



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council
From: Chief Administrative Officer
Subject: 2014-2018 General Operating Financial Plan

File No.: 1705-20
Date: April 9, 2014

PURPOSE:

The purpose of this report is to consider the proposed 2014-2018 General Operating Financial Plan, and the recommended commercial rate multiplier to be used in setting the 2014 property tax rates.

POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five year financial plan. The 2014-2018 General Operating Financial Plan is a component of the annual City of Courtenay five year financial plan.

Included in the financial plan, and funded from the Gas Tax Grant, are provisions for beginning condition assessments of roads and storm infrastructure. The development and implementation of Asset Management Planning, based on condition assessments, life cycle analysis, risk management, and the implementation of associated financial policies is a key operational strategic priority going forward.

EXECUTIVE SUMMARY:

The five year general operating financial plan is prepared annually. The proposed 2014 financial plan year provides for a total of \$35 million in planned City expenditures, inclusive of transfers to other funds such as general capital and replacement reserves.

The current year financial plan proposes an increase of 1.95% in revenue derived from property taxation, which results in an increase in City property taxes of \$6.60 for the average residential property.

CAO RECOMMENDATIONS:

That based on the April 9, 2014 staff report "2014-2018 General Operating Financial Plan" Council approve OPTION 1 for the 2014-2018 General Operating Financial Plan in regards to the proposed 2014 – 2018 general operating financial plan; and

That a commercial tax multiple of 2.80 be used in setting the 2014 property tax rates.

Respectfully submitted,

"original signed"

David Allen
Chief Administrative Officer

BACKGROUND:

Consideration and approval of a five year financial plan is an annual requirement under the *Community Charter*. The proposed Financial Plan for the General Operating Fund presented at the April 9th Special Meeting of Council provides detail for the 2014 year, as well as projections for the four years following.

With Council’s approval, the proposed schedules will be included in the 2014-2018 Financial Plan Bylaw.

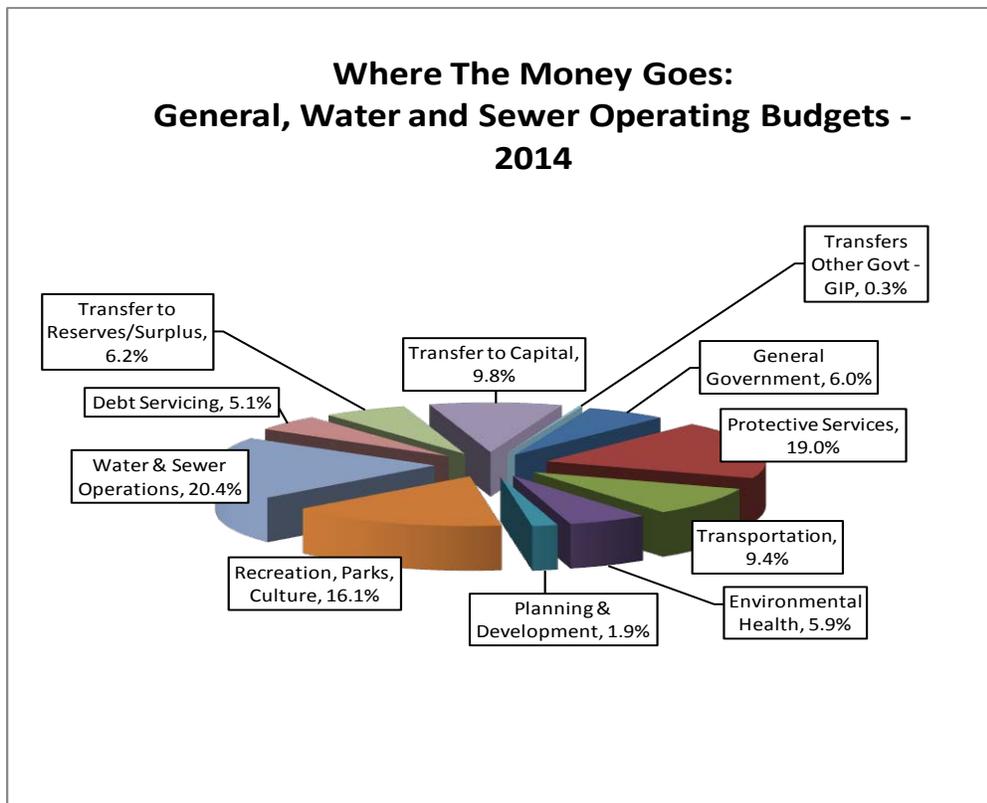
DISCUSSION:

BUDGET OVERVIEW:

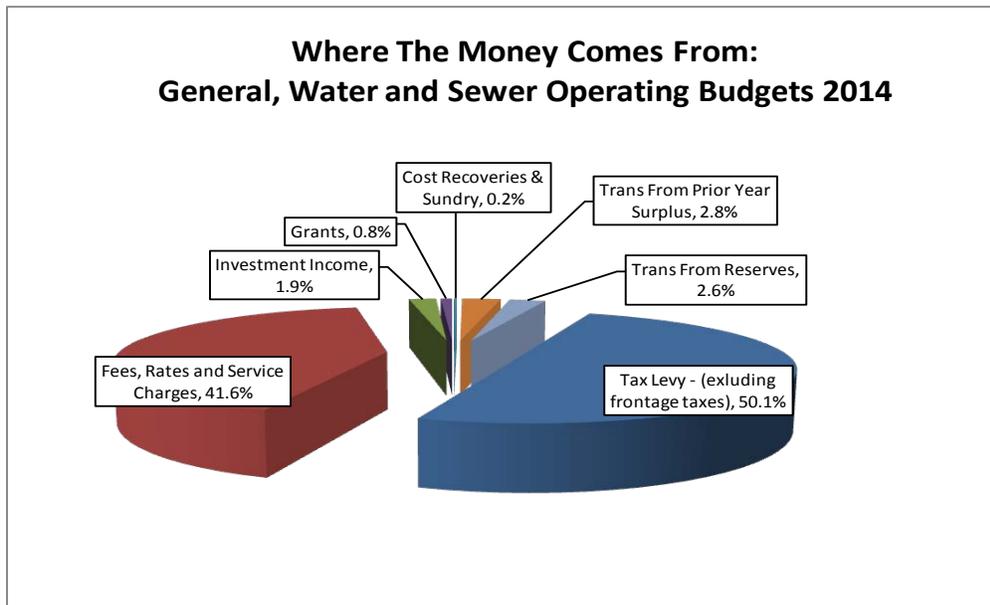
The operating budget is among the most important public documents a government produces. As a financial plan, it sets forth the government’s taxing and spending direction. As a policy document, it establishes explicit service priorities. As an operations guide, it outline departments that will be responsible for achieving the service priorities and that will be accountable for spending. Finally as a communications device, it makes all of the foregoing transparent to public officials and citizens alike.ⁱ The budget is a powerful expression of how Council will meet the community’s needs and maintain expected levels of service.

Inclusive of the three operating budgets – General, Water and Sewer – the following pie graphs depict proportionally where the 2014 funds are utilized and from where revenues are sourced:

GRAPH 1: City of Courtenay 2014 Operating Expenditures

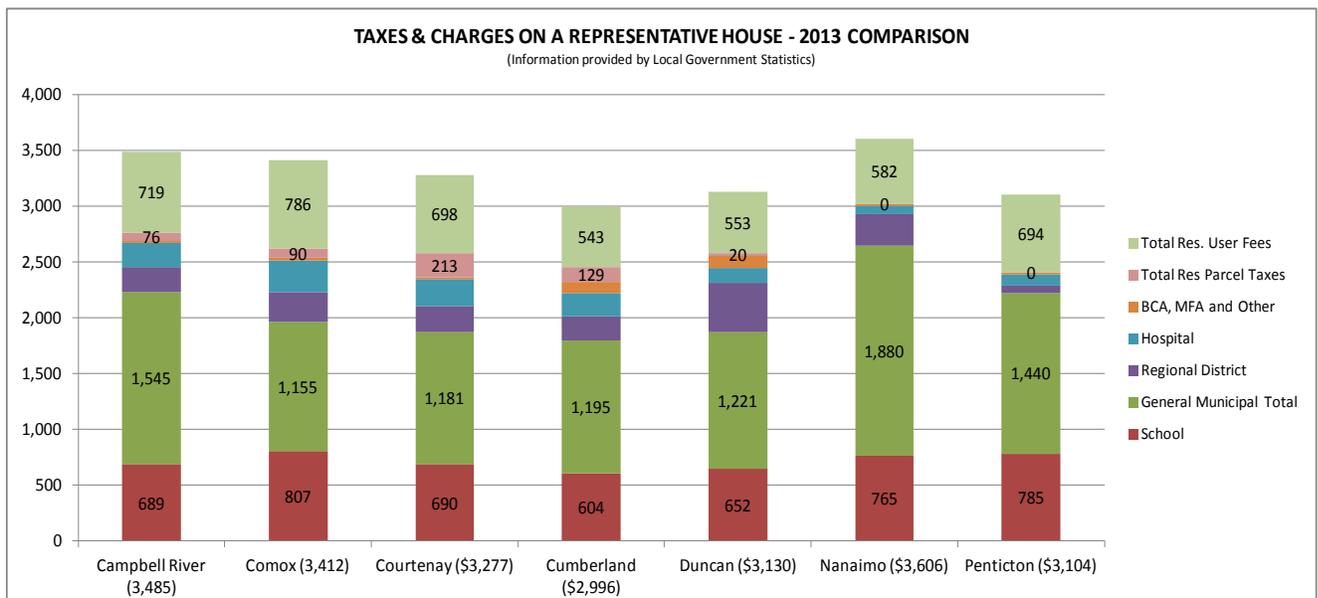


GRAPH 2: City of Courtenay 2014 Operating Revenues



In the development of the budget and measuring its impact on property taxation and fees, it is also helpful to review the property tax and utility costs in neighbouring and comparable municipalities. The following 2013 information has been extracted from the Provincial local government statistical reports and is provided below for Council’s information:

GRAPH 3: Taxes and Charges on a Representative House – 2013 Comparison



What this means to the Taxpayer:

Residential Class – based on commercial multiple of 2.85.

The property tax increase for an “average” 2014 residential property, value at \$275,625, will be an increase of \$6.60 for the municipal taxation portion of the tax notice.

Commercial Class – based on multiple of 2.85

The “average” commercial property, valued at \$693,105, will experience an increase of \$349 for the municipal portion of the tax notice.

It should be noted that Commercial Class 6 encompasses a wide range of business, from small – with an assessment value usually lower than the average, to very large retailers, with higher valuations. New construction of larger commercial venues can contribute to increasing the “average value” value reported for this class.

Downtown Courtenay - Business Improvement Area– based on multiple of 2.85

The “average” commercial property, valued at \$538,768, will experience an increase of \$336 for the municipal portion of the tax notice.

Property Tax Rate Commercial Multiplier - Considerations

The commercial multiplier is simply the factor by which the commercial class tax rate is greater than the residential class tax rate. Historically the commercial multiplier has been set at the following factors and with Council direction has been gradually trending downward:

YEAR	CLASS 6 - MULTIPLE
2006	3.44
2007	3.35
2008	3.35
2009	3.30
2010	3.10
2011	2.90
2012	2.85
2013	2.85

New construction in the prior year was primarily undertaken by larger commercial entities in the Class 6 business category, and this has resulted in a greater level of growth and an increase in the reported value of the “average” commercial property reflected in the Class 6 Commercial category. In addition, while the assessed values of residential homes have experienced a decrease in average value, the commercial properties in Class 6 have sustained a valuation increase.

The following table details the effect on the average residential property, average commercial property, and the average small business in the DCBIA area. Based on the options calculated and the additional detail provided for the DCBIA, staff recommend that the commercial multiple be *decreased* by 0.05 and that a multiple of 2.80 be used to set the City general tax rates for the 2014 year.

TABLE 1: City of Courtenay, 2014 Commercial Rate Multiple, Summary and Impact of Options

	Average Assessment			Effect of Reducing the Commercial Multiplier		
	2013	2014	% Change	1.00	1.00	1.00
Class 1 - Residential						
	\$ 279,547	\$ 275,625	-1.40%			
Municipal General Tax \$ Increase				\$ 6.61	\$ 13.97	\$ 21.41
% change in tax levy over 2013				0.63%	1.34%	2.05%
Class 6 - Commercial				Multiplier of 2.85	Multiplier of 2.80	Multiplier of 2.75
	\$ 674,554	\$ 693,105	2.75%			
Municipal General Tax \$ Increase				\$ 349.87	\$ 269.61	\$ 188.17
% change in tax levy over 2013				4.88%	3.76%	2.62%
Class 6 - DCBIA Properties				Multiplier of 2.85	Multiplier of 2.80	Multiplier of 2.75
	\$ 518,349	\$ 538,768	3.94%			
Municipal General Tax \$ Increase				\$ 335.77	\$ 273.38	\$ 210.07
% change in tax levy over 2013				6.09%	4.96%	3.81%

EXPENDITURES

2014 Cost Drivers and Changes in Budgeted Expenditures

Services provided by the City for its residents include police and fire protection, bylaw enforcement, animal control, transportation services, storm drainage, street lighting, traffic, parking, pickup of solid waste, recyclables, and yard waste, parks, playgrounds, recreation programs and facilities, and cultural facilities such as the library, arts centre, museum and theatre.

Levels of service have been maintained with funding adjustments as required, and additionally for the 2014 budget year the following initiatives have been included in the budget.

1. General Government:
 - a. 2014 election costs
 - b. Courtenay 100 year Centennial celebration, planning/events (2014/15)
 - c. Increase in technical staff to support existing City systems as well as support the new initiatives of corporate capacity/time tracking, asset management and related GIS data compilation, website redevelopment, human resources information system, and document management.

2. Protective Services:

- a. Addition of 8 volunteers to the volunteer department roster. Related costs include fire response/fire practice wages, uniforms/equipment, and training.

The increase in the funded volunteer roster will allow the department to add to the number of fire-fighters per training company, which provides the senior fire-fighters much needed time to not only focus on Officer level training and leadership skills, but to also pass along their knowledge to junior fire-fighters and new recruits.

With the more senior volunteers edging closer to retirement and with the volunteer combined “average” years of service continuing to shorten – common to many volunteer fire departments across the Province – it is critical to implement strategies and resource capacity which permit sufficient and adequate training for the volunteers.

3. Transportation Services:

- a. Engineering – In progress/2014 only
 - i. DCC Bylaw Review and Update
 - ii. Subdivision Bylaw Review and Update
 - iii. Completion of the Transportation Study
 - iv. Road Network Analysis
 - v. Complete Streets Pilot Project
- b. Asset Management Planning
 - i. Condition Assessment – Roads/Asphalt
 - ii. Condition Assessment – Storm Drainage

4. Recreation Programs and Facilities:

- a. Lewis Centre Recreation Facility – An increase in revenues has been forecasted, as well as increased facility and program related costs have been included.

Overall, the operating budget is also affected by a 9% increase in BC Hydro rates effective April 1st, which is projected to result in increased costs of \$44,000 in energy charges for 2014. Property insurance rates for Courtenay have increased 9% or \$12,500, and coverage language around earthquake and flooding damage is becoming increasingly restrictive due to the occurrence of these events along the coast in the past five years.

RESERVES, GRANTS, AND SURPLUS FUNDS

Use of General reserves, grants and surplus funds has been provided for in the 2014 General Operating Budget, and are detailed below.

Community Works Fund – Gas Tax Grant Revenues

The following use of the CWF – Gas Tax Grants funding is proposed in the 2014 budget year:

<u>Category</u>		<u>Grant Criteria</u>	<u>AMOUNT</u>
Transportation Services	Condition Assessment – Roads/Asphalt	Capacity Building – Infrastructure development plans	\$75,000
	Condition Assessment – Storm Drainage	Capacity Building – Infrastructure development plans	\$ 50,000
		Total	<u>\$125,000</u>

Gaming Funds

In accordance with Council’s 2013-2015 adopted policy on the distribution of gaming funds, gaming funds continue to be utilized to fund the cost of two members of the total 30.4 RCMP members funded by the City of Courtenay each year. For 2014, the cost of two members has been estimated as \$315,204.

Traffic Fine Revenue Sharing Grant

Traffic fine revenue sharing grant funds continue to be used to fund the cost of two members of the total 30.4 RCMP members funded by the City of Courtenay each year.

Council is reminded that 2014 is the final year of the 2012-2014 Provincial Strategic Community Investment Funds agreement (traffic fine revenue share grant). The Province has not yet announced whether this grant program will be renewed.

General Fund Surplus

General surplus funds in the amount of \$670,000 have been utilized in the 2014 financial plan.

The remaining surplus funds held in reserve are projected to total \$3.4 million, and stem from years where the city operations have been under budget. Under-budget situations can occur for a variety of reasons such as policing contract member vacancies, years where anticipated snow and ice control resources have been budgeted but have not been needed, or the receipt of unanticipated revenues.

Staff are in the process of developing a new Capacity and Financial Risk reserve strategy to create a structure around the intended use of these surplus funds, and specifically ensure that unanticipated risks are provided for. In addition, staff are also in the process of developing a reserve strategy for costs associated with police protection to ensure surplus policing funds are carried forward and are available for use in covering future policing contract costs or for use in covering the unexpected cost of events where significant policing resources are required.

DEBT

No new borrowing is proposed for the current 2014 budget year. Additional borrowing in future years would be required for a possible fire hall/training grounds in East Courtenay, and for a new police building in West Courtenay. Long term borrowing requires a public approval prior to advancing the related projects.

ADMINISTRATIVE IMPLICATIONS:

Subsequent to Council approval of the proposed 2014-2018 General Operating Fund Financial Plan, the schedules will be included in the 2014-2018 Financial Plan Bylaw. Subsequent to an opportunity for public feedback, this bylaw will be brought forward for Council adoption in May 2014.

STRATEGIC PLAN REFERENCE:

Value Statement 1: A Safe and Caring Community
 Goal 1 – Ensure protective services meet community needs

Value Statement 2: A progressive, diverse and sustainable City
 Goal 1: Ensure infrastructure is sustainable
 Objective c) Complete an inventory and assessment of City roads, buildings, and utilities, and report on works required.

Strategic Priorities

Additional one-off funds have been provided for in the 2014 Financial Plan to provide resources for the following strategic priorities:

Priority	<i>Provided for In Schedule C, under the following operating budget:</i>
Council: - Complete Street Pilot Project	Transportation Services: Engineering Operations
Community Services - Centennial Celebrations	General Government Services: Legislative
Operations: - Asset Management Inventory - Road Condition Assessment	Transportation Services: Asset Management Planning
Engineering - Complete Street – Pilot Project - Transportation Study - Subdivision Bylaw Review - DCC Bylaw Review	Transportation Services: Engineering Operations

OFFICIAL COMMUNITY PLAN REFERENCE:

The 2014-2018 Financial Plan touches many areas of the OCP Goals including:

- Balanced growth
- Parks and publicly accessible natural open space
- Sustainable development
- Provision of community services including fire/rescue and policing
- An effective transportation system

REGIONAL GROWTH STRATEGY REFERENCE:

Goal 4 – Transportation

Develop and accessible, efficient and affordable multi-modal transportation network that connects Core Settlement Areas and designated Town Centres, and links the Comox Valley to neighbouring communities and regions.

Goal 5 – Infrastructure

Provide affordable, effective and efficient services and infrastructure that conserves land, water and energy resources.

Goal 8 – Climate Change

Minimize regional greenhouse gas emissions and plan for adaptation.

CITIZEN/PUBLIC ENGAGEMENT:

The public is notified of the upcoming changes to user fees through regular and special council meetings, media webcasts, and information posted on the City’s website.

The financial plan information will be posted on the City’s website for review and comment, and all public feedback will be provided to Council prior to adoption of the Financial Plan bylaw.

In addition, staff are currently in the process of compiling data for the launch of a new interactive and informative web-based communication tool “Citizen Budget”, and plan to have this tool online a few days after the April 9th budget discussion with Council.

OPTIONS:

OPTION 1: That Council approves the 2014-2018 General Operating Financial Plan as proposed, and directs staff to include the schedules in the 2014-2018 Financial Plan Bylaw; and

That a commercial rate multiple of 2.80 be used in setting the 2014 property tax rates.

OPTION 2: That Council amends the proposed 2014-2018 General Operating Financial Plan, and directs staff to include the amended schedules in the 2014-2018 Financial Plan Bylaw; and

That Council decide on the commercial rate multiple to be used in setting the 2014 property tax rates.

OPTION 3: That Council defer the endorsement of the proposed 2014-2018 General Operating Financial Plan and tax rate multiple for further discussion at a later Council meeting.

Prepared by:

“original signed”

Tillie Manthey, BA, CPA, CGA

Director, Financial Services/Deputy CAO

Attach: Schedule C – General Operating Fund schedules
 Schedule J – General Fund Reserves

ⁱ Government Finance Officers Association: Financial Policies, Shayne C. Kavanaugh, 2012