

DATE OF MEETING April 30, 2018

AUTHORED BY LAURA MERCER, DEPUTY FINANCIAL OFFICER

**SUBJECT 2018 – 2022 FINANCIAL PLAN**

## **OVERVIEW**

### **Purpose of Report**

To provide Council options and receive Council's direction on changes for the 2018 – 2022 Financial Plan that will reduce the 2018 property tax increase from 3.01% to 2.00%.

### **Recommendation**

1. That the report titled "2018 - 2022 Financial Plan" dated 2018-APR-30, be received for information; and,
2. That Council provide direction on how Staff should allocate \$966,000 out of the 2018 operating budget in order to reduce the 2018 property tax increase from 3.01% to 2.0% based on the report titled "2018 - 2022 Financial Plan" dated 2018-APR-30.

## **BACKGROUND**

The "Financial Plan Amendment Bylaw 2017 No. 7253.01" and a 2018 Property Tax Rates Bylaw must be adopted by 2018-MAY-15.

At the 2017-JUN-14 Finance and Audit Committee meeting Council was asked to review and provide direction on property tax increases, service delivery changes, infrastructure investment program changes and public engagement. At this time no specific direction was given by the Committee for property tax increase targets.

During October and November 2017, the Finance and Audit Committee received several "In-Camera" briefings from the Chief Administrative Officer through the senior management team on the draft 2018 – 2022 Financial Plan.

On 2017-NOV-27 at a Committee of the Whole meeting, Council received the draft 2018 – 2022 Financial Plan recommendation from Staff. Council directed a three weeks long public engagement program on the draft 2018 – 2022 Financial Plan.

On December 4, 2017, Council held an e-Town hall on the draft 2018 – 2022 Financial Plan and fielded several questions. The Finance and Audit Committee continued to receive the briefings from Staff on the draft 2017 – 2018 Financial Plan.

The Provisional 2018 – 2022 Financial Plan bylaw "Financial Plan Bylaw 2017 No. 7253" was approved at the 2017-DEC-18 Council Meeting and adopted on 2018-JAN-15. The Financial Plan reflected a 2.80% property tax increase based on decisions made by Council during the budget review process in 2017. The Financial Plan would be further reviewed by Council and updated with any changes prior to adoption with the Property Tax Bylaw before May 15, 2018.

At the 2018-APR-04 Finance and Audit Committee Meeting Council reviewed the updated 2018 - 2022 Financial Plan which now indicated a 3.18% property tax increase. The updated Financial Plan included changes directed by Council and updated growth. Council's changes included additional expenditures for health, social and safety initiatives and for the development of a capital project management framework. Council was advised that the majority of these initiatives would be funded from general revenues and that the property tax increase would be higher than indicated in the Provisional 2018 – 2022 Financial Plan. The Finance and Audit Committee made further recommendations for changes. Staff was directed to:

1. Reinstate the Director of Communications & Community Engagement position that was removed in the provisional 2018 – 2022 Financial Plan.
2. Reduce the budget estimate for RCMP contract from 93% to 92% for 2018 only. An amount equivalent to the decrease in budget was allocated from 2017 surplus to the RCMP Contract Adjustment Reserve.

The updated 2018 – 2022 Financial Plan was presented to the Finance and Audit Committee at the 2018-APR-11 meeting reflecting a 3.01% property tax increase. No further changes were requested at this meeting and the Committee moved to bring the budget forward to the 2018-APR-23 Council meeting for the first three readings of the 2018 – 2022 Financial Plan Bylaw.

At the 2018-APR-23 Council meeting, three (3) weeks before the legislated filing deadline, Council directed Staff to change the budget from a 3.01% to a 2.00% property tax increase with no specific direction given on how to achieve this change.

Staff still recommends that the 2018- 2022 Financial Plan bylaw amendment should reflect a 3.01% property tax increase and the decisions made by Council during the budget review process. However, if Council still desires a 2.00% property tax increase, the options to achieve that are as follows:

1. Allocation of 2017 General Operating Surplus

Use of prior year surplus allocation to reduce the 2018 property tax increase.

<b>2017 Recommended Surplus Allocation</b>	<b>Amount</b>	<b>% Tax change</b>
Property Purchase Reserve	\$1,100,000	1.15%
General Capital Reserve	\$ 752,919	0.79%
General Financial Stability Reserve	\$ 500,000	NA
RCMP Contract Adjustment Reserve	\$ 247,081	NA
Unallocated General Surplus	\$ 112,000	NA
	<b>\$2,712,000</b>	

Council could choose to allocate a portion of the 2017 surplus to reduce the amount property tax revenue needed in 2018. The allocations to the Property Purchase and General Capital Reserves are the only balances that funds could be taken from.

This allocation will have future funding consequence for infrastructure renewal and Council priority funding (ie: property acquisitions). Council will not have these funds available for use as a funding source for future initiatives. As a one-time allocation is being used to reduce annual operating expenses in 2018, the 2019 proposed tax increase could increase from 3.07% to 4.08%.

2. Reduce the amount allocated to the Strategic Infrastructure reserve in 2018 only.

The Strategic Infrastructure reserve was approved in 2016 to provide a sustainable funding source for Council priorities/initiatives. Starting in 2017 the transition of annual Casino and Fortis revenues were/will be redirected from annual operations to the new reserve. The transition from general revenue to the new reserve will currently take 4 years to minimize the impact on property taxes in any one year.

In the 2018 – 2022 Financial Plan, this reserve provides annual funding for property acquisitions and pedestrian transportation improvements. The projected reserve balance for 2018 is \$340,000.

The transition from general revenue to the new reserve for Casino revenues could be completed over a longer period. Reducing the increase by \$300,000 in 2018 would reduce the 2018 property tax increase by .31%. The property tax increase for 2021 would increase as the transition from general revenues to the new reserve would need an additional year to complete.

<b>Reserve</b>	<b>Amount 2018</b>	<b>% Tax change</b>
Strategic Infrastructure Reserve	\$300,000	0.31%

3. Changes to operational budgets.

The City’s annual budget preparation includes a comprehensive review by all departments and Finance staff to determine reasonable resources needed to provide a wide range of needed and desired services for the community. Historical analysis, detailed expenditure budgets and conservative estimates are used to ensure that budgets are adequate to deliver services and minimize any surplus.

Changes to annual operating budgets need to be done with care and adequate awareness for any impacts to service delivery.

Below is a list of budgeted staff positions that are currently vacant and where there is not an active recruitment for Council’s review.

A new City Solicitor position is included in the 2018 – 2022 Financial Plan. The budget for external legal services was reduced; therefore, the impact of this new position is \$0.

Operational Budget Item	Amount 2018	% Tax change
Chief Operations Officer position	\$ 202,973	0.21%
Manager, Treasury and Risk position	\$ 152,614	0.16%
Director of Communications & Community Engagement position	\$ 82,115	0.09%
<b>Total Reduction from Operational Items</b>	<b>\$437,702</b>	<b>0.46%</b>

### Summary

Council's direction is required on specific changes to the 2018 – 2022 Financial Plan to reach their 2.0% property tax increase target for 2018.

These changes will need to be updated to the 2018 – 2022 Financial Plan, the 2018 property tax calculations for properties, and new Financial Plan and Property Tax bylaws will need to be drafted and approved and adopted by Council by May 15, 2018. As Council can appreciate, Staff requires their decisions today in order to complete the needed work by May 15, 2018.

Summarized below are the projected property tax rate changes for 2018 to 2022.

	2018	2019	2020	2021	2022
General Asset Management Reserve	1.00%	1.00%	1.00%	1.00%	1.00%
General Property Tax Increase	1.00%	3.08%	0.89%	0.77%	0.77%
<b>Annual 2018 - 2022 Financial Plan</b>	<b>2.00%</b>	<b>4.08%</b>	<b>1.89%</b>	<b>1.77%</b>	<b>1.77%</b>

The 2018 key budget drivers include changes in expenditure and revenue budgets:

- \$1.0 million expenditure increase for contribution to General Asset Management Reserve;
- \$1.9 million net expenditure increase for wages and benefits;
- \$750,000 expenditure increase for RCMP contract including three new members;
- \$800,000 reduction in general revenues for annual operating expenditures due to transition of Casino revenues from general revenue to the Strategic Infrastructure Reserve. This is year 2 of a 4-year transition;
- \$520,000 reduction in general revenue funding for projects; and
- \$1.5 million increased property tax revenues due to growth.

User fee increases are:

- 5.0% sewer user fee increase for contribution to Sewer Asset Management Reserve;
- 7.5% water user fee increase that includes 5% increase for contribution to Water Asset Management Reserve; and
- 39.8% solid waste collection user fee increase, from \$118.04 to \$165. This includes implementation of automated collection in the remainder of the City.

The "Financial Plan Amendment Bylaw 2017 No. 7253.01" must be adopted by 2018-MAY-15 to enable calculation and collection of 2018 property taxes.

## **OPTIONS**

1. That Council provide direction on how Staff should allocate \$966,000 out of the 2018 operating budget in order to reduce the 2018 property tax increase from 3.01% to 2.0% based on the report titled “2018 - 2022 Financial Plan” dated 2018-APR-30.
  - **Budget Implication:** Adopting the 2018 – 2022 Financial Plan Bylaw authorizes the expenditures in the 2018 budget and calculation of 2018 property taxes.
2. Council provide direction to Staff to bring back a Financial Plan Bylaw Amendment that reflects a 3.01% property tax increase.
  - **Budget Implication:** Adopting the 2018 – 2022 Financial Plan Bylaw authorizes the expenditures in the 2018 budget and calculation of 2018 property taxes

## **SUMMARY POINTS**

- The 2018 property tax increase will be 2.00%
- The Financial Plan Amendment Bylaw must be adopted by 2018-MAY-15
- The Financial Plan Amendment Bylaw will allow Staff to calculate and collect 2018 property taxes. Annual property taxes fund City services and capital programs

### **Submitted by:**

Laura Mercer  
Deputy Financial Officer