

CITY OF PRINCE RUPERT
REPORT TO COUNCIL

DATE: February 23, 2015
FROM: Corinne Bomben, Chief Financial Officer
SUBJECT: 2015 BUDGET PRESENTATION

RECOMMENDATION:

THAT Council receive this report for information purposes and delay any direction to staff until after public consultation scheduled for the next two Council meetings.

BACKGROUND:

Each year the City of Prince Rupert must prepare a Five Year Financial Plan. The information required in the plan is defined in the *Community Charter*. The Five Year Financial Plan Bylaw and an accompanying Annual Property Tax Bylaw must both be passed before May 15th of the current year.

DISCUSSION:

Financial Plan Process:

The Financial Plan Process began in October, 2014 with Department Head discussions. Department Heads were asked to estimate the cost of operating their department for the 2015 year based on their operating experience in 2014 and their knowledge of anticipated cost changes. They were advised to be prudent and plan a Status Quo Budget - expenditures should be budgeted at levels that would provide the same level of service as in 2014.

In December 2014, Council approved schedules of Capital Works and Capital Purchases. These schedules were approved so that staff could begin implementing the processes that are required to execute these plans. Council also approved 65% of Community Enhancement Grant Requests, delaying the decision regarding the remaining 35% to this budget process. As final 2014 financial information becomes available and our prospects for 2015 become clearer, our preliminary estimates have allowed us to prepare this budget for the 2015 year.

Financial Plan Assumptions:

The Financial Plan has been prepared with conservative assumptions regarding anticipated revenues and expenditures. The following assumptions and criteria have also been incorporated into the budget. Many are 'self-evident' or basic to any budget, but adhering to them does cost money:

Statutory financial payments – Provision has been made in the budget to ensure that the City will be able to pay its statutory financial obligations.

Contractual requirements – Provision has been made in the budget to ensure that the City will be able to pay its contractual requirements for wages, services and supplies.

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Community Charter – The proposed Financial Plan adheres to the requirements defined in the *Community Charter*.

Status Quo – Senior staff were advised that there would not be budget for new initiatives beyond what was deemed necessary. This has been the practice for many years and staff are well aware that nice-to-haves are still not an option. Rather, must-be-done is the driving force.

Grants & Permissive Exemptions – Provision for financial assistance to other organizations has been included in the budget at levels similar to 2014.

Energy costs – For 2015, it is assumed that annual total energy costs will increase by two percent (2%).

Benefits – Provision for increases in benefit premiums has been made. These premium increases are a result of increased usage of the coverage by staff as well as increases in the price of services provided. It is estimated that benefit costs will increase by just over nine percent (9%).

Cash Flow – The City will have sufficient cash on hand to meet our payments as they become due.

Fee Increases- No provision for additional revenues from fee increases not already approved by Council have been included in the budget.

Property Tax Revenue:

The City has now received the first draft of the 2015 BC Assessment Property Tax Assessment Roll. Although assessments have increased, we must adjust the mill rate to that which would achieve the same level of taxation revenue as in 2014 (\$14,510,000)

The table below summarizes the 2015 municipal property taxation mill rate compared to the 2014 municipal property tax mill rate based on the first draft of BC Assessment Property Values.

Property Class	2014 Municipal Mill Rate	Revised 2015 Municipal Mill Rate
Residential	8.42627	7.23906
Utility Cap 40.0	40.0	40.00
Major Industrial	47.74885	49.20026
Major Industrial Cap 27.50	27.50	27.50
Major Industrial Cap 22.50	22.50	22.50
Light Industry	32.87972	29.92875
Business	27.85141	25.29647
Non-Profit/Recreation	5.94204	4.72415

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2015 – 2019 Financial Plan Budget Information (Attachment A)

The 2015 Budget has been attached to this report. It includes the Unaudited Actual Year To Date (YTD) figures to December 2014, the Budget for 2015, the Variance between the two and the projected 2016 through 2019 Budgets.

Highlights of the 2015 budget:

Notable differences between actual results in 2014 and the budget for 2015 are:

- All capital purchases and works are to be funded through grants, reserves or Operating surplus carried forward from 2014;
- Non-Market change in assessment has resulted in an increase in Property Taxation revenue of approximately \$200,000;
- City West has advised that it expects to be able to provide a dividend to the City in the amount of \$400,000. This is the same as 2014;
- Contractual wage increases and benefit rate increases result in an additional cost of \$400,000;
- Staffing succession planning and increase in need results in an increase of \$100,000;
- Energy costs are projected to increase by \$35,000; and,
- Utilities funds are self-funding. Increases in Utilities rates have covered the projected costs.

These costs are to provide services that are part of the core service delivery. The cost to provide the remaining 35% of the grant requests made for this year equates to \$365,000. These costs are for services the community has desired to have. Recommendations are included in Attachment B

Our community is potentially on the brink of a boom. Should major projects arrive we can expect both positive and negative consequences. This expectation can be derived from the experience of other municipalities that have undergone rapid growth. Given our knowledge of those experiences, the City has been planning for the changes if they come. This includes preparing for the positive changes, and mitigating the negative impacts. Therefore a new finite initiative of the City is to implement a program to Prepare for Growth. Staff is recommending to obtain funding from the City's subsidiary company, Prince Rupert Legacy Inc. (Legacy) to provide us with the capacity necessary to plan for major projects and attract the resources, and investment in the community necessary to help us come out of the rapid change for the better. By having Legacy fund the cost of these additional but necessary capacity pressures, there would be no impact to the City taxpayer. Should the City benefit from major projects monetarily, the funds advanced by Legacy could be repaid. Alternatively, if the boom doesn't happen, Legacy could forgive the loan and the City taxpayers would be no worse off. This initiative has been characterized in the budget as Preparing for Growth. As previously mentioned, it is considered a finite project and is shown on the budget for 4 yrs only.

After taking into consideration the expected revenues and expenditures, the amount the City must raise to balance the budget equals \$220,000. This translates into a municipal mill rate

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increase of 1.9%.

Homeowner Calculation

For clarity in understanding the impact to each residential taxpayer of these recommendations, one needs to take the value of their home divided by 1000 multiplied by the new mill rate. This equals the value in municipal property tax that will be levied.

The new 2015 municipal mill rate, after taking into account the foregoing recommendations, is expected to be: (see Attachment C for all classes)

Residential 7.37660

For a homeowner with an average assessed value, the change is as follows:

2014 Average Assessment (rounded)	\$196,000	\$1,652
2015 Average Assessment (rounded)	\$229,000	<u>\$1,689</u>
Increase		\$ 37

If homeowners qualify for the basic homeowner grant, they will be able to claim a rebate of \$770. If they qualify for the additional grant, a homeowner can claim \$1,045 thereby reducing their property tax payment.

Asset Replacement and Reserves

The City has commissioned a study to identify the infrastructure deficit. This was done as a part of the community’s initiative to plan for Major Projects. The result was identifying that the City has an infrastructure deficit of \$288 Million. Granted all of our assets won’t be replaced at once, it causes us to take a hard look at our plan for saving to renew our assets. Part of the requirements for future grants from government funding agencies require asset management to not only be planned for, but to also be adequately funded. In order to obtain the grants, municipalities need to be able to provide one third (1/3) of funding for capital projects. This requires saving for the future and putting a policy in place to save in perpetuity. This ensures everyone contributes annually towards capital. It also minimizes the amount of debt that may need to be obtained for asset renewal.

It is with this in mind that staff recommend an annual increase to the mill rate of 2% to be automatically transferred to reserve. Currently 2% translates into approximately \$200,000 from the tax classes that are not capped. Those tax classes that are capped will be requested to voluntarily contribute towards the renewal of community assets. Legacy Inc. could provide dividends annually to augment the infrastructure reserves. By instituting a policy to add 2% to the mill rate every year, it provides predictability to taxpayers and certainty that each year a contribution will be going towards infrastructure.

This policy would not be implemented this year, but rather is introduced to begin engagement with the public towards a determination of the best course of action and alternate considerations regarding funding asset management.

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RCMP Building


The City has received its final letter from the RCMP stating that the facilities for the policing operation are inadequate. We were aware that this day would arrive, however the project was stalled in 2012. The next steps are for us to prepare to build the new facility or pay for whatever the RCMP build. Staff is planning on re-engaging the community in preparation of this inevitability. Initial thoughts are to obtain a loan for this and other necessary capital projects given borrowing rates are low. Staff is exploring a rental arrangement with the RCMP to repay the capital component of a new building to mitigate the financial impact to the community. The advent of major projects could impact the scope of the RCMP building needs and the related financial impacts would be sought by the City to be offset by proponents.

Summary

The needs of the City to fund operations requires an increase of 1.9% to the municipal mill rate. Extraneous capacity needs are proposed to be funded by Legacy meaning no downloading to the community. Staff has noted the need to begin contributing to asset renewal and recommends engagement with the community on best methods to build the infrastructure reserve account. Finally, the City has received notification that the current RCMP facility needs to be replaced. Staff intend on engaging the community respecting this notification.

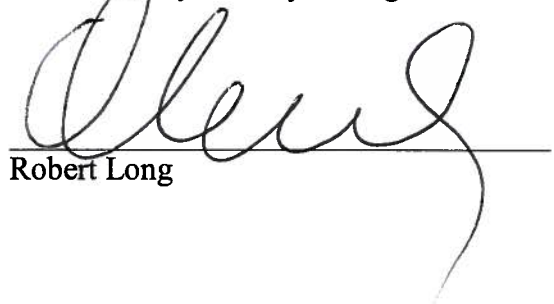
CONCLUSION:

Council, by receiving this report for information purposes, will provide the 2015 Financial Plan Budget Information to the Community for the purposes of public consultation during the upcoming Financial Planning Process.



Corinne Bomben
Chief Financial Officer

Reviewed by the City Manager



Robert Long

Attachments:

- Attachment A: 2015 – 2019 Financial Plan
- Attachment B: Contributions to Community Partners
- Attachment C: Proposed 2015 Municipal Mill Rate

GENERAL OPERATING FUND	Unaudited Actual YTD December	Budget 2014	Variance (2014 Budget Compared to Actual)	2015	2016	2017	2018	2019
Revenues by Department								
Airport Ferry	1,482,661	1,352,000	130,661	1,649,000	1,718,000	1,801,000	1,887,000	1,978,000
Cemetery	77,467	63,000	14,467	60,000	60,000	60,000	60,000	60,000
Corporate Administration	6,446	6,000	446	6,000	6,000	6,000	6,000	6,000
Development Services	507,817	364,000	143,817	422,000	378,000	371,000	371,000	372,000
Finance	30,162	7,000	23,162	7,000	7,000	7,000	7,000	7,000
FD Fire Protective Services	9,164	2,000	7,164	2,000	2,000	2,000	2,000	2,000
FD 911	160,729	160,000	729	150,000	150,000	150,000	150,000	150,000
Fire Emergency Services	74	-	74	-	-	-	-	-
Fiscal Revenues	7,819,941	6,619,000	1,200,941	6,957,000	7,269,000	7,269,000	7,269,000	7,269,000
Information Technology	3,410	1,000	2,410	3,000	3,000	3,000	3,000	3,000
PW Engineering	5,121	3,000	2,121	3,000	3,000	3,000	3,000	3,000
Parks	78,000	5,000	73,000	5,000	5,000	5,000	5,000	5,000
PW Common Revenues	54,539	13,000	41,539	14,000	14,000	14,000	14,000	14,000
RCMP	99,649	100,000	(351)	85,000	105,000	105,000	105,000	105,000
Rec. Centre Arena	172,104	173,000	(896)	178,000	186,000	194,000	203,000	203,000
Rec. Centre Civic Centre	242,618	194,000	48,618	240,000	246,000	258,000	270,000	270,000
Rec. Centre Community Services	19,740	18,000	1,740	18,000	18,000	18,000	18,000	18,000
Rec. Centre Pool	320,520	391,000	(70,480)	408,000	420,000	432,000	445,000	459,000
Transit	315,238	330,000	(14,762)	316,000	317,000	318,000	319,000	320,000
Victim Services	71,956	54,000	17,956	54,000	54,000	54,000	54,000	54,000
Watson Island	815,712	1,390,000	(574,288)	120,000	-	-	-	-
Property Taxes (existing)	12,293,068	11,245,000	1,048,068	10,697,000	10,961,000	11,070,000	11,191,000	11,298,000
Property Taxes- Non- Market change	14,543,771	14,510,000	33,771	14,544,000	14,964,000	14,964,000	14,964,000	14,964,000
PR Legacy- Injection for Economic Growth Project	-	-	-	200,000	-	1,200,000	1,200,000	1,200,000
PR Legacy- Capital Works	-	-	-	1,200,000	-	-	-	-
Land Reserves for Water Front Project	-	-	-	311,000	-	-	-	-
Appropriated Surplus for Debenture Debt	-	-	-	1,365,000	-	-	-	-
Conditional Project Grants- Capital Works	34,699	50,000	(15,301)	605,000	-	-	-	-
Conditional Project Grants- Capital Purchases	162,091	915,000	(752,909)	675,000	-	-	-	-
Appropriated Reserves Capital Works	16,950	750,000	(733,050)	1,030,000	-	-	-	-
Appropriate Reserves Capital Purchases	257,619	677,000	(419,381)	975,000	-	-	-	-
Appropriated Surplus For Capital Purchases	-	1,155,000	(1,155,000)	1,050,000	-	-	-	-
Appropriated Surplus for Capital Works	-	1,055,000	(1,055,000)	25,000	-	-	-	-
Funding from Utilities	-	10,000	(10,000)	-	-	-	-	-
Long Term Loan (Fire Truck)	-	-	-	350,000	-	-	-	-
Debenture Loan for Prince Rupert Airport	6,888,000	7,000,000	(112,000)	-	-	-	-	-
NDI Grant for Prince Rupert Airport	-	-	-	250,000	-	-	-	-
Total Operating Fund Revenues	34,196,198	37,367,000	(3,170,802)	34,477,000	27,125,000	27,234,000	27,355,000	26,262,000

GENERAL OPERATING FUND	Unaudited Actual YTD December	Budget 2014	Variance (2014 Budget Compared to Actual)	2015	2016	2017	2018	2019
Expenditures by Department								
Airport Ferry	2,438,304	2,551,000	112,696	2,567,000	2,608,000	2,790,000	2,860,000	2,937,000
Cemetery	189,148	256,000	66,852	194,000	196,000	199,000	201,000	201,000
Civic Properties	240,265	337,000	96,735	344,000	350,000	356,000	362,000	368,000
Corporate Administration	653,017	680,000	26,983	704,000	830,000	836,000	842,000	848,000
Development Services	788,438	738,000	(50,438)	810,000	817,000	825,000	832,000	840,000
FD 911	469,445	486,000	16,555	488,000	496,000	504,000	512,000	520,000
FD Fire Protective Services	2,667,467	2,481,000	(186,467)	2,821,000	2,885,000	2,902,000	2,918,000	2,923,000
FD Emergency Measures	27,564	30,000	2,436	31,000	32,000	33,000	34,000	35,000
Finance	640,140	708,000	67,860	718,000	783,000	795,000	807,000	819,000
Finance Cost Allocation	(359,000)	(359,000)	-	(359,000)	(359,000)	(359,000)	(359,000)	(359,000)
Fiscal Expenditures	2,101,147	2,306,000	204,853	2,798,000	2,630,000	2,630,000	2,630,000	2,629,000
Governance	307,793	309,000	1,207	327,000	355,000	358,000	361,000	364,000
Grants to Support Other Organizations	1,385,118	1,373,000	(12,118)	1,377,000	1,355,000	1,357,000	1,369,000	1,381,000
Information Technology	394,123	391,000	(3,123)	468,000	474,000	480,000	486,000	492,000
Parks	862,369	784,000	(78,369)	822,000	833,000	843,000	853,000	863,000
PW Engineering	331,743	377,000	45,257	412,000	420,000	428,000	436,000	444,000
PW Common Costs	3,116,834	3,242,000	125,166	3,363,000	3,402,000	3,445,000	3,487,000	3,529,000
Allocation of PW Common Cost	(3,526,021)	(3,242,000)	284,021	(3,363,000)	(3,402,000)	(3,445,000)	(3,487,000)	(3,529,000)
PW Vehicles	1,331,103	1,163,000	(168,103)	1,187,000	1,209,000	1,230,000	1,251,000	1,257,000
Allocation of PW Vehicles	(1,328,279)	(1,163,000)	165,279	(1,187,000)	(1,209,000)	(1,230,000)	(1,251,000)	(1,257,000)
RCMP	4,537,604	4,764,000	226,396	4,895,000	4,951,000	5,011,000	5,071,000	5,131,000
Rec. Centre Arena	367,251	359,000	(8,251)	393,000	396,000	401,000	405,000	405,000
Rec. Centre Civic Centre	1,608,013	1,587,000	(21,013)	1,629,000	1,649,000	1,666,000	1,683,000	1,683,000
Rec. Centre Community Services	-	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Rec. Centre Pool	1,289,533	1,284,000	(5,533)	1,272,000	1,284,000	1,302,000	1,316,000	1,331,000
Roads	1,751,126	1,810,000	58,874	1,949,000	1,977,000	2,005,000	2,033,000	2,063,000
Transit	733,021	766,000	32,979	819,000	935,000	1,014,000	1,043,000	1,073,000
Victim Services	128,523	117,000	(11,523)	117,000	118,000	119,000	120,000	121,000
Watson Island	1,813,005	1,390,000	(423,005)	120,000	-	-	-	-
Transfer to Reserves (Interest & Care Fund)	139,477	128,000	(11,477)	128,000	90,000	50,000	50,000	50,000
Portion of staff cost to be use in capital works	-	-	-	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Early Redemption of Debenture Debt	-	-	-	1,365,000	-	-	-	-
Loan to (refund from) Solid Waste Fund - Cap Works	-	84,000	84,000	-	-	-	-	-
Economic Growth Project funding from PR Legacy	-	-	-	1,200,000	1,200,000	1,200,000	1,200,000	-
Debenture Loan for Prince Rupert Airport	6,888,000	7,000,000	112,000	-	-	-	-	-
NDI Grant for Prince Rupert Airport	-	-	-	250,000	-	-	-	-
Provision for Capital Purchases	1,986,242	2,757,000	770,758	3,360,000	-	-	-	-
Provision for Capital Works	1,146,576	1,855,000	708,424	2,860,000	-	-	-	-
Total Operating Fund Expenditures	35,119,089	37,367,000	2,247,911	34,697,000	27,126,000	27,563,000	27,883,000	26,982,000
Surplus(Deficit)	(922,891)	-	(922,891)	(220,000)	(1,000)	(329,000)	(528,000)	(720,000)

UTILITY OPERATING FUNDS	Unaudited Actual YTD December	Budget 2014	Variance (2014 Budget Compared to Actual)	2015	2016	2017	2018	2019
Sewer								
Revenues	2,134,055	2,139,000	(4,945)	2,225,000	2,336,000	2,452,000	2,585,000	2,704,000
Grants	-	680,000	(680,000)	1,053,000	-	-	-	-
Capital purchases	(100,000)	(100,000)	-	-	-	-	-	-
Capital works	(811,131)	(1,461,000)	649,869	(1,553,000)	(1,221,000)	(1,323,000)	(1,440,000)	(1,543,000)
Revenue for operations	1,222,924	1,258,000	(35,076)	1,725,000	1,115,000	1,129,000	1,145,000	1,161,000
Expenditures	1,022,184	1,258,000	235,816	1,725,000	1,115,000	1,129,000	1,145,000	1,161,000
Surplus (Deficit)	200,740	-	200,740	-	-	-	-	-
Water								
Revenues	2,456,425	2,530,000	(73,575)	2,490,000	2,614,000	2,745,000	2,884,000	3,029,000
Grants	-	-	-	4,165,000	528,000	-	-	-
PR Legacy	-	-	-	250,000	2,000,000	-	-	-
Appropriated Surplus- Cap Works	-	710,000	(710,000)	315,000	349,000	-	-	-
Capital purchases	(103,963)	(105,000)	1,037	-	-	-	-	-
Capital works	(512,335)	(1,480,000)	967,665	(1,385,000)	(3,700,000)	(1,053,000)	(1,172,000)	(1,297,000)
Revenue for operations	1,840,127	1,655,000	185,127	5,835,000	1,791,000	1,692,000	1,712,000	1,732,000
Expenditures	1,818,689	1,655,000	(163,689)	1,835,000	1,791,000	1,692,000	1,712,000	1,732,000
Surplus (Deficit)	21,438	-	21,438	4,000,000	-	-	-	-
Solid Waste								
Revenues	2,825,394	2,582,000	243,394	2,933,000	2,764,000	2,902,000	3,049,000	3,202,000
Transfer from Landfill Closure Accruals	200,000	556,000	(356,000)	-	-	-	-	-
Grants	-	1,500,000	(1,500,000)	1,500,000	-	-	-	-
Borrow from/(refund to) Gen Fund	-	84,000	(84,000)	-	-	-	-	-
Capital works	(1,118,717)	(2,611,000)	1,492,283	(1,700,000)	(591,000)	(705,000)	(828,000)	(957,000)
Revenue for operations	1,906,677	2,111,000	(204,323)	2,733,000	2,173,000	2,197,000	2,221,000	2,245,000
Expenditures	1,878,617	2,111,000	232,383	2,733,000	2,173,000	2,197,000	2,221,000	2,245,000
Surplus (Deficit)	28,060	-	28,060	-	-	-	-	-

Recommendation:

Contributions to Community Partners

Attachment B

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Category	Actual 2014	Budget 2014	2015 Amt Requested	Amt Disbursed	Recommended Budget 2015	Difference
Grants In Aid						
AFFNO Sugar Shack Grant	500	500	900	585	585	
BC SPCA	23,200	23,200	30,000	19,500	25,000	
Bahai Community of Prince Rupert			850	553	553	
Canadian Red Cross			1,332	866	1,000	
Halloween Festival (In Kind)	3,567	6,000	6,000	3,900	6,000	
National Aboriginal Day (In Kind)	2,250	2,250	5,000	3,250	3,250	
Navy League of Canada	1,125	1,125	4,529	2,944	2,944	
Prince Rupert Racquet Association	8,500	8,500	8,500	5,525	8,500	
Prince Rupert Arts Council	10,000	10,000	10,000	6,500	10,000	
Prince Rupert Special Event Society - Civic Centre (in kind)	6,787	10,000	10,000	6,500	10,000	
Prince Rupert Special Event Society - Operating Grant	20,000	20,000	20,000	13,000	20,000	
Salmonberry Trading Company	500	500	-	-	-	
Wildlife Rehabilitation Centre	6,000	6,000	6,000	3,900	6,000	
Provision for later applicants (nominal amount)	428	4,425	-	-	8,668	
	82,857	92,500	103,111	67,023	102,500	35,477
Major Grants						
Equipment for Golf Course	16,431	40,000	40,000	40,000	40,000	
Prince Rupert Golf Course (Wages & Benefits for Superintendent)	106,070	122,000	122,000	122,000	122,000	
			-	-	-	
Prince Rupert Economic Development Commission	57,500	57,500	50,000	32,500	50,000	
			-	-	-	
Tourism Prince Rupert Operating	29,000	29,000	-	-	-	
Tourism Prince Rupert hotel tax transfer (regulatory requirement)	220,286	160,000	160,000	160,000	220,000	
Visitors Information Centre	70,000	70,000	31,500	20,475	31,500	
			-	-	-	
Museum of Northern BC. - Kwinsta Station Grant	14,500	14,500	18,000	11,700	15,000	
Museum of Northern BC - Museum Grant	110,500	110,500	160,000	104,000	111,000	
			-	-	-	
Prince Rupert Library	558,000	558,000	566,000	387,900	566,000	
Prince Rupert Library vest benefit accrual	9,000	9,000	9,000	9,000	9,000	
			-	-	-	
Lester Centre	110,000	110,000	110,000	71,500	110,000	
	1,301,287	1,280,500	1,266,500	939,075	1,274,500	335,425
Total	1,384,144	1,373,000	1,369,611	1,008,098	1,377,000	370,902

Attachment C

Proposed 2015 Municipal Mill Rate (with inclusion of recommended increase)

Property Class	2014 Municipal Mill Rate	Proposed 2015 Municipal Mill Rate
Residential	8.42627	7.37660
Utility - Capped 40.0	40.0	40.00
Major Industrial	47.74885	50.13506
Major Industrial - Capped 27.50	27.50	27.50
Major Industrial - Capped 22.50	22.50	22.50
Light Industry	32.87972	30.49740
Business	27.85141	25.77710
Non-Profit/Recreation	5.94204	4.81391