



2020 – 2024 Financial Plan Presentation to Council

October 28, 2019 Committee of the Whole

Overview

- The 2020-2024 Plan has been prepared in accordance with the District of Lantzville's 2020 Financial Plan Guidelines
 - Copy included in Financial Plan Binder
- A zero-based budgeting approach has been used, which includes a thorough review of each line item to determine necessity
- The 2020-2024 Financial Plan Bylaw will impact the Property Tax Rates for 2020
 - The Property Tax Rates bylaw will be brought to Council in April 2020 once the District receives BC Assessment's final roll assessment information around March 31, 2020



Items Referred by Council

- Any Council-Approved Grant Applications and funding sources are included in the Financial Plan
- Any Council resolutions instructing staff to submit Special Request Forms for the 2020-2024 Financial Plan have been included in the Financial Plan
- Items referred to the Financial Planning process have not been included in the Financial Plan and will be separately identified so that they can be discussed and Council direction can be given

Budget Highlights

- The proposed budget outlines an increase of approximately \$432k over the prior year's budget
 - Total amount of municipal taxes requisitioned is ~\$2.3M, as compared to \$1.9M requisition for 2019
 - For reference, using the current budget draft, approximately \$23,000 of additional expenses increases the tax rate by 1%
- Increase is partially due to inflationary pressures:
 - Wage and benefit increases at approximately 2% (CUPE)
 - Victoria, BC, Consumer Price Index increased by 2.6%*
 - Fuel price increases – 19% in 2019
 - Victoria average gas price in January \$1.31/L
 - Victoria average gas price in October \$1.56/L

Tax Requisition Increase - ~\$432k

- Snow Removal - \$75,000
 - Increased to \$125,000 from \$50,000 in 2019
- Top-Up Snow Removal Reserve Fund - \$34,829
 - Top up reserve fund to \$75,000 using \$40,121 from tax stabilization reserve and \$34,829 from general taxation
- Public Works Foreman/Certified Technologist - \$64,000 (9 months)
 - New position request for 2020 (cost includes benefit loading)
- Deputy Director Corporate Administration - \$84,500 (11 months)
 - New position request for 2020 (cost includes benefit loading)
- Special Project Requests for 2019 - \$48,550
- Roads Reserve Fund Contributions - \$62,300
 - Increased to \$450,000 from \$387,700 in 2019

Roads – Asset Management

Year	Road	Replacement Cost	Current Asset Mgmt	Increased Asset Mgmt
2020	Sebastion Road	\$ 892,000	\$ 450,000	\$ 450,000
2021	Venture Road / Alger Road	899,000	450,000	550,000
2022	Aulds/Metro Road	1,345,000	450,000	650,000
2023	Mart/Aulds Road	1,290,000	450,000	750,000
2024	Dickinson Road	1,042,000	450,000	850,000
2025	Harwood	1,841,000	450,000	950,000
2026	Phantom	913,000	450,000	1,050,000
2027	Lorenzen	2,060,000	450,000	1,150,000
2028	Lantzville	1,930,000	450,000	1,250,000
		<u>\$ 12,212,000</u>	<u>\$ 4,050,000</u>	<u>\$ 7,650,000</u>
	Funding Deficit		- 8,162,000	- 4,562,000

Roads Contributions 2005 to 2019

Year	Roads Reserve Contributions	20 Year Average Needs	Difference (Funding Gap)
2005	(184,937)	(628,000)	(443,063)
2006	(186,823)	(628,000)	(441,177)
2007	(188,729)	(628,000)	(439,271)
2008	(190,654)	(628,000)	(437,346)
2009	(194,783)	(628,000)	(433,217)
2010	(214,262)	(628,000)	(413,738)
2011	(225,700)	(628,000)	(402,300)
2012	(249,500)	(628,000)	(378,500)
2013	(278,200)	(628,000)	(349,800)
2014	(303,700)	(628,000)	(324,300)
2015	(319,000)	(628,000)	(309,000)
2016	(334,800)	(628,000)	(293,200)
2017	(351,600)	(628,000)	(276,400)
2018	(369,200)	(628,000)	(258,800)
2019	(387,700)	(628,000)	(240,300)
	<u>(3,979,588)</u>	<u>(9,420,000)</u>	<u>(5,440,412)</u>



Tax Requisition Increases 2005 to 2019

	Municipal Tax in Dollars	Dollar Value Increase	Requisition % Increase*
2005	(1,150,328)		
2006	(1,204,425)	(54,097)	4.70%
2007	(1,263,549)	(59,124)	4.91%
2008	(1,312,944)	(49,395)	3.91%
2009	(1,358,717)	(45,773)	3.49%
2010	(1,389,364)	(30,647)	2.26%
2011	(1,396,101)	(6,737)	0.48%
2012	(1,426,927)	(30,826)	2.21%
2013	(1,462,202)	(35,275)	2.47%
2014	(1,510,623)	(48,421)	3.31%
2015	(1,551,184)	(40,561)	2.69%
2016	(1,567,249)	(16,065)	1.04%
2017	(1,646,260)	(79,011)	5.04%
2018	(1,735,426)	(89,166)	5.42%
2019	(1,902,499)	(167,073)	9.63%



Impact on Average House

Impact to Average Single Family House, \$726,874*	2019	2020
Residential Mill Rate	1.4212	1.6565
Municipal Property Taxes	\$1,033	\$1,204
Dollar value increase (annual)		\$171
Dollar value increase (monthly)		\$14.25

*Based on the Provincial 2019 “Tax Rates” Schedule 702 as reported in the Local Government Statistics section



Comparative Data

- Comparative data for Regional Municipalities can be found under Tab 2
- Average Single Family Home for Lantzville is \$726,874
- Note: Levels of service, commercial and industrial revenue, financial health, fee structures, and other items vary between municipalities

Comparative Data

Municipalities	2018 Population Estimate	2019 House Value	2019 General Municipal Total	2019 Total Res Parcel Taxes	2019 Total Res. User Fees	2019 Residential Municipal Tax Rate	General Municipal Taxes on a \$726,874 home
Cumberland	4,134	449,953	1,471	272	823	3.2687	2,376
Duncan	5,241	356,721	1,328	20	698	3.7238	2,707
Highlands	2,451	850,462	1,939	0	0	2.2799	1,657
Ladysmith	9,417	439,939	1,770	794	908	4.0235	2,925
Lake Cowichan	3,510	361,137	1,336	240	784	3.7008	2,690
<u>Lantzville</u>	3,762	726,874	1,138	371	139	1.7098	1,138
Metchosin	5,075	799,381	1,535	0	0	1.6920	1,230
Nanaimo	97,619	516,418	2,196	16	857	4.2519	3,091
Parksville	13,323	497,076	1,732	16	674	3.4846	2,533
Port Hardy	4,393	184,202	1,050	0	1,055	5.7001	4,143
Port McNeill	2,413	204,758	1,133	0	584	5.5313	4,021
Qualicum Beach	9,502	674,725	1,961	211	376	2.9060	2,112
Tofino	2,147	886,959	2,670	0	540	3.0101	2,188
Ucluelet	1,930	418,113	1,529	160	640	3.6580	2,659

Current Financial Plan

Sewer User Fee

- Approximate 9% increase in user fees required
 - If attributed equally to the rate categories now, quarterly base fee would increase from \$113.30 to \$123.30, or \$10 each quarter

Water User Fee

- 2020 User Fee – 0% Increase
- No User Fee increase required due to additional lots being created in Lantzville

Garbage Collection Fees

Garbage Collection Fees

- Currently \$138.6/unit, collected annually via parcel tax
- According to information from the RDN, the rates will increase for inflation for 2020
 - E.g. a 2% increase in rates would be \$141.37/annually
- Plan is to start to bill the garbage collection fees with the quarterly utility billings starting in 2020
- In 2021, automated curbside collection rates will apply
 - Current estimate from the RDN is \$175 annually if the default cart selections are made

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 (2020-2024)
 - For each year, set out the proposed expenditures, funding sources and transfers to or between funds
- **Municipal best practice is to adopt the Financial Plan before the end of December, as municipalities are based on a calendar year**
 - **This facilitates planning for the entire year, so that projects can be tendered and progress can be made earlier, resulting in cost savings**

No Surplus Rule

- Municipalities cannot purposefully budget for an operating surplus. Revenue should only be collected if there is an associated expense in the Financial Plan
 - However, Budget may provide for reserve fund contributions
 - E.g. Asset Management
 - E.g. Snow Removal
- The Financial Plan should balance (net to \$0)

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 (simply put, no deficits are permitted)
- This differs from Federal and Provincial Governments

Budget Review Process

- Budget process started in July 2019 and Department Heads submitted budgets in August 2019
- Since then, multiple budget review meetings have taken place
- Budget to be amended when direction is received from Council
 - Council may provide direction at any time
- Even after the budget is adopted, the Financial Plan Bylaw can be amended at any time

Accounting Overview

- All Financial Information is Recorded in separate funds
 - General Fund
 - Water Fund
 - Sewer Fund
 - Capital Fund
 - Reserve Funds
- The Water Fund and Sewer Fund are stand-alone utilities, which operate as self-sustaining entities
 - i.e. utility revenues are adequate to support expenditures in each year

Accounting Overview

- There are three main categories of expenditures
 1. **Operating Expenses** – required, annual expenses to maintain operations
 2. **Special Project Expenses** – Expenses that do not happen annually and are specifically approved by Council
 - a) These may include special projects and larger repair & maintenance items
 - b) Temporary or one-time changes to existing level of service
 - c) Larger purchases but do not meet capital asset criteria
 3. **Capital Projects** – Capital purchases or project costs where the cost is significant and will be amortized over the useful life of the asset

Funding Concepts

- **Operating Expenses-** should only (over time) be funded by annual property tax collection and annual revenues
- **Special Project Expenses**
 - May be funded by taxation
 - Grant funding is sometimes available
- **Capital Projects**
 - Funding is generally from Reserve Funds (e.g. DCC funding, Asset Lifecycle Reserves, etc.)
 - **May be funded by taxation***
 - Grant funding is researched and applied for if available
 - Local Area Service (if applicable)
 - Funded by those benefitting

Revenue

- Property Taxes
 - Based on assessed value
- Parcel Taxes (specified by bylaw)
 - Based on area of land or a flat amount per parcel
- Utility 1%
 - Based on 1% of specified utilities (Telus, Shaw, Fortis, Hydro) previous year's income in Lantzville
 - Also receive 3% Municipal Operating Fees from Fortis

Revenue Continued

- PILT (Payment in Lieu of 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 BC Hydro
- Grants
 - Small Community Grant
 - Around \$447k/year
 - Gas Tax
 - Funds can only be accessed for projects that meet the grant funding criteria; they are not included in revenue until a capital project is approved by Council
 - Around \$207k/year, 2019 was a double payment

Revenue Continued

- Other
 - Penalties
 - Interest (arrears, delinquent, cash)
 - Donations (park bench contribution, developers)
 - Application fees (permits, subdivision, etc.)
 - Administration fees paid by developers
 - Inventory sales (garbage tags, bins)
 - Fire Suppression Service Agreement
 - Snaw-Naw-As First Nation

Surplus

- The difference between Revenue and Expense each year in the operating budget is transferred into the surplus reserve
 - Once the general surplus reserve hits \$1,000,000, excess funds can be allocated to capital reserve funds by Council

Use of Surplus

- Reduces risk by providing funding in case of emergencies
- Must not be used to fund regular operating costs
- Council Strategic priority is to achieve appropriate levels of taxation
 - The new 2019 surplus bylaw does not allow the use of surplus for operating expenses
 - 2020-2024 Financial Plan has removed the use of surplus as a funding source
 - Exception: carry-forward projects from 2019

Accumulated Surplus

Year	General	Sewer	Water
Projected 2019	\$910,000	-\$400,000	\$325,000
2018	\$830,965	-\$366,656	\$775,593
2017	\$2,395,155	-\$300,342	677,878
2016	\$2,777,624	-\$453,135	668,535
2015	\$2,918,812	-\$573,294	666,096
2014	\$2,818,250	-\$723,777	660,311

Assessment

- Preview Roll (Expected by end of November)
- Completed Roll (December 31st)
- Revised Roll (March 31st)
- NMC = Non Market Change or New Assessment
 - Calculation process – exclude Non Market Change to obtain same taxes as prior year
 - Apply projected tax increase
 - Add factor for Non Market Change

Property Taxes - Continued

- Taxes are set per \$1,000/assessed value
- Non-Market Change estimated at \$24.8M from BC Assessment
 - Largely due to Foothills property assessments
- In 2019, this would generate approximately \$35,000 of extra tax revenue due to Lantzville's low residential mill rate
- In other municipalities this would generate:

▪ Nanaimo	\$98,753
▪ Cumberland	\$76,622
▪ Parksville	\$81,582

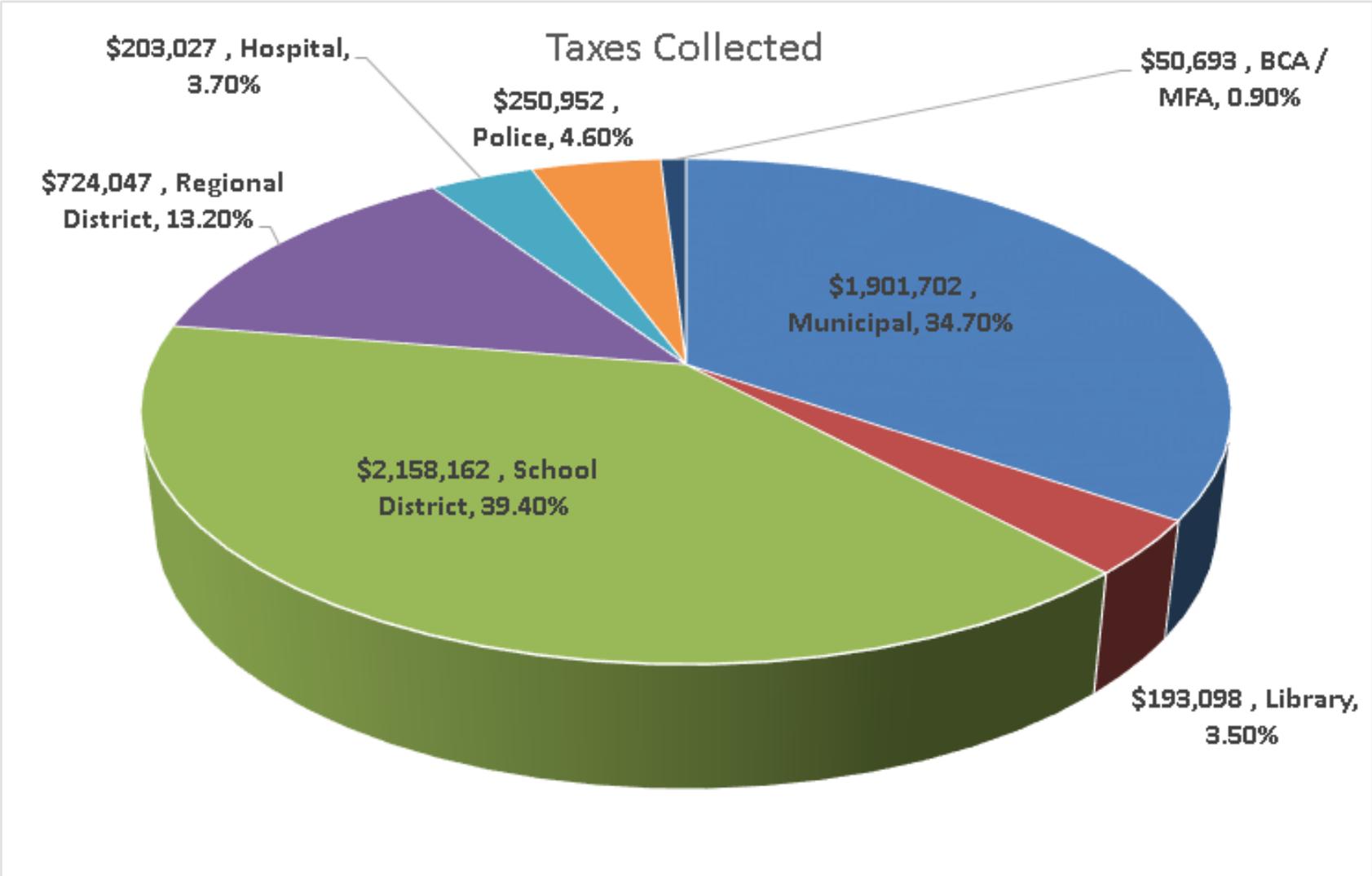
Property Taxes - Continued

- The current Financial plan includes the additional revenues from non-market change to help to fund District operating expenses
 - These funds are usually used to offset new maintenance and operating costs
 - These funds could be set aside into a reserve fund
 - However, this would increase taxation
- Tax rate calculation includes an estimated increase in overall assessment base of 3%, plus increases in assessed values for some development parcels for around \$12M
 - An additional \$12M in assessment at the 2019 mill rate would yield \$17,000 in municipal taxes

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

Property Taxes – Others (2019)



Property Taxes Collected

Type	% Total Revenue (2019)
General Municipal	35%
School District	39%
Nanaimo Regional District – General*	13%
Nanaimo Regional District - Hospital	4%
Library	3%
Policing	5%
BC Assessment Authority & Municipal Finance Authority	1%

* This does not include Service Contracts paid to the Regional District (e.g. Garbage Collection, Animal Control, Bylaw Enforcement, Building Inspection, Emergency Planning, GIS/Mapping)

2021-2024 – To be addressed

- Additional Public Works Labourers
- Significant additional reserve fund contributions required for asset management (roads, storm drainage, public works vehicles, facilities)
- Future need for additional accounting staff
- Future need for assistance in the planning department due to increased volume

Items Referred to Financial Planning Process

- September 9, 2019 Council Motion:
 - *“THAT Council refers the motion on the floor to the 2020-2024 Financial Plan deliberations – THAT District of Lantzville Property Acquisition Reserve Fund Bylaw No. 214, 2019 be given first, second, and third readings”*
 - This has not been included in the 2020-2024 Financial Plan and Council direction is required
 - Current Bylaw includes the equivalent of a 2% tax increase for reserve fund contributions for the first year, and 1% thereafter to a maximum of \$1.5M

Items Referred to Financial Planning Process

- September 9, 2019 Council Motion:
 - *THAT the Parks and Trails Committee recommendation (THAT \$9,800 be included in the 2020 budget to green up the Lavender Road and Harper Road beach road ends, subject to public consultation.) be referred to the 2020 Financial Planning process.*
 - This has not been included in the 2020-2024 Financial Plan and Council direction is required

Recommendation: THAT the Committee of the Whole recommends THAT funding not be considered for any green space improvements until adequate maintenance capacity is available.

Items Referred to Financial Planning Process

- September 9, 2019 Council Motion:
 - *THAT the Parks and Trails Committee recommendation (THAT a Trails Development Reserve Fund be established.) be referred to the 2020 financial planning process.*
 - This has not been included in the 2020-2024 Financial Plan and Council Direction is required

Recommendation: THAT the Committee of the Whole recommends THAT the Parks & Trails Select Committee complete a priority list of trail projects for Council consideration, and that trails be funded annually from taxation as determined by Council.

Questions?

- Note that the operating budget (or any budget items) may be adjusted in the future with direction from Council