%	0.0%	0.0%
Water User Fee Increase	5.0%	5.0%	5.0%	5.0%	5.0%

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

	2021	2022	2023	2024	2025
Sanitation User Fees	\$ 181	\$ 185	\$ 190	\$ 194	\$ 198

Does not reflect recommendations from November Governance and Priorities Committee meeting on Sanitation

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Revised Projected User Fees Increases*

	2021	2022	2023	2024	2025
Sanitary Sewer User Fee Increase	4.0%	4.0%	0.0%	0.0%	0.0%
Water User Fee Increase	7.5%	5.0%	5.0%	5.0%	5.0%

	2021	2022	2023	2024	2025
Sanitation User Fees	\$ 181	\$ 185	\$ 190	\$ 194	\$ 198

Does not reflect recommendations from November Governance and Priorities Committee meeting on Sanitation
*Includes extension of 2.5% annual increase for Water Asset Management Reserve for 2021

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Property Tax History

Year	Percentage Increase
2012	2.9%
2013	1.8%
2014	2.5%
2015	1.0%
2016	0.0%
2017	1.5%
2018	2.1%
2019	5.0%
2020	4.5%
2021	3.0%

10 Year Avg (2011- 2020) – 2.4%

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Municipal Comparison

	2016	2017	2018	2019	2020
Kamloops	1,970	2,073	2,121	2,206	2,225
Kelowna	1,977	2,050	2,136	2,230	2,271
Ladysmith	1,638	1,653	1,708	1,770	1,805
Nanaimo	1,982	2,037	2,081	2,196	2,300
Parksville	1,517	1,608	1,693	1,732	1,808
Prince George	1,979	2,059	2,116	2,218	2,261
Saanich	2,409	2,521	2,590	2,720	2,762
Victoria	2,544	2,715	2,795	2,880	2,756

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

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Municipal Comparison

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

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TYPICAL HOME

EXCLUDES PROPERTY TAXES COLLECTED FOR THE RDN, SCHOOL DISTRICT, HOSPITAL AND VANCOUVER ISLAND REGIONAL LIBRARY

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Impact on a Typical Home

	2020	2021	\$ Change	% Change
Property Taxes	\$2,204	\$2,271	\$67	3.0%
Municipal User Fees				
Water Fees	594	623	29	5.0%
Sewer Fees	141	146	5	4.0%
Sanitation Fees	171	181	10	5.8%
Total Municipal Taxes & User Fees	\$3,110	\$3,221	\$111	3.6%

Based on \$527,145 assessed value (average for Nanaimo per BC Assessment)

Rounded to nearest dollar
Assumes a typical single family house with average assessment change

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Revised Impact on a Typical Home*

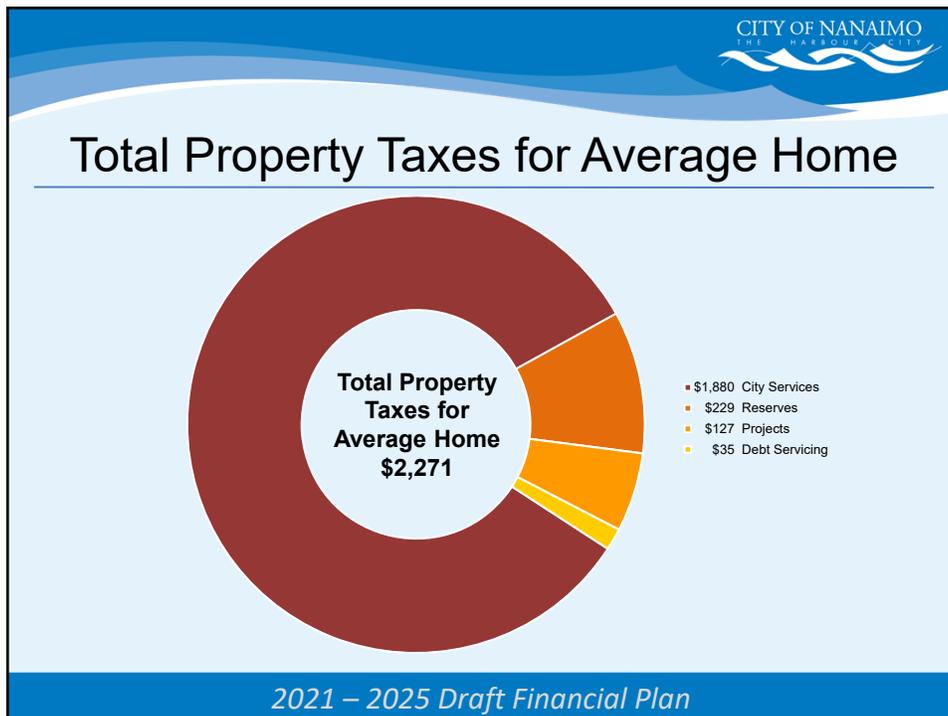
	2020	2021	\$ Change	% Change
Property Taxes	\$2,204	\$2,277	\$73	3.3%
Municipal User Fees				
Water Fees	594	638	44	7.5%
Sewer Fees	141	146	5	4.0%
Sanitation Fees	171	181	10	5.8%
Total Municipal Taxes & User Fees	\$3,110	\$3,242	\$132	4.2%

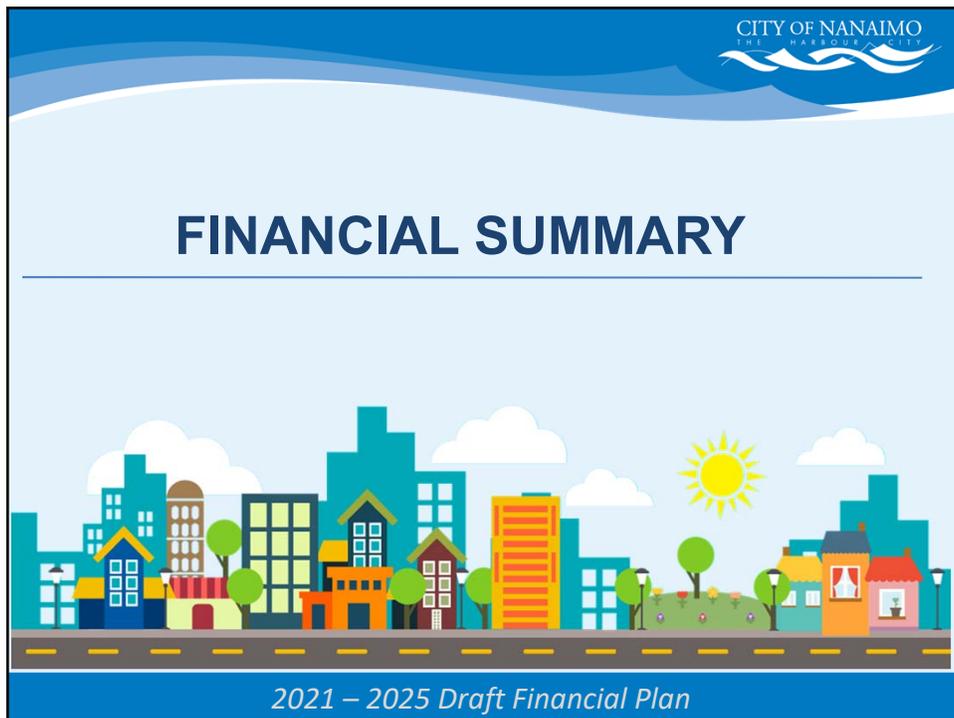
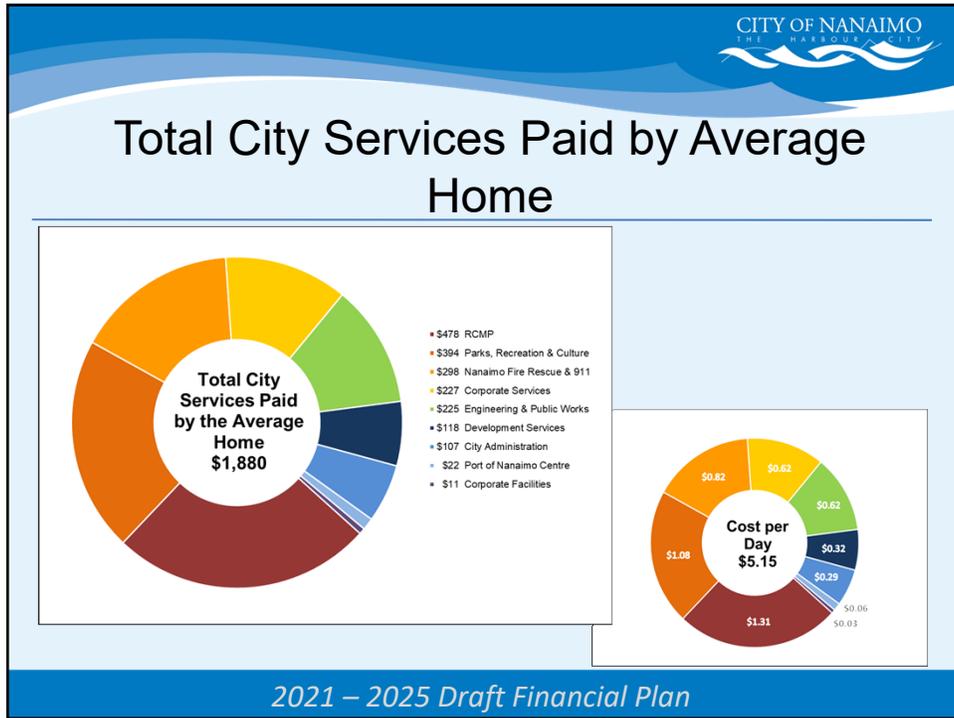
Based on \$527,145 assessed value (average for Nanaimo per BC Assessment)

Rounded to nearest dollar
Assumes a typical single family house with average assessment change

*Includes extension of 2.5% annual increase for Water Asset Management Reserve for 2021, and new WorkSafe BC rates

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2021 Key Budget Drivers – General

Expenditure Increases/(Decreases)		
Asset Management		\$ 1,168,000
Animal Control Contract		100,000
Art Gallery		
	Phase 3 Increase	50,000
	Capital Funding	10,000
	Feasibility Study - One Time	25,000
		85,000
Beban Park Complex - Physical Plant		(273,000)
Beban Pool ¹		(214,000)
EMR Training		60,000
Insurance - Corporate		149,000
NAC Debt		(390,000)
Parking - Net		77,000
Project Expenditures		
Annual general revenue funding		(988,000)
RCMP Contract (budgeted at 95%) ²		1,066,000
Recreation Programs ³		(90,000)
Security Services		116,000
Transfer to Facility Development Reserve		(572,000)
VICC Operations - Net		103,000
Wages and Benefits ²		470,000
Subtotal Expenditure Increases		\$ 867,000

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2021 Key Budget Drivers – General

Revenue (Increases)/Decreases		
Aquatic Revenue		2,097,000
Arenas Revenue		234,000
Casino Revenue		825,000
Facility Rental Revenue - Playfields, Recreation Centres		314,000
Investment Income		900,000
Recreation Program Revenue		301,000
Subtotal Revenue Decreases		\$ 4,671,000
Funding (Increase)/Decrease from Reserves		
Transfer from General Financial Stability Reserve		(1,409,000)
Transfer from RCMP Contract Reserve		170,000
Subtotal Funding Increase		\$ (1,239,000)
Other Changes		\$ 299,000
Net Expenditure Increases		\$ 4,598,000
Less Increased Property Tax Revenues due to Growth		1,200,000
Net Impact		\$ 3,398,000

Dollars are rounded to nearest \$1,000

¹ Excludes impact of wages and benefits and transfer to Facility Development Reserve

² Includes 3 new positions - Manager, Facility Assets, Assistant Accountant, Junior Financial Analyst effective late summer 2021

³ Includes 3 new members effective Sept 1, 2021

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Business Cases Not Included in Draft Plan

Business Case	Projected Impact to 2021 Property Taxes
Corporate Services	
Corporate Asset Management System – Implementation Phase \$787,400 (2021), \$773,100 (2022), \$648,800 (2023), \$600,600 (2024) Ongoing \$450,900 (2025)	0.04% - majority of implementation phase to be funded from Community Works Fund
Buyer	0.06% - July 1 st Implementation
Digital Forensic Technician	0.09%
Major Case File Specialist	0.09%
Council Request - Police Mental Health Outreach Team Feasibility Study (2021)	0.09% - once fully implemented annual cost would be approx. \$0.61 to \$1.35 million, ~0.54% to 1.19%
Development Services	
Council Request – Annual Community Watercourse Restoration Grant	0.02%
Council Request – Manager, Social Planning	0.15%
Council Request – Manager, Sustainability	0.05% - July 1 st Implementation and confirmation of BC Hydro grant
Council Request - Indigenous Engagement Specialist	TBD
Municipal Enforcement Officers Change in Schedule	0.02%

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Business Cases Not Included in Draft Plan

Business Case	Projected Impact to 2021 Property Taxes
Engineering and Public Works	
Council Request – Ebikes Rebate	Fund from Emission Reduction Reserve
Community Clean Team (formerly the Social Disorder Response Team) – Extend pilot to December 31, 2021	Fund from Special Initiatives Reserve
Municipal Services Inspector – includes vehicle purchase	0.11% - partially funded by sewer and water
Project Engineer	0.11% - partially funded by sewer and water

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DEBT

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Outstanding Debt at Dec 31, 2019

	Amount	Year Borrowing Repaid
External Borrowing (MFA)		
Fire Station #1	\$ 3,114,948	2038
Fire Station #4	\$ 1,857,777	2027
Nanaimo Aquatic Centre	\$ 643,142	2020
Sanitation	\$ 4,081,272	2023
Vancouver Island Conference Centre	\$14,055,732	2027
Water Treatment Plant	\$17,864,082	2034
Total External Borrowing	\$41,616,953	
Internal Borrowing		
DCC SS45: Chase River Pump Station & Forcemain	\$ 2,857,969	2039
Total Internal Borrowing	\$ 2,857,969	

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2020 New Debt

	Amount	Term
External Borrowing (MFA)		
Fire Station #1	\$2,000,000	20 Years
Sanitation – Truck	\$ 406,585	5 Years
Total External Borrowing	\$2,406,585	
Internal Borrowing		
DCC SS45: Chase River Pump Station & Forcemain	\$ 388,048	20 Years
DCC SS19: Millstone Trunk South	\$1,837,865	20 Years
Total Internal Borrowing	\$2,225,913	

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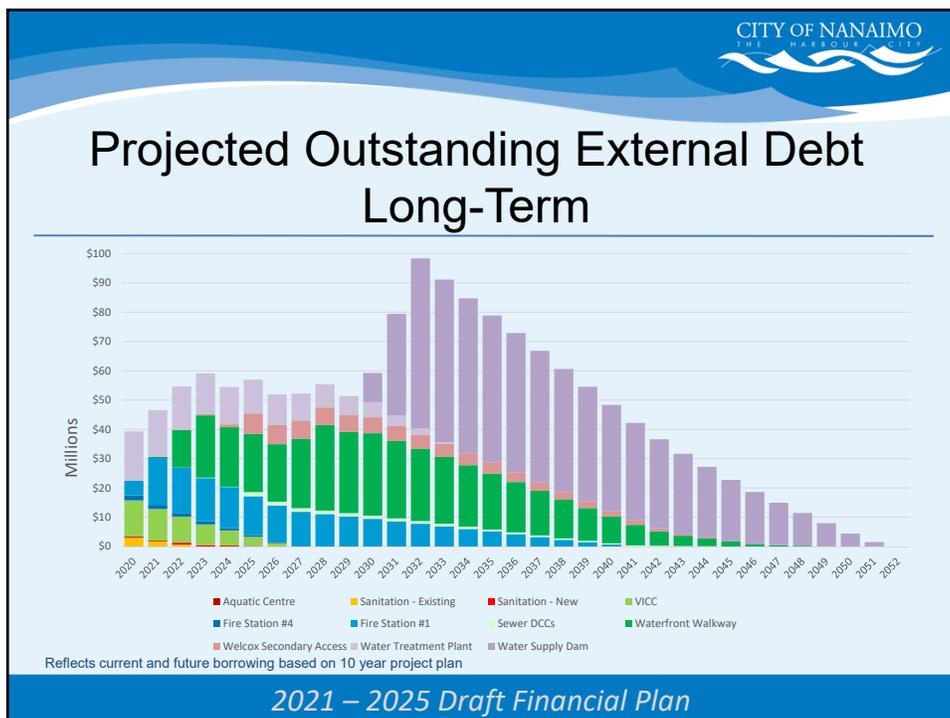
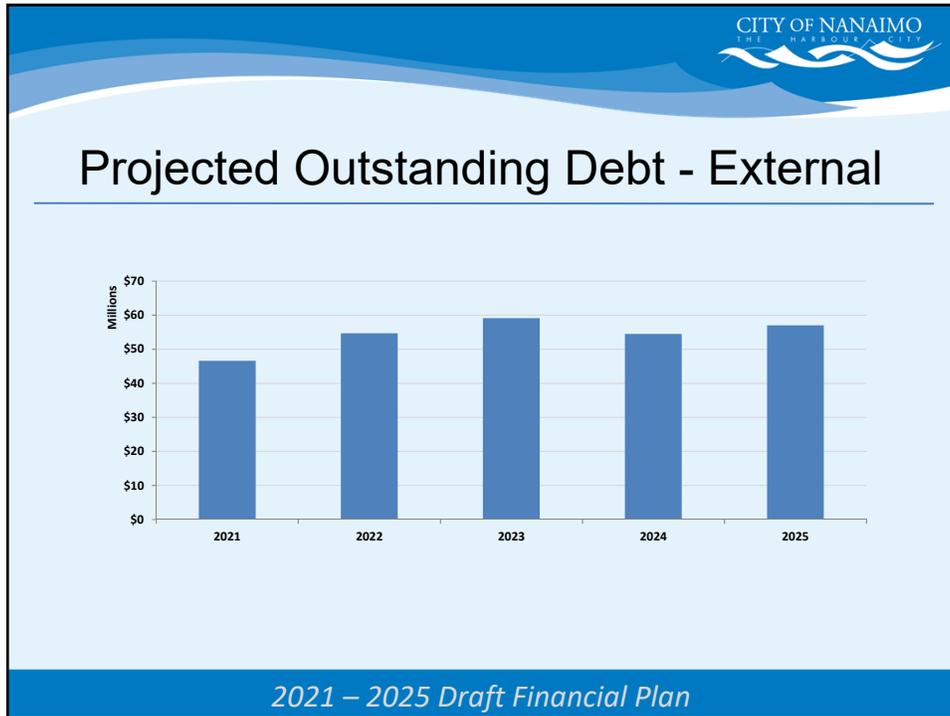


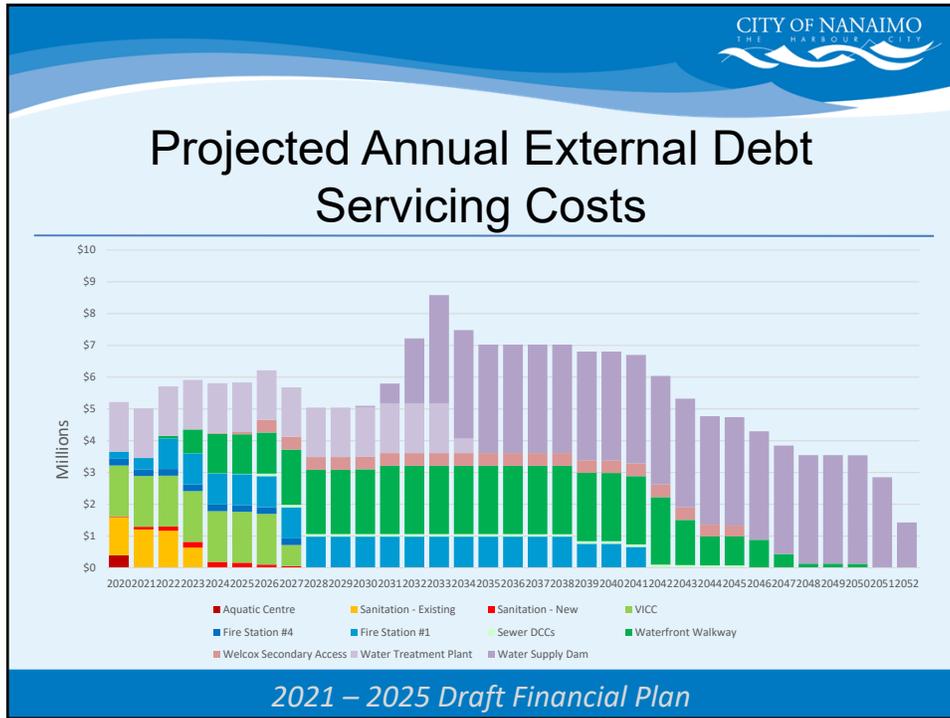
New Debt: 2021 – 2025 Financial Plan

	2021	2022	2023	2024	2025	Total
External Borrowing (MFA)						
Fire Station #1	\$11,160,000	\$ 280,269				\$11,440,269
Waterfront Walkway	\$ 450,000	\$12,350,000	\$9,000,000		\$ 530,000	\$22,330,000
Wellcox Secondary Access			\$ 500,000	\$500,000	\$6,000,000	\$ 7,000,000
Sanitation (5 Year Term) ¹	\$ 459,600					\$ 459,600
Sewer DCC Projects			\$ 128,700		\$1,275,648	\$ 1,404,348
Total External Borrowing	\$12,069,600	\$12,630,269	\$9,628,700	\$500,000	\$7,805,648	\$42,634,217
Internal Borrowing						
Sewer DCC Projects	\$ 2,088,600	\$ 171,500	\$ 44,550	\$1,724,800	\$ 445,500	\$ 4,474,950
Total Borrowing	\$14,158,200	\$12,801,769	\$9,673,250	\$2,224,800	\$8,251,148	\$47,109,167

¹New automated unit will be ordered in 2021 but is anticipated to arrive in 2022. Borrowing will occur when unit arrives.

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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 October 16, 2020 is \$45.1 M for annual principle and interest payments
- At December 31st the City was at 12.06% of current limit

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Municipal Comparison

Debt Servicing Limits					
	2014	2015	2016	2017	2018
Kamloops	39,782,700	40,479,526	42,257,694	44,590,765	45,613,405
Kelowna	59,528,563	62,523,323	65,056,358	70,309,126	79,457,574
Ladysmith	2,973,984	3,186,999	3,375,160	3,588,988	3,865,710
Nanaimo	35,461,057	37,733,162	38,379,597	40,133,329	43,120,716
Parksville	4,586,314	4,719,654	5,074,924	5,306,651	5,646,788
Prince George	38,012,435	40,204,075	41,228,230	41,257,408	43,189,822
Saanich	42,379,316	44,752,096	46,593,964	48,279,619	50,681,673
Victoria	50,940,849	52,598,039	54,727,929	57,248,034	62,102,416

Debt Servicing Cost % of limit					
	2014	2015	2016	2017	2018
Kamloops	30.9%	31.8%	29.6%	30.4%	27.9%
Kelowna	63.0%	45.1%	51.1%	46.4%	45.7%
Ladysmith	47.0%	33.4%	20.1%	59.9%	37.9%
Nanaimo	16.1%	14.2%	15.8%	12.1%	11.0%
Parksville	9.6%	9.4%	8.7%	8.1%	7.8%
Prince George	43.2%	38.1%	45.6%	45.5%	41.8%
Saanich	8.7%	7.4%	6.6%	7.6%	10.1%
Victoria	13.6%	13.9%	11.1%	9.5%	9.6%

Source - BC Stats: 602.1 – Liability Servicing Limits Data only available to 2018

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RESERVES



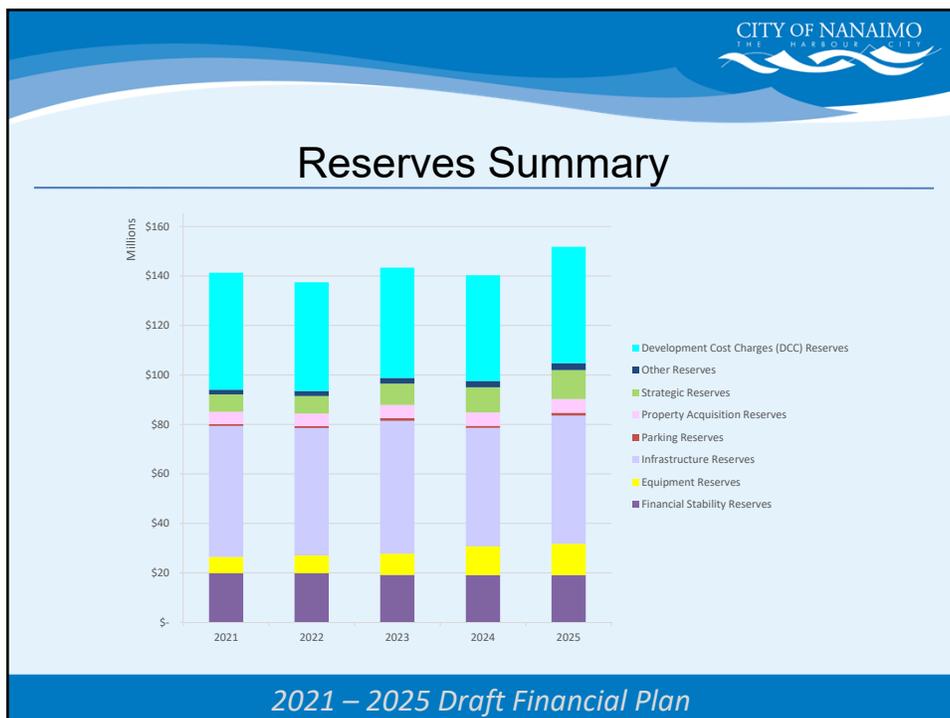
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Reserves

- Operating Reserves
- Statutory Reserves
 - Authorized by the Community Charter and/or City Bylaws
 - Can only be used as authorized by the Community Charter and the related Council bylaw.
- Reserve Framework
 - Financial Stability Reserves
 - Equipment Reserves
 - Infrastructure Reserves
 - Parking Reserves
 - Property Acquisition Reserves
 - Strategic Reserves
 - Other Reserves
 - DCC Reserves

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Questions?

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