

DISTRICT OF LANTZVILLE

2016-2020 FINANCIAL PLAN

January 18, 2016

Overview

- Prior year starting point
- Detailed review with CAO/Director of Finance
- Non status-quo items shown as non-core
- Incorporation of the Strategic Plan (Jan 25)
- Budget to be amended once direction received from Council
- Ongoing Notes
 - New staff
 - Financial System Review
 - Continual improvement philosophy



Legislative Requirement

- Financial Plan – Section 165 and 166 of the *Community Charter*
 - Be adopted annually by bylaw, before the annual tax rate bylaw is adopted (before May 15th)
 - Be for a 5 year period (2016-2020)
 - For each year, set out the proposed expenditures, funding sources and transfers to or between funds
 - Set out the municipality's revenue and tax policies and objectives



No Deficit Rule

- Section 165 (5) and (9) of the *Community Charter*
 - The total of the proposed expenditures and transfers to other funds for a year must not exceed the total of the proposed funding sources and transfers from other funds for the year
 - If actual expenditures and transfers to other funds for a year exceed actual revenues and transfers from other funds for the year, the resulting deficiency must be included in the net year's financial plan as an expenditure in that year
 - Simply put, no deficits are permitted



No Surplus Rule

- Per the Ministry, municipalities should not purposefully budget for a surplus. Revenue should only be collected if there is an associated expense in the Financial Plan
- Simply put, the Financial Plan should balance (net to \$0)



Revenue

- Property Taxes
 - Based on assessed value
- Parcel Taxes
 - Based on area of land or a flat amount per parcel
- User Fees
 - Based on service used
- Utility 1%
 - Based on 1% of prior years' income (Telus, Shaw, Fortis, Hydro)



Revenue Continued

- PILT (Payment in Lieu or Tax)
 - Government & crown corporations exempt from paying tax under Section 125 of the *Constitution Act, 1867*
 - PILT is a way of making a payment to municipal governments for services it receives
 - Lantzville has one PILT from Hydro
- Grants
 - Small Community Works Fund
 - Around \$440K per year
 - Gas Tax
 - As funds are restricted not recognized into revenue until a capital project takes place. Around \$200k/year



Revenue Continued

- Other
 - Penalties
 - Interest (arrear, delinquent, cash)
 - Donations (park bench contribution, developers)
 - Application fees (DVP, subdivision etc.)
 - Inventory sales (garbage tags, bins)
 - Fire Suppression agreement (Nanoose First Nations)
 - Contribution from surplus



Surplus

- The difference between Revenue and Expense each year is transferred into surplus
- Many revenues are tied to specific expenses and only recognized when the expense takes place
- Surplus is mainly the difference between tax funds received and tax funded expenses



Use of Surplus

- Interest earned on surplus reduces the amount of tax required each year
- Surplus can be “internally borrowed” in lieu of borrowing from a bank for Revenue Anticipation
 - Tax revenue is received in June/July but relates to the entire year. May need additional cash in the first half of the year
- Reduces risk by providing funding in case of emergencies
- Funding option for one-time expenditures



Operating Funds

- The District has three funds that operate as if they were distinct entities
 - ▣ General
 - ▣ Sewer
 - ▣ Water
- Revenues and expenditures should balance within each fund



Property Tax Classes

- Class 1 – Residential
- Class 2 – Utilities (capped rate)
- Class 5 – Light Industry
- Class 6 – Business
- Class 7 – Forest
- Class 8 – Recreation/Non-Profit
- Class 9 – Farm



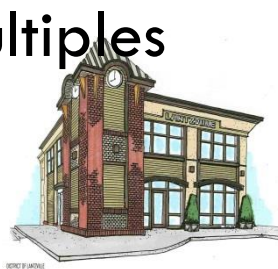
Assessment

- Completed Roll (December 31)
- Revised Roll (March 31)
- NMC = Non Market Change or New Assessment
 - Calculation process – exclude NMC to obtain same taxes as prior year
 - Apply rate to NMC
 - Adjust all rates/multiples for additional taxes as required
 - Review distribution among classes. Adjust per Council policy/direction
 - Report to Council coming at future meeting budget meeting



Property Taxes - Continued

- Tax Rates are set per \$1,000/assessment
- Tax Multiple (also known as the Tax Ratio) is the ratio between the Residential Tax Rate and the Tax Rate of another class
- Section 197 (3) (b) allows separate rates for revenue to be raised for different purposes, but the ratio between classes must remain the same for all purposes
 - General and Library taxes must use the same multiples



Property Taxes - Others

- The District collects and remits taxes on behalf of other taxing authorities. The tax amounts and rates are set external to the District and are entirely out of the District's control.
 - RDN (general and hospital taxes)
 - School (SD68 and 69) on behalf of the Province
 - Policing on behalf of the Province
 - BC Assessment Authority
 - Municipal Finance Authority



Property Taxes Collected

Type	% Total Revenue (2015)
General Municipal	34%
School District	40%
Nanaimo Regional District - General	13%
Nanaimo Regional District - Hospital	4%
Library	4%
Policing	4%
BC Assessment Authority	1%
Municipal Finance Authority	0%



Questions?



Core vs. Non-Core

- The Core budget was established to leave current service levels as the status quo
- At the direction of Council, service levels can be amended
- Requests for service level changes and additional expenditures, including expenditures per the Strategic Plan are listed as Non-Core. (Tab 4)
 - The decision to include non-core items in the Financial Plan rests entirely with Council.



Starting Point

- The budget as presented includes:
 - ▣ Property Tax
 - 2016 Core – (1.75%)
 - 2016 Non-Core – 5.19%
 - 2016 Total - 3.44%
 - ▣ Sewer User Fee
 - 2016 – (4.36%)
 - ▣ Water User Fee
 - 2016 - 2.17%
 - ▣ Only a starting point – will be adjusted with direction from Council
 - ▣ Assessment not finalized. 2015 Avg \$451,394



Core Overview – Revenue (Tab 4)

- 1.75% decrease in property tax over 2015 (early 2015 Council direction of 2% increase for 2016).
- Government Grants
 - 2015 Budget anticipated revenue recognition of Gas Tax. This amount continues to be deferred.
 - 2015 saw \$18,991 advance payment for the Small Community Works Fund. Amount transferred into Surplus in 2015 and back into Revenue from Surplus in 2016 (on different line item)



Revenue Continued (Tab 4)

□ Return on Investment

- \$4,500 transferred to the Water Fund. Historically, all interest has been coded to the General Fund. The Finance System Review will more accurately determine how much should be redistributed to the Water and Sewer fund in future years

□ Internal Transfers

- Amortization expense must be included in the Financial Plan. It is an unfunded expense. \$506,000 is included as an internal transfer



Council Convention Budget

- From March 9, 2015 Council
 - THAT Council instructs staff to incorporate a \$10,000 reduction to the Council convention budget in the Financial Plan.
 - 2014 Budget - \$25,000
 - 2015 Budget - \$16,000
 - 2016-2018 Budget - \$11,070 (2019-2020 \$9,100)
 - Council to confirm 2016-2020 Budget



Wages & Benefits

- Wages have been budgeted with an estimated 2% increase. Actual increase unknown at this time.
- Benefit costs fluctuate each year. Calculation per benefit administrator's actuarial and is proprietary.
- MSP, EI, CPP are set each year and out of the District's control



General Government

- Administrative Consultants
 - 2015 included one-time costs – Fire Service Review, Contract negotiations, respectful workplace training, strategic planning etc. Was not to occur in 2016.
- Facilities – Operations & Maintenance
 - Reduced to reflect actual maintenance cost
- Equipment – Operations and Maintenance
 - 2015 included one-time expense for Council Meeting AV – moved to 2016 Capital
 - Increase in IT contract cost to reflect actual hours being worked by contractor



General Government Continued

□ Other

- 2015 included one-time cenotaph donation
- 2016 includes \$40,000 operational contingency
 - Funded by surplus
 - To be used for unexpected expenses during the year
 - Allows for budgets to be reduced, as traditionally, many expense items have contingency built into every line



Protective Services

- Lantzville Volunteer Fire Department
 - \$12,000 firefighter remuneration reduction from Fire Chief being transferred to P/T
 - Education & Training was estimated to be higher in 2015 only.
- Administration
 - Higher in 2015 from one-time expenditures - iPads



Transportation Services

- Thorough review of budget has allowed for reductions to be made



Environmental Development

□ Planning

- Wages decrease. Previously budgeted at FT for 10 months. Currently .6 FTE for full year
- Other costs now allocated to Environmental Development, allowing tracking of full cost of service



Parks & Recreation

- Parks and Recreation
 - Wage allocation fluctuates each year
 - Parks – Operations & Mtce
 - Toilet rental cancelled with new Huddlestone Park toilet (2015 capital project)
 - Other
 - \$39,000 Mountain Bike Skills Park included in 2015. Moved to Capital in 2016
 - \$10,200 Trails/Journeyway Strategy in 2015. Included as Non-core in 2016



Contributions to Surplus & Reserves

- 2015 was abnormally high as it anticipated the recognition of gas tax funds into revenue
- Contribution to reserve consistent with historical practice. Now shown by reserve



Sewer

- Sewer
 - Sewer user fee reduced
 - Budget should balance, historically resulted in surplus. Budget now in line with Ministry recommendation
 - In lieu of a reduction, Council may wish to keep the rate constant and increase the contribution to reserve fund.
 - Alternatively, a reserve account could be established to reduce increases in future years
 - Operational contingency of \$20,000 funded by Surplus



Water main/Hydrant Mtce

- Historically \$25,080 collected on property taxes for the cost of water main/hydrant maintenance.
- A review has estimated the cost to all residents at \$7,575/year.
- The budget has been prepared to collect \$7,575 from property taxes, with an adjustment to water user fees.
- Revenue collection will now more accurately reflect the cost of providing this service.



Water

- Miscellaneous
 - \$4,500 interest
- Professional Fees
 - 2015 (typo pg.16 of 17 Tab 6) budget actually \$7,650 vs. \$20,146 shown.
- Facilities – Operations & Maintenance
 - 2016 increase – new requirement for water licenses – Strategic Plan & Legislation
- Equipment – Operations & Maintenance
 - 2015 included one-time Reservoir/Well Field Mtce
- Operational contingency of \$30,000 funded by Surplus



Questions?



Non-Core Budget (Tab 4)

- Strategic Plan Timing
 - Budgets are estimates by staff
 - Will be refined once further direction received from Council
 - Refined costing will be presented at a future budget meeting



Non-Core - General Government

- Admin Legal – Water Agreement - \$20,000
- Branding - \$25,000
- Economic Development Strategy - \$7,500
- OCP – ToR - \$5,000
- Village Plan - \$10,000
- DCC Review - \$7,500
- Respectful Workplace Training - \$2,500
- Costin Hall Maintenance - \$20,000



Non-Core - Planning

- Secondary Suite Public Consultation - \$2,000



Non-Core - Fire Services

- P/T Fire Chief - \$55,800
- Deputy Fire Chief Honorarium Adjustment - \$2,000
- Education & Training level increase - \$5,000
- Additional iPads - \$1,100
- Compressor (2017 purchase) - \$4,500



Non-Core - Parks & Recreation

- WoodLot Trails - \$7,500
- Wilson Road Phase 1 - \$1,200
- Interpretative Signage - \$4,000 (\$2K from grant – already received)



Non-Core - Transportation

- Works for Others - \$50,000 (revenue & expense)
 - ▣ Revenue and Expense must be included in the Financial Plan
 - ▣ Fully funded - no impact to taxpayers



Non-Core - Environmental Health

- Historically the RDN provided the District with a 7.5% discount on the garbage fee, representing the cost of administration and billing to residents.
- The administrative discount equates to \$13,000/year and will be collected as part of the garbage user fee.
- The user fee will now more accurately reflect the cost to provide and administer garbage services to residents



Non-Core - Environmental Health Cont.

- Adjustment is consistent with other municipalities and the District's treatment of applying an administrative fee to Water and Sewer
- Estimated 2016 cost per unit \$124/year ~\$9/unit increase
 - 2012 - \$125
 - 2013 - \$137
 - 2014 - \$125
 - 2015 - \$114



Non-Core - Sewer

- Engineering Consultants for Phase 3 grant application - \$10,000
- Funded by Property Tax vs. User Fee as it impacts all residents



Non-Core - Water

- Engineering Consultants – Water Taskforce - \$50,000
- Engineering Consultants – Water Master Plan - \$100,000



Questions?



Next Steps

February 10, 2016 – 5pm	Capital budget distribution. Continued Budget Discussion.	Committee of the Whole
March 7, 2016 – 7pm	Continued budget discussion. Grant-in-Aid	Committee of the Whole
April 4, 2016 – 6pm	Public Presentation. Budget wrap-up	Committee of the Whole
April 11, 2016 – 7pm	1 st 3 readings Financial Plan Bylaw, Tax Rate Bylaw	Council
April 25, 2016 – 7pm	Bylaw adoption	Council

