



2023 – 2027 Financial Plan Development

June 15, 2022





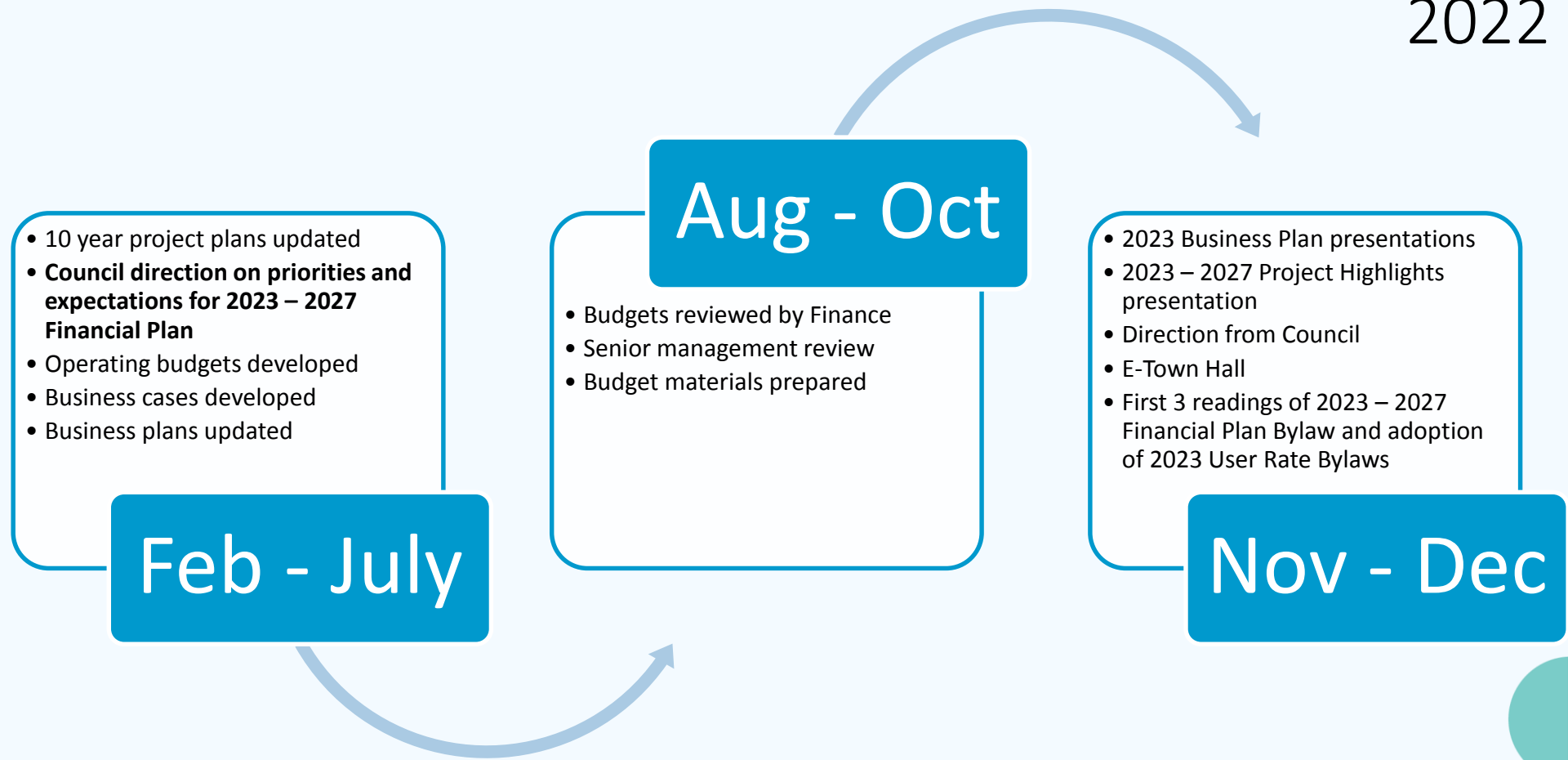
Proposed Timeline





Proposed Timeline and Process

2022

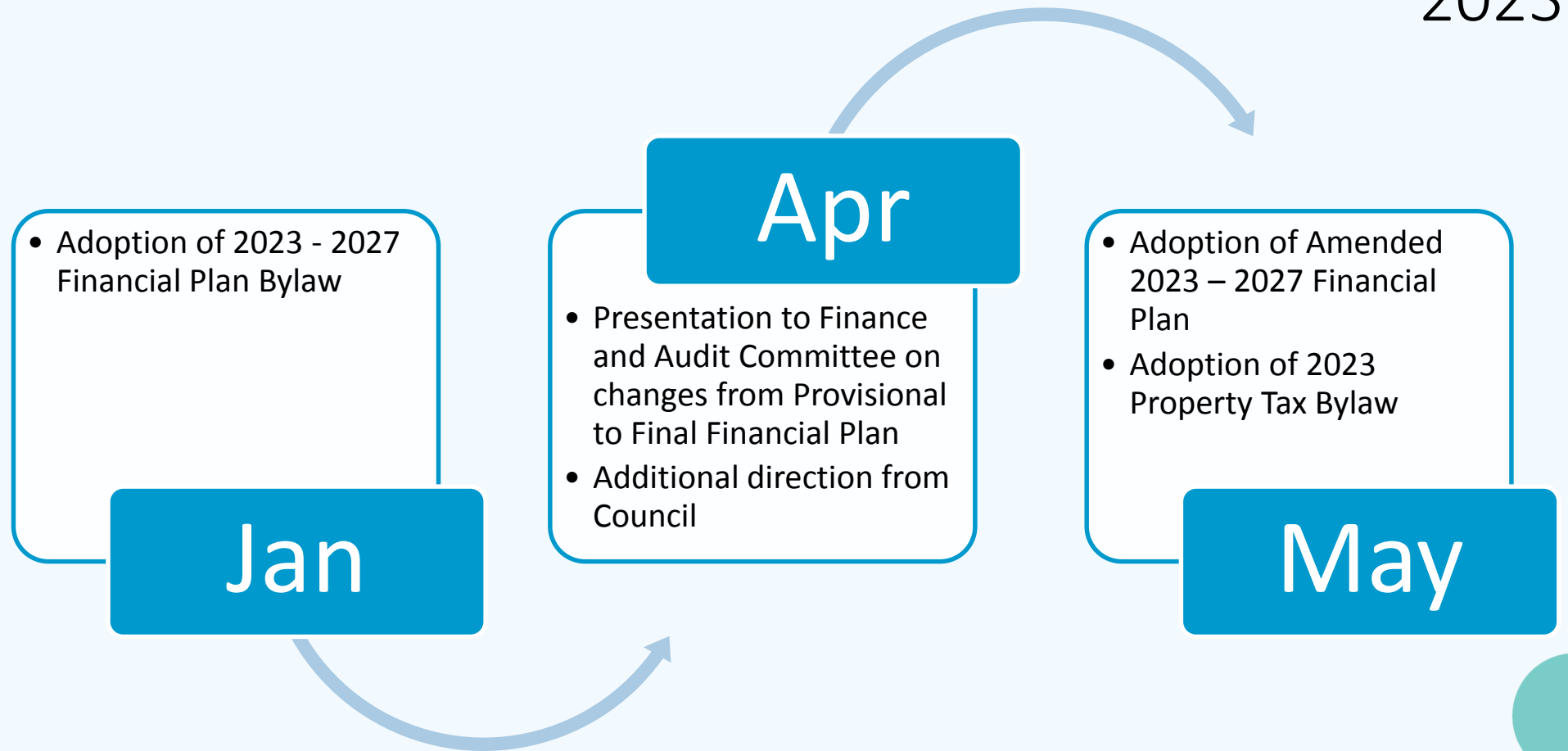


2023 – 2027 Financial Plan Development





Proposed Timeline and Process 2023



2023 – 2027 Financial Plan Development



Budget Starting Point

*Year 2 of 2022 – 2026 Approved
Financial Plan*





Projected Property Tax Increases

Based on 2022 – 2026 Financial Plan

	2022	2023	2024	2025	2026
General Asset Management Reserve	1.0%	1.0%	1.0%	1.0%	1.0%
General Property Tax Increase	5.0%	4.5%	2.3%	1.9%	1.5%
Total Municipal Taxes	6.0%	5.5%	3.3%	2.9%	2.5%

Reserve Funding Allocated to Reduce Property Taxes

	2022	2023	2024	2025
Special Initiatives Reserve	1,900,000	1,100,000	300,000	100,000





Projected User Fee Increases

Based on 2022 – 2026 Financial Plan

Sewer and Water User Fees - recommendations from user rate review pending

Sanitation User Fees*	\$228 Annual Fee
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*Does not reflect impact of changes to MMBC rates effective July 1, 2022





2023 Budget Driver Highlights

Expenditure Increases/(Decreases)	
Asset Management	\$ 1,241,000
Downtown Public Safety Action Plan ¹	1,269,000
RCMP Contract (budgeted at 95%) ²	2,078,000
Software Licenses - includes Microsoft 365	128,000
Wages and Benefits/Other Changes - Net ³	2,736,000
Subtotal Expenditure Increases	\$ 7,452,000
Revenue (Increases)/Decreases	
Interest Income	(200,000)
Subtotal Revenue Increases	\$ (200,000)
Funding (Increase)/Decrease from Reserves	
Transfer from Special Initiatives Reserve - Property Tax Reduction	800,000
Transfer from RCMP Contract Reserve	107,000
Subtotal Funding Increase	\$ 907,000
Net Change	\$ 8,159,000
Less Increased Property Tax Revenues due to Growth	1,200,000
Net Impact	\$ 6,959,000

Dollars are rounded to nearest \$1,000

¹ Includes impact of wages and benefits including full year for 16 new positions added in 2022

² Includes 3 new members effective April 1, 2023

³ Includes 4 new Police Support positions effective April 1, 2023, full year for 13 new positions added in 2022, Project Engineer added in 2021 and funded from reserves for first two years



Projects





Funding



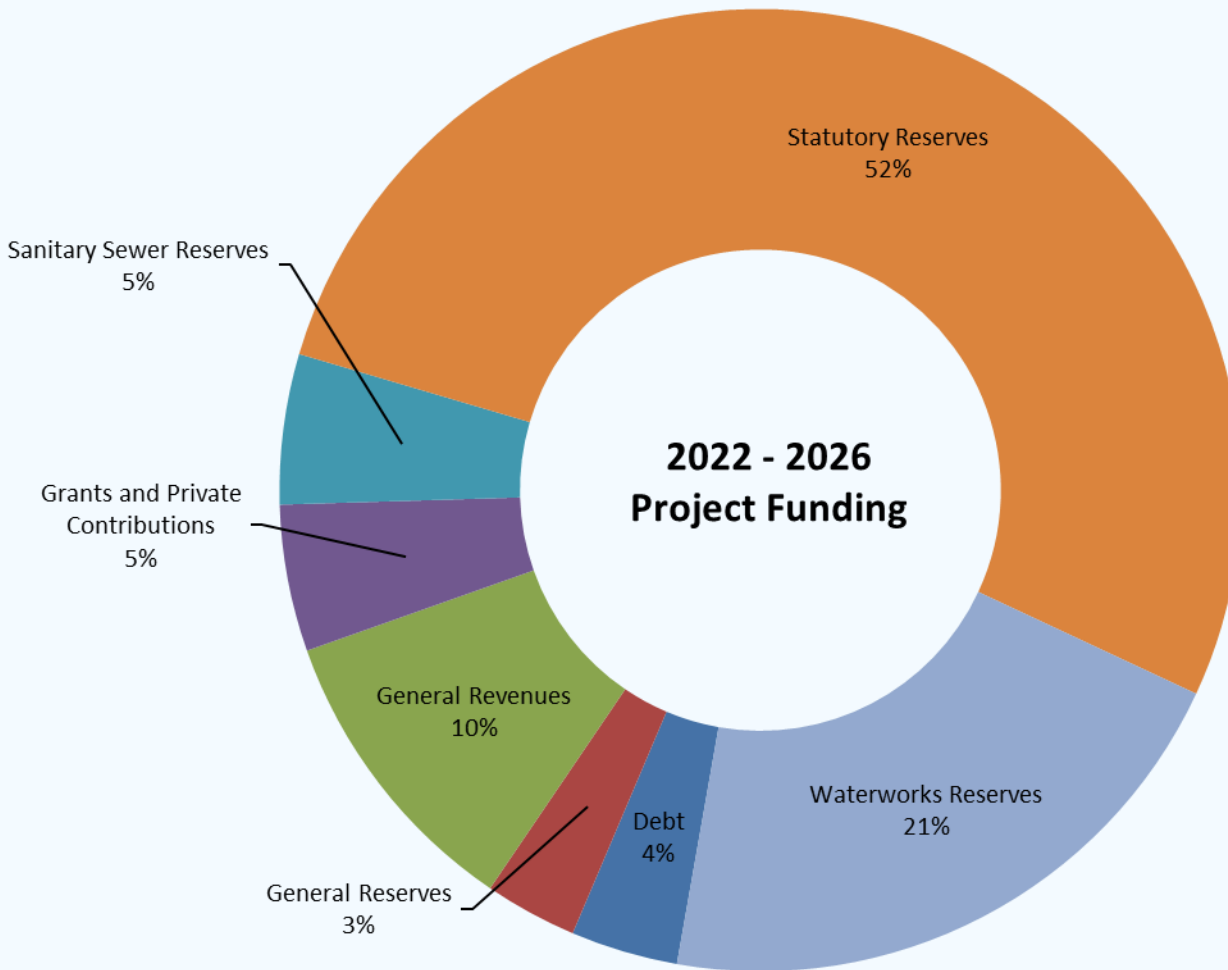


Project Funding Sources

- General Revenue
- Reserves
 - Statutory and Operating
- Borrowing
- Other
 - Private Contributions
 - Grants



Project Funding Sources



2023 – 2027 Financial Plan Development



Debt





Outstanding Debt at Dec 31, 2021

	Amount	Year Borrowing Repaid
External Borrowing (MFA)		
Fire Station #1	\$ 15,938,809	2038/2040/2041
Fire Station #4	\$ 1,446,471	2027
Sanitation	\$ 1,917,954	2022/2023/2025
Vancouver Island Conference Centre	\$10,699,478	2026/2027
Water Treatment Plant	\$15,944,388	2033/2034
Total External Borrowing	\$45,947,100	
Internal Borrowing		
DCC SS45: Chase River Pump Station & Forcemain	\$ 3,213,506	2039/2040
DCC SS9: Millstone Trunk South	\$ 3,428,689	2040/2041
Total Internal Borrowing	\$ 6,642,195	





New Debt: 2022 – 2026 Financial Plan

	2022	2023	2024	2025	2026	Total
External Borrowing (MFA)						
Fire Station #1	\$ 280,269					\$ 280,269
Sanitation Refuse Trucks (3) – Short Term Debt	\$1,435,200					\$ 1,435,200
Wellcox Secondary Access				\$1,400,000	\$ 500,000	\$ 1,900,000
DCC SS17: Millstone Trunk North		\$ 250,650		\$2,255,845		\$ 2,506,495
DCC SS48: Departure Bay Trunk			\$ 177,080		\$1,752,750	\$ 1,929,830
Total External Borrowing	\$1,715,469	\$ 250,650	\$ 177,080	\$3,655,845	\$2,252,750	\$ 8,051,794
Internal Borrowing						
Sewer DCC Projects	\$ 304,530	\$1,808,550		\$ 445,500		\$ 2,558,580
Total Borrowing	\$ 2,019,999	\$2,059,200	\$ 177,080	\$4,101,345	\$2,252,750	\$10,610,374

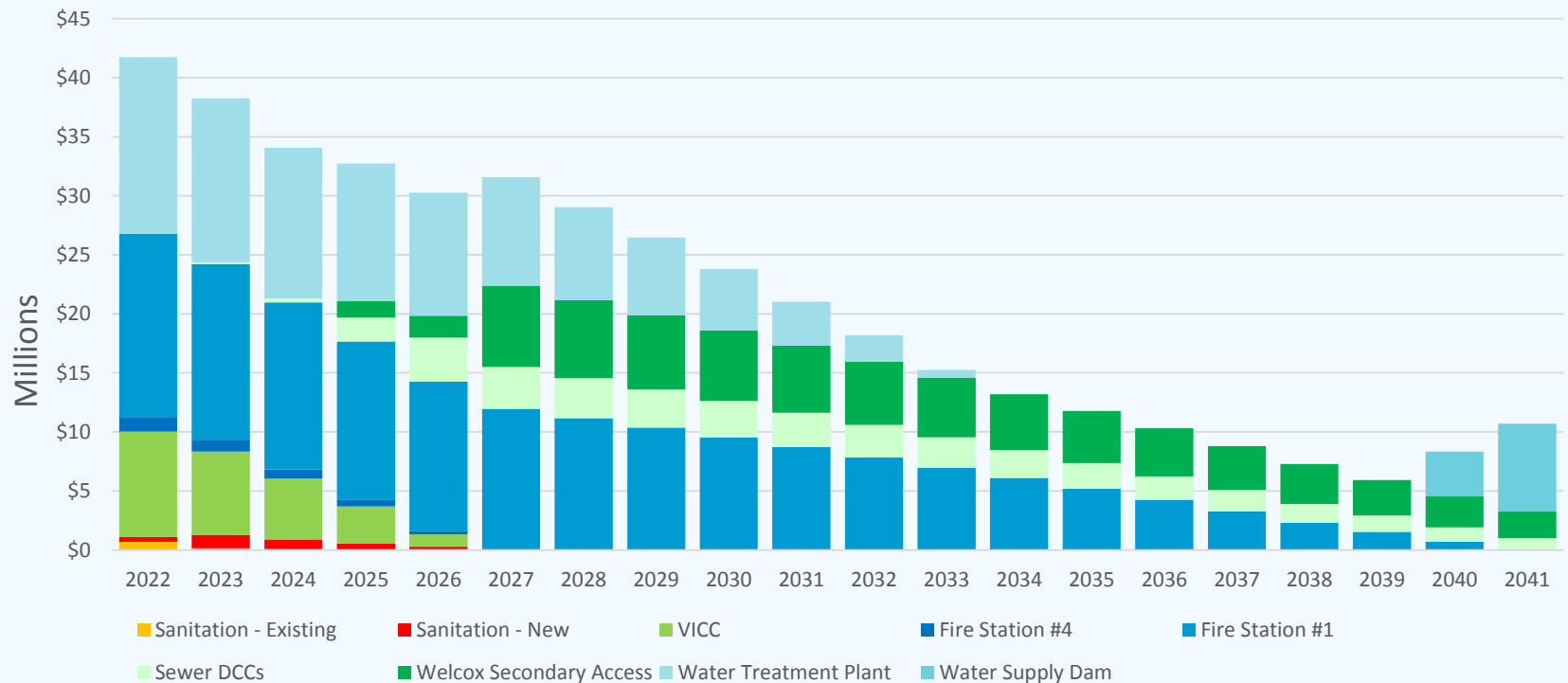
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Projected Outstanding Debt - External Next 20 Years

Excludes Public Works Replacement (NOC), Police Operations Building, South End Community Centre and Waterfront Walkway



Assumes 100% borrowing for water supply dam (funding options include a combination of reserves and borrowing)

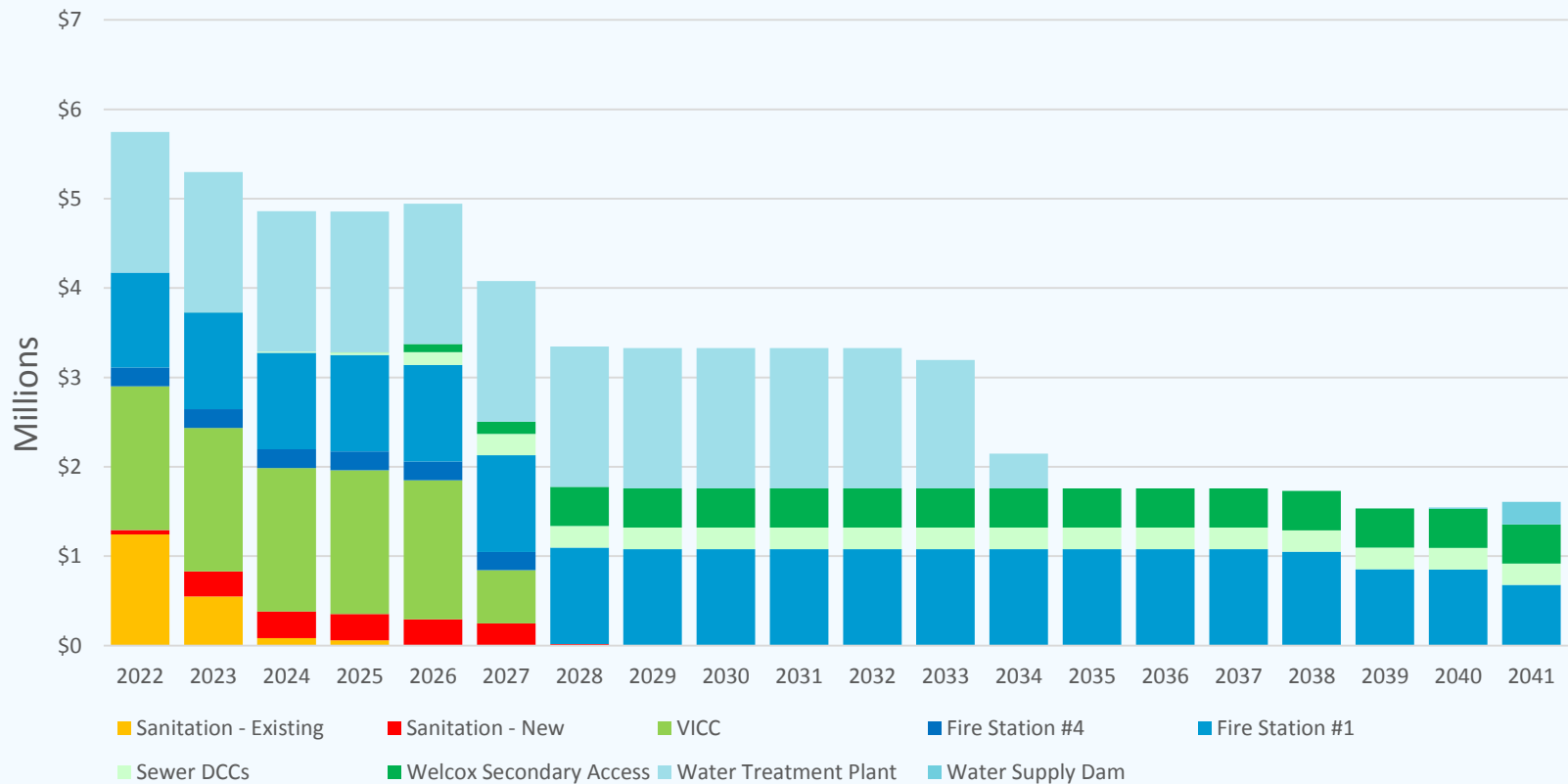
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Projected Annual External Debt Servicing Costs - Next 20 Years

Excludes Public Works Replacement (NOC), Police Operations Building, South End Community Centre and Waterfront Walkway



Assumes 100% borrowing for water supply dam (funding options include a combination of reserves and borrowing)

2023 – 2027 Financial Plan Development





Debt Servicing Limit

- The Liability Servicing Limit is defined as 25% of municipality's controllable and sustainable revenues for the year
- City of Nanaimo limit at December 31, 2021 is \$47.2 M for annual principle and interest payments
- At December 31st the City was at 13.4% of current limit





Project Planning





Project Planning Process





Emerging Major Capital Projects

Funding Strategy – Debt

Four major capital projects are not currently in the project plan. Funding strategy to proceed with projects will mainly be debt financing.

- Nanaimo Operations Center (NOC)
 - Police Operations Building
 - Waterfront Walkway
 - South End Community Center
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- Currently working on phasing timeline of these four projects with a borrowing strategy
 - Proposed timeline and borrowing plan will be presented to Council this year





Asset Management Update

20 Year Investment Plan

- Update to the City's 20 Year Investment Plan and Asset Management Plan is underway, includes:
 - Updates to assumptions – cost, expected useful life, replacement type
 - Updated condition information
 - More complete information on facilities and park amenities inventory and condition
- Anticipate presenting to Council later in 2022
- Update will provide recommendations for continuing to address the funding gap including a review of the annual contributions to the General, Sewer and Water Asset Management Reserve Funds





Current Economic Climate Impact on The Five Year Plan

- The impact of the current Global environment will likely have the effect of stretching the time frame for the project plan.
 - For example – phase existing 5 year plan over 7 years
- Intent is to be fiscally prudent in funding and building capital projects





Emerging Issues

- Sudden failures, or new conditions issues = reprioritize and replace existing plan
 - Example – Mid Town Water Supply Project
- Sanitary sewer – capacity, risk and growth
- Facilities Asset Management
- Level of Service – community expectations
- Community values and demands for new services
 - Priorities of the Community change over time





Emerging Issues Facilities

Sustainable service delivery within available resources to meet Community's expectations

- Balancing limited resources between multiple interest areas, and community and municipal priorities i.e. Police Operations Building, vs Public Works vs Community Centre vs Pool
- Facilities at end-of-life require significant investment to maintain basic level of service (e.g. new roof, mechanical)
- Cost of continuing to provide service/facility for small groups vs facility for broad community





Next Steps

Proposed Approach

- Major change to 2023-2027 projects
 - Assess criticalness of projects within the Project Plan and defer projects where possible
 - Apply increases to project costing where necessary
 - Decrease the number of projects undertaken to allow for funding and other constraints currently impacting the City
- Staff will return to Council in stages with projects & initiatives
 - Asset Management Plan and 20 Year Investment Plan Updates
 - Borrowing framework for major capital projects
- Taking time to develop the Project Plan in this rapidly changing environment
 - Trade-offs and risks
 - Levels of service, affordability
 - Wants and needs





2023 – 2027 Financial Plan

The 2023 – 2027 Financial Plan project presentation in the Fall will include:

- Recommended projects for 2023 – 2027 Financial Plan
- A review of potential projects that were outside the available financial resources
- A secondary list of projects for Council's consideration.
 - The list will be comprised of projects that were not included in the 2023 – 2027 Draft Project Plan due to financial constraints but could be added at Council's discretion.





Council Direction





Council Direction

- 2023 property tax increase target
 - Currently 2023 draft budget will target 5.5% as per approved 2022 – 2026 Financial Plan
- Specific priorities or focus areas
 - Maintain current service levels
 - May require Business Cases to be generated to achieve
 - Council Priorities – Strategic Dashboard
 - City Plan Implementation
 - Protocol Agreement Working Group
 - Public Safety: Downtown Options
 - Health & Housing: Transition Plan
 - Nanaimo Prosperity Corporation
- Other changes

