

# The Corporation of the City of Nelson



2020-2024 Proposed  
Draft Financial Plan  
May 6, 2020

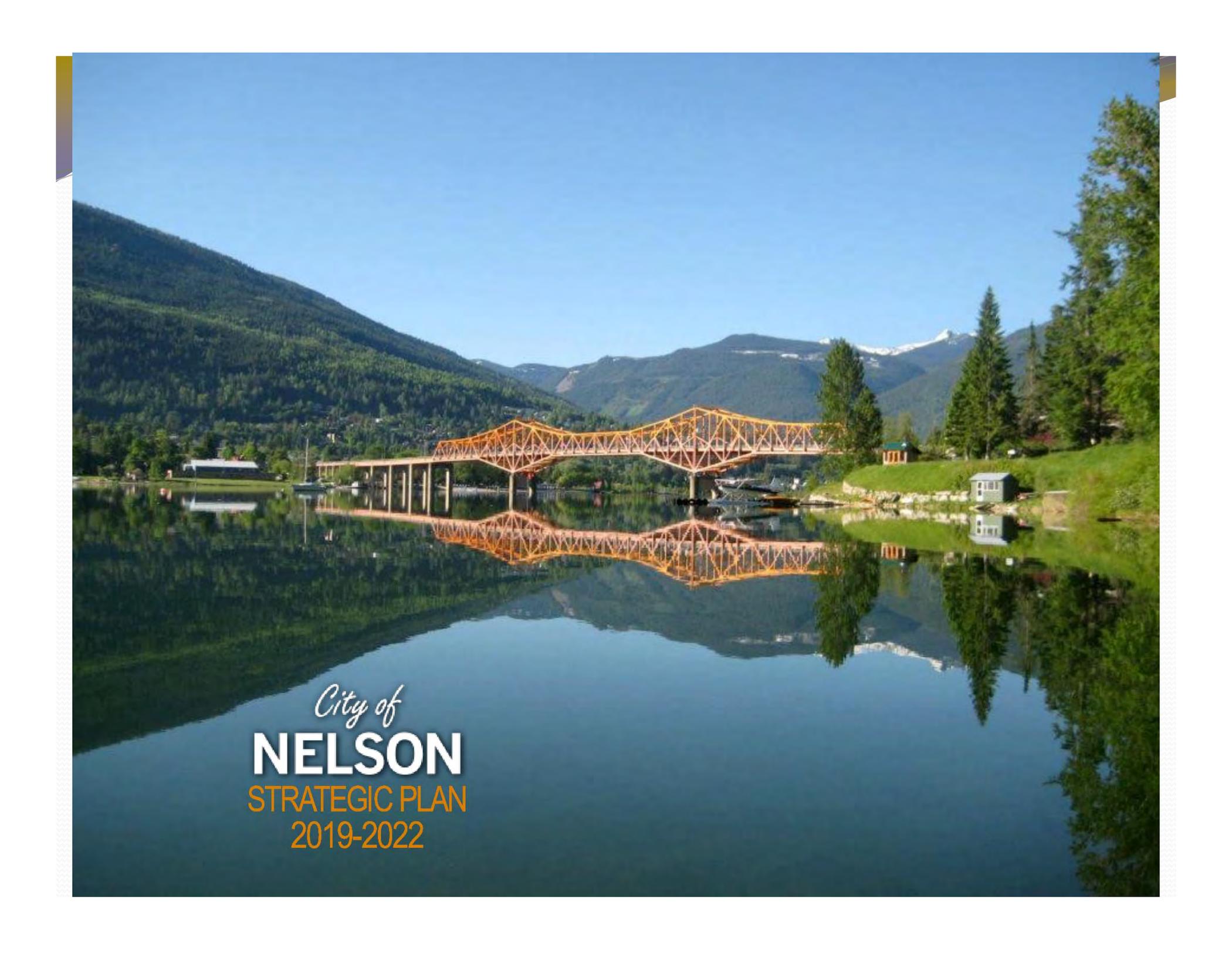
# Agenda

1. Introduction
2. Quick Facts
3. 2020 – 2024 Financial Plan Process
4. 2020 Budget Overview
5. Taxation & Operating Budget
6. City Assets/Reserves/Debt
7. Comments & Questions



CITY OF NELSON

***Presenter: Colin McClure, Chief Financial Officer***

A scenic landscape photograph of a wooden truss bridge spanning a calm lake. The bridge's structure is reflected in the water. In the background, there are forested mountains and a clear blue sky. The text 'City of NELSON STRATEGIC PLAN 2019-2022' is overlaid in the bottom left corner.

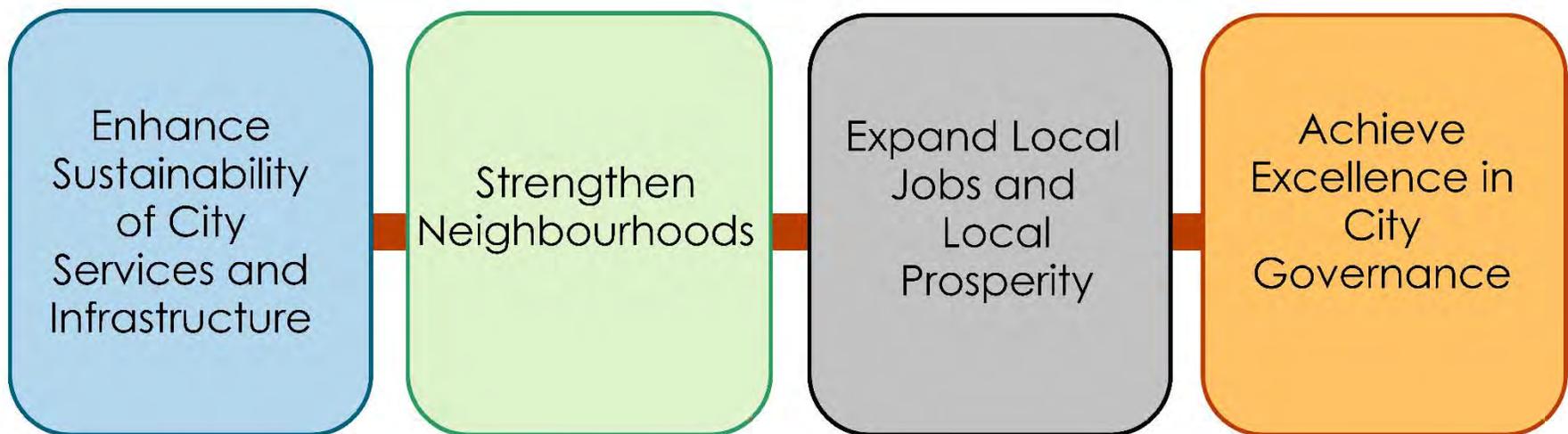
*City of*  
**NELSON**  
STRATEGIC PLAN  
2019-2022



# Our Vision for the Future

*Nelson is a prosperous and resilient community with robust ecosystems and safe, welcoming neighbourhoods where we celebrate diversity, history, and culture.*

# Our Vision is supported by four Strategic Goals



Each goal identifies what we hope to achieve, communicates how we plan to make it happen, and how we will measure success. To implement the Strategic Plan and link it to departmental work plans, the City develops annual Business Plan priorities and budgets to identify the specific actions and resources required to carry out our defined goals and achievements.

The City's Annual Report identifies progress towards meeting the goals in the Strategic Plan.

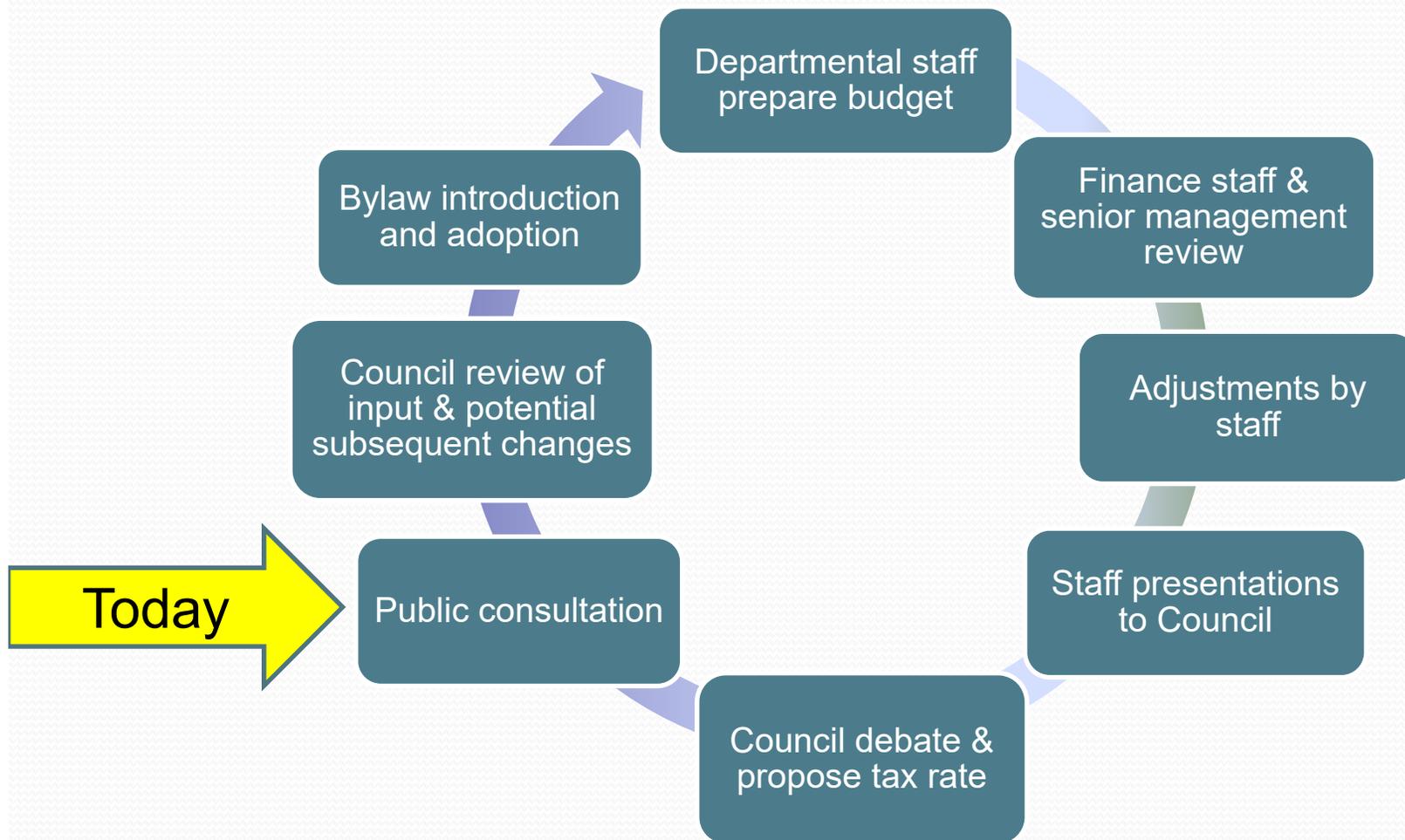
# 2020-2024 Proposed Financial Plan

- Financial Planning – Process, Environment & Direction
- Five Year Plan Overview and Quick Facts
- Operating Costs
- Funding Sources – User Fees, Debt, Reserves & Taxation
- Utilities, City Assets & the Capital Budget



CITY OF NELSON

# Financial Planning Process





# Budget Principles

## *Council's Direction to Staff*

- Support delivery of municipal services
- Maintain services delivered at 2019 levels
- Reduce costs of service delivery, where possible, while minimizing service impact levels
- Generate new revenue
- Minimize tax rate increase
- Long term planning as a focus
- Continue utility infrastructure program
- Address roads & facilities infrastructure deficit
- Implement sustainability principles

# Financial Planning Environment

- Conference Board of Canada expects BC's economy to contract by 3.2% in 2020 (pre-pandemic forecast was a 3.1% increase).
- Anticipate BC loss of 104,000 jobs and unemployment of 14% by Q2.
- Especially hard hit will be consumer-facing sectors: food service, accommodation, retail, entertainment.
- Housing sector may also feel impact, as the BCREA anticipates sales to fall considerably in April and May.

In response, Council has developed the  
Economic Stimulus & Financial Stability 25 Point  
Action Plan

# Council's Economic Stimulus & Financial Stability 25 Point Action Plan

## Financial Plan, Fees & Taxation:

1. Financial Plan amended to reduce revenues by \$830,000, operating expenditures by \$800,000 and utilize \$530,000 in reserve funding. Includes 0% property tax increase for 2020.
2. Financial Plan adds allowance of \$100,000 for recovery and/or wildfire response and recovery.
3. Hiring freeze for 2020, except for replacement for critical positions and grant funded positions.
4. Salaries frozen for 2020; Council CPI increase rolled back to 2019 effective May 1, 2020; freeze for union employees contingent on negotiations with the appropriate union; existing union contractual increases will be honoured.
5. Nelson Hydro rate increase for 2020 remains frozen at the 2019 amount.

# Council's Economic Stimulus & Financial Stability 25 Point Action Plan

## Financial Plan, Fees & Taxation:

6. Dividend to the City from Nelson Hydro frozen at the 2019 amount.
7. Funding to reserves will be deferred where possible significant negative impact on the City's sustainability and resiliency.
8. Council will request provincial and/or federal funding to cover shortfall in fare revenue and operations for transit services.
9. Expenditures, where economic benefit is external to the Greater Nelson area, deferred for 2020 (e.g. equipment replacement), unless critical to the operations of the City.
10. Organizations receiving grants from the City and/or leasing city facilities asked to first access other funding support (grants) prior to requesting support from the City of Nelson.

# Council's Economic Stimulus & Financial Stability 25 Point Action Plan

## Capital Projects:

11. City capital projects and other expenditures that generate spending within Nelson and region will be prioritized.
12. In conjunction with the FCM Community Energy Efficiency plan, the City will enhance the Eco-Save Energy retrofit program.
13. Created a Capital Infrastructure team to identify and develop 'shovel ready' infrastructure projects within its operation, and to work with other organizations with similar Nelson-based projects, in anticipation of economic stimulus funding through provincial and federal governments.

# Council's Economic Stimulus & Financial Stability 25 Point Action Plan

## Business Improvements:

14. Organizations directly supporting businesses and/or can generate additional grant dollars as part of the recovery will continue to be fully funded if required. Includes funding to the NAEDP, VIC, Nelson Innovation Centre and CDC.
15. 50% of parking meter and fine revenue May 1-August 31 to support business - Digital commerce, financial advisor team, energy upgrades, storefront improvement program and commercial area improvements (such as festival lighting, street furniture etc).
16. Staff will prioritize the development of Storefront Improvement Program to be rolled out in the summer of 2020.
17. Staff will prioritize the development of a Heritage Revitalization Incentive Program to be implemented in 2020.

# Council's Economic Stimulus & Financial Stability 25 Point Action Plan

## Housing:

18. Allow 39 unit workforce housing project located at 520 Falls Street to proceed, City has offered flexible financing of utility work and will transfer Falls Street Lane to Kootenay Christian Fellowship (if necessary) for \$1.00 subject to notice to the public.
19. The \$500 secondary suite development fee will be waived for the next 12 months.
20. Utility fee upgrades for secondary suites will be financed, where requested, by the City to a maximum of \$10,000 period not exceeding 15 years at MFA 15-year borrowing rate; these suites cannot be used as a STR until debt is paid off.

# Council's Economic Stimulus & Financial Stability 25 Point Action Plan

## Community Support:

21. Grace period for penalties and disconnect fees on electrical bills extended until June 30th; after this a customer demonstrating financial hardship will be able to roll any unpaid balance into an equal payment plan over the next 12 months.
22. Water & Sewer discount extended to May 15; after this a customer demonstrating financial hardship will be able to roll any unpaid balance into a quarterly payment plan over the next 12 months.
23. Outdoor patio rental fees waived for 2020.
24. Fees for sidewalk rentals and signage waived for 2020.
25. Provincial property tax framework adopted which waives the 10% penalty for Class 4, 5, 6, and 8 businesses if taxes paid before October 1, 2020.

# All City Departments

Revenue Sources

Operating Expenses

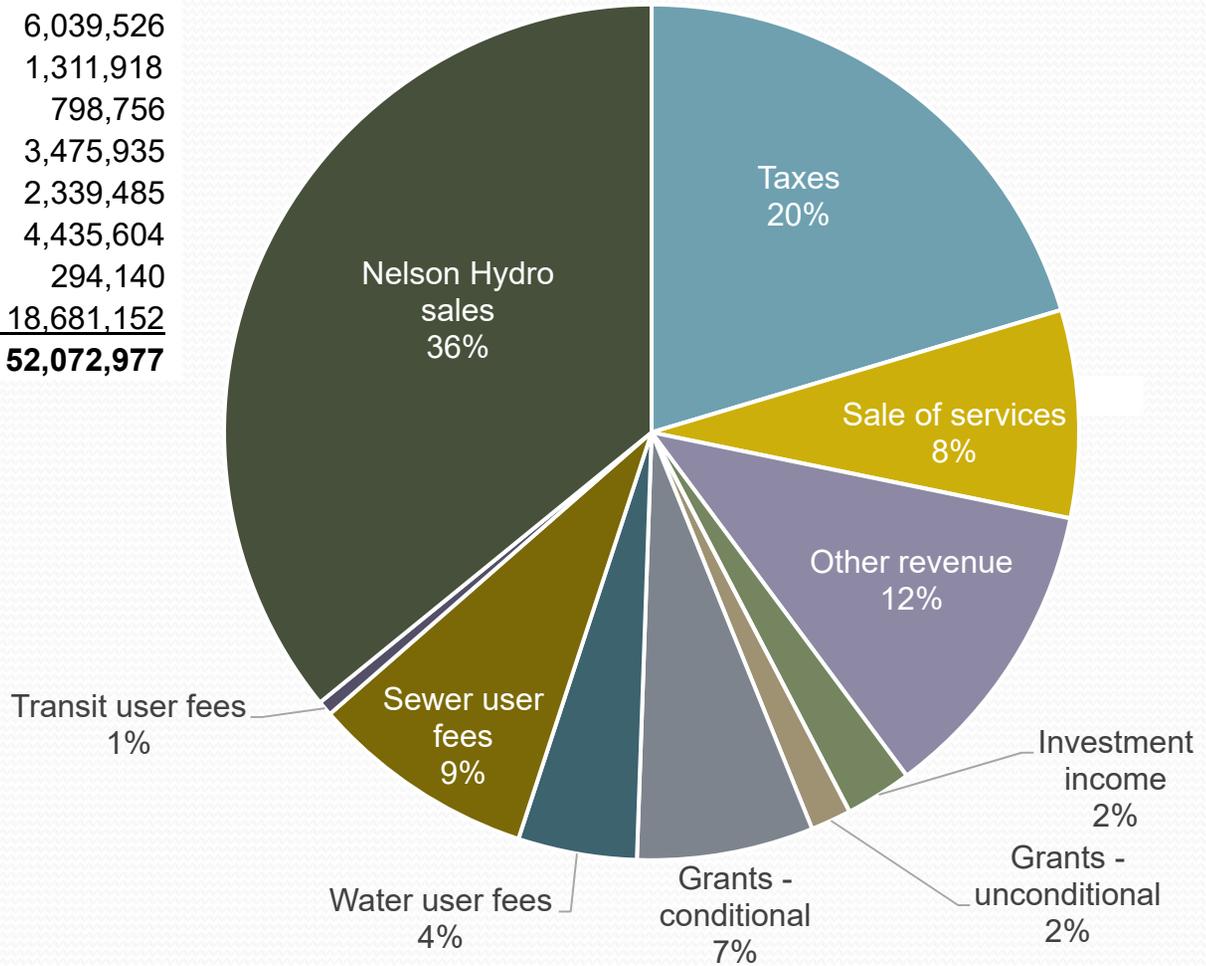


## Quick Facts

- All City operational revenue \$52 Million (2019 draft)
- Operational expenses (before amortization) \$36 Million (2019 draft)
- Revenue over expenses pay down debt & flow into Operational and Capital reserves
- General Fund Operational expense and allocations to reserves is budgeted at \$23 M in 2020, funded by \$10.5M in Taxation (approx. 2 to 1 ratio)
- A 1% increase in taxation produces about \$95,000 to cover operational expenditures
- The dividend from Hydro to operations is equal to a 32% tax increase
- Only Municipality in Western Canada that generates and distributes electricity
- 171 Regular Employees

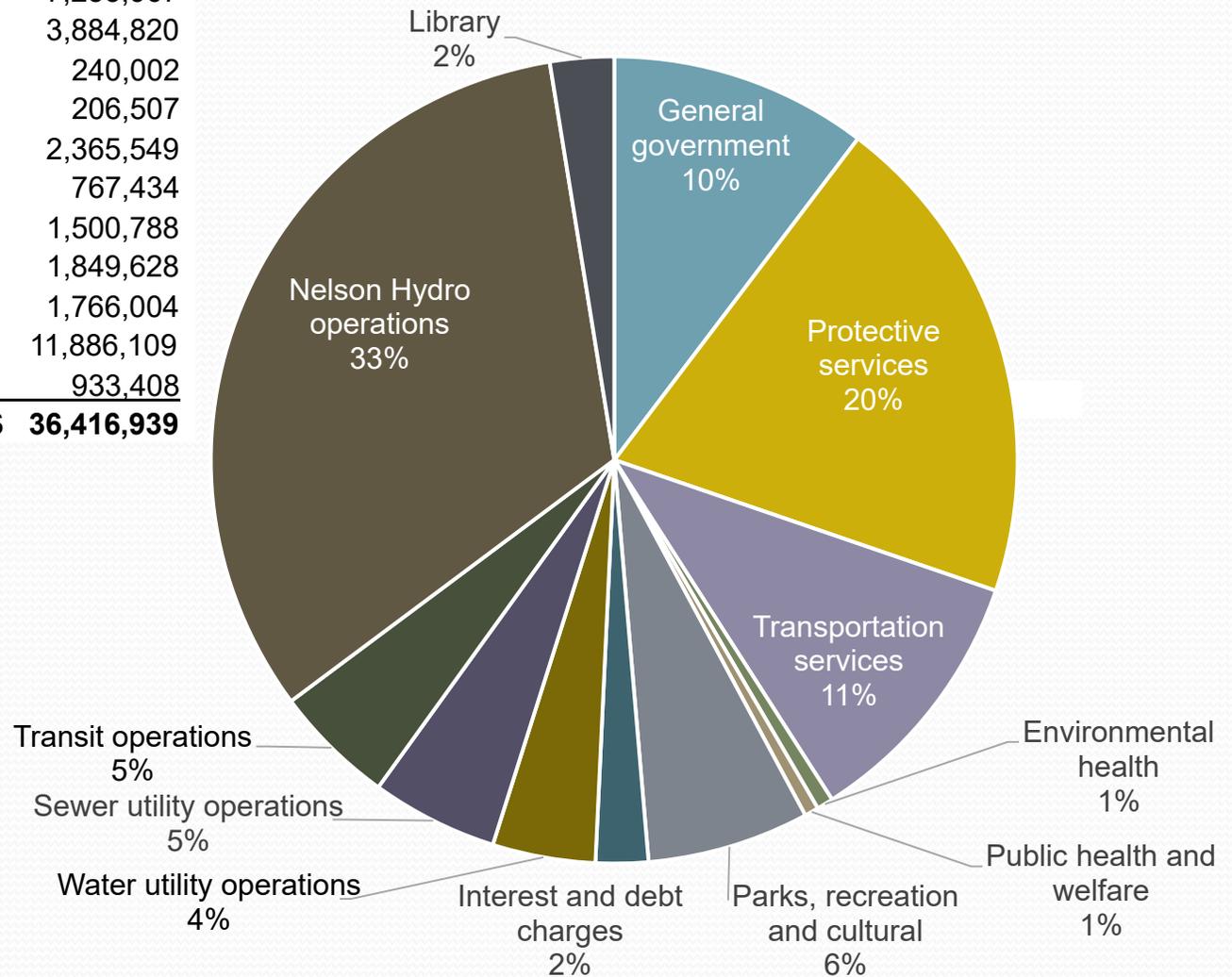
# City of Nelson Revenues 2019 (unaudited)

Taxes	\$ 10,614,400
Sale of services	4,082,061
Other revenue	6,039,526
Investment income	1,311,918
Grants - unconditional	798,756
Grants - conditional	3,475,935
Water user fees	2,339,485
Sewer user fees	4,435,604
Transit user fees	294,140
Nelson Hydro sales	<u>18,681,152</u>
	<b>\$ 52,072,977</b>



# City of Nelson Expenses 2019 (unaudited)

General government	\$ 3,762,723
Protective services	7,253,967
Transportation services	3,884,820
Environmental health	240,002
Public health and welfare	206,507
Parks, recreation and cultural	2,365,549
Interest and debt charges	767,434
Water utility operations	1,500,788
Sewer utility operations	1,849,628
Transit operations	1,766,004
Nelson Hydro operations	11,886,109
Library	933,408
	<hr/>
	<b>\$ 36,416,939</b>



# Five Year Financial Plan

- Areas:
  - General
  - Water
  - Sewer
  - Hydro
  - Resource Recovery
- Costs include:
  - Capital
  - Operating

	Funding Sources		
	Debt & Grants	Taxation	User Fees
General	✓	✓	✓
Water	✓		✓
Sewer	✓		✓
Hydro	✓		✓
Waste	✓		✓



# 2020 Budget Overview

## Highlights:

- New market construction taxation revenue generation for 2020 is expected to be \$107,000
- Council has directed that there be no property tax increase this year as taxpayers struggle with COVID 19
- Council has approved the Economic Stimulus & Financial Stability 25 Point Action Plan
- Water & Sewer combined overall rate increase of 1.75% or \$17 for a SFD
- Resource recovery fees increased to \$75 annual plus \$1.75 tag fee to accommodate blue bin program.
- No Hydro rate increase 2020.

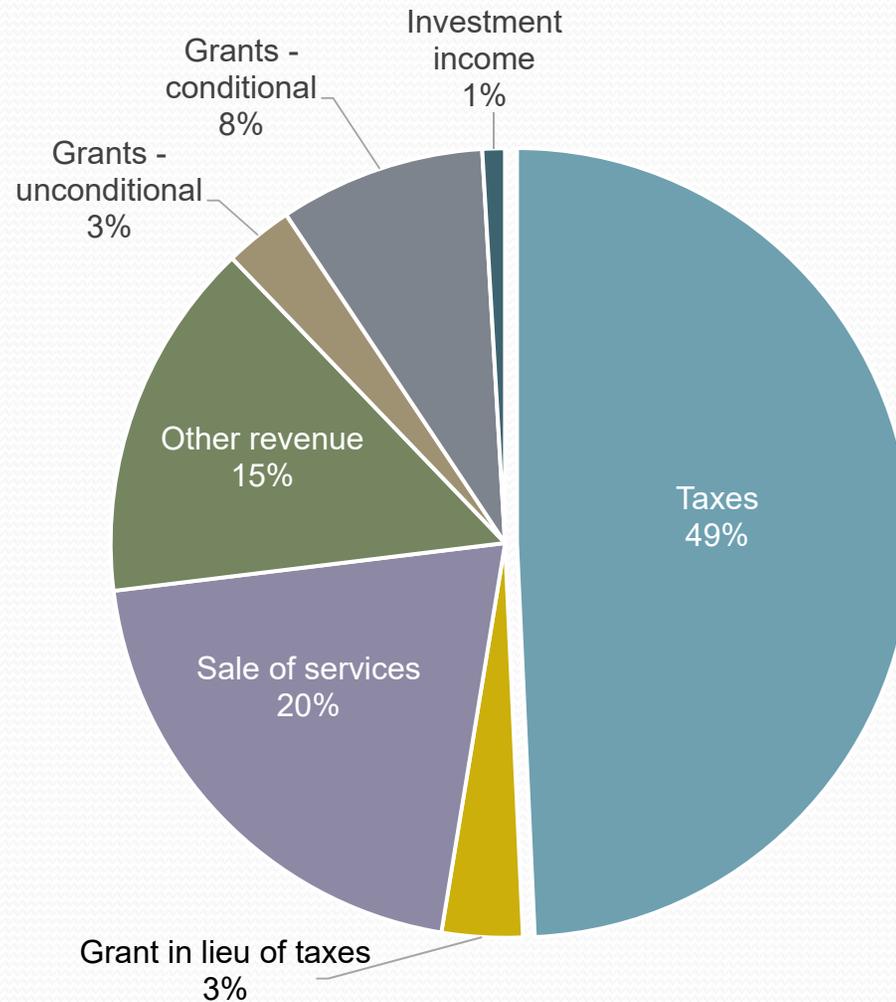
# Operating Fund

Revenue Sources

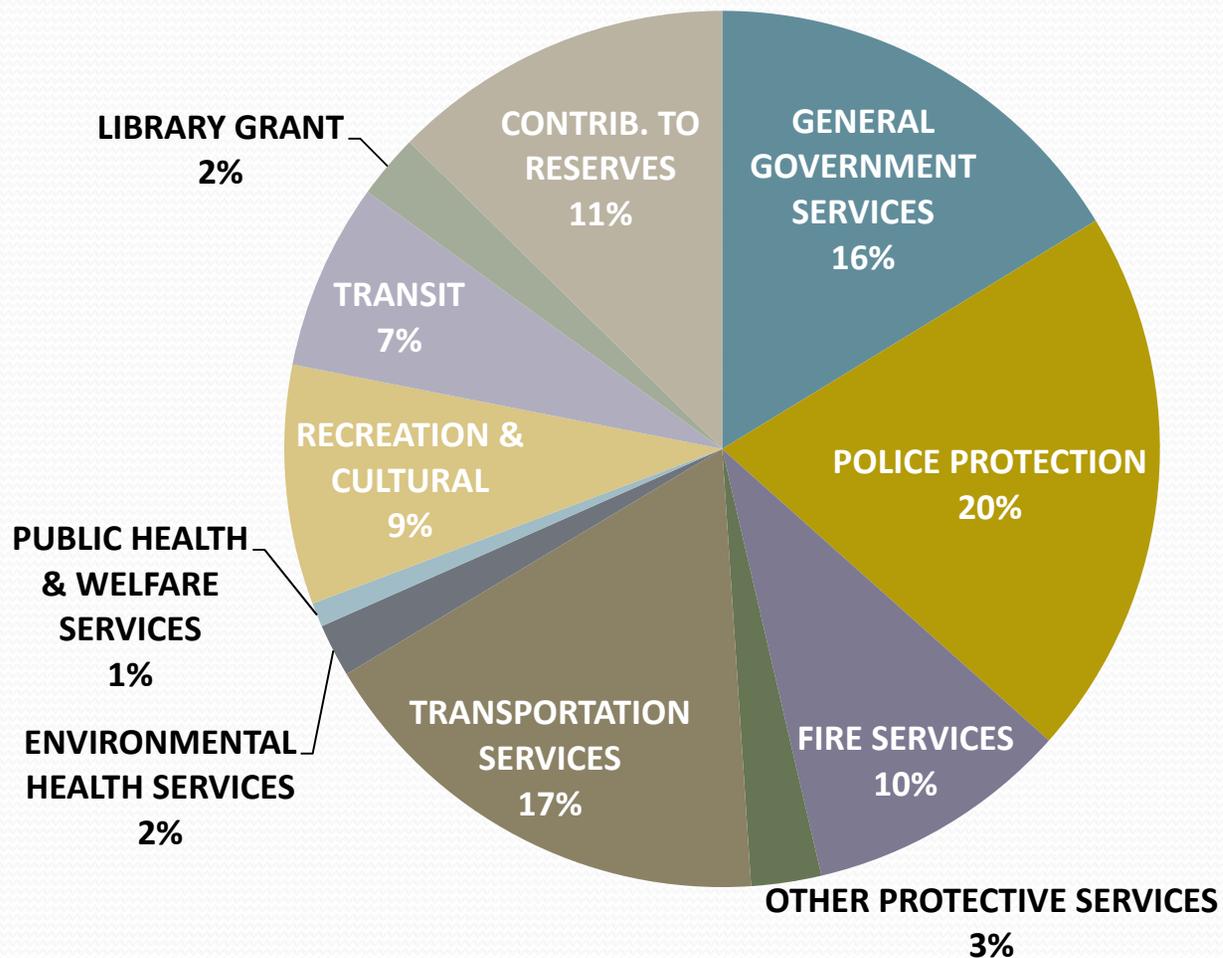
Operating Expenses

Capital Plan

# 2020 Operating Budget Revenues



# 2020 Operating Budget Expenditures

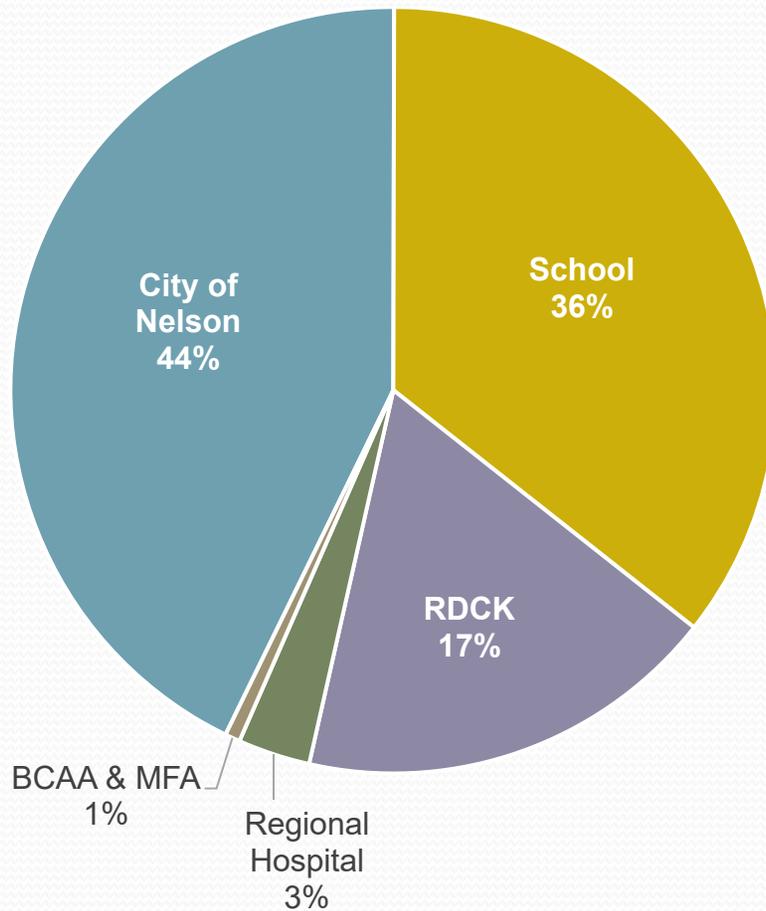




# Taxation

- Who does the City collect taxes for?
- Assessment \* Tax Rate = Property Taxes
- What is the proposed change for 2020?

# 2019 Tax Collection Over All Gov't Sectors



City of Nelson	\$10,614,400
School District	8,825,908
RDCK	4,440,939
Regional Hospital	757,077
BCAA & MFA	157,538
<b>Total</b>	<b>\$24,795,862</b>

# Taxation - Assessment



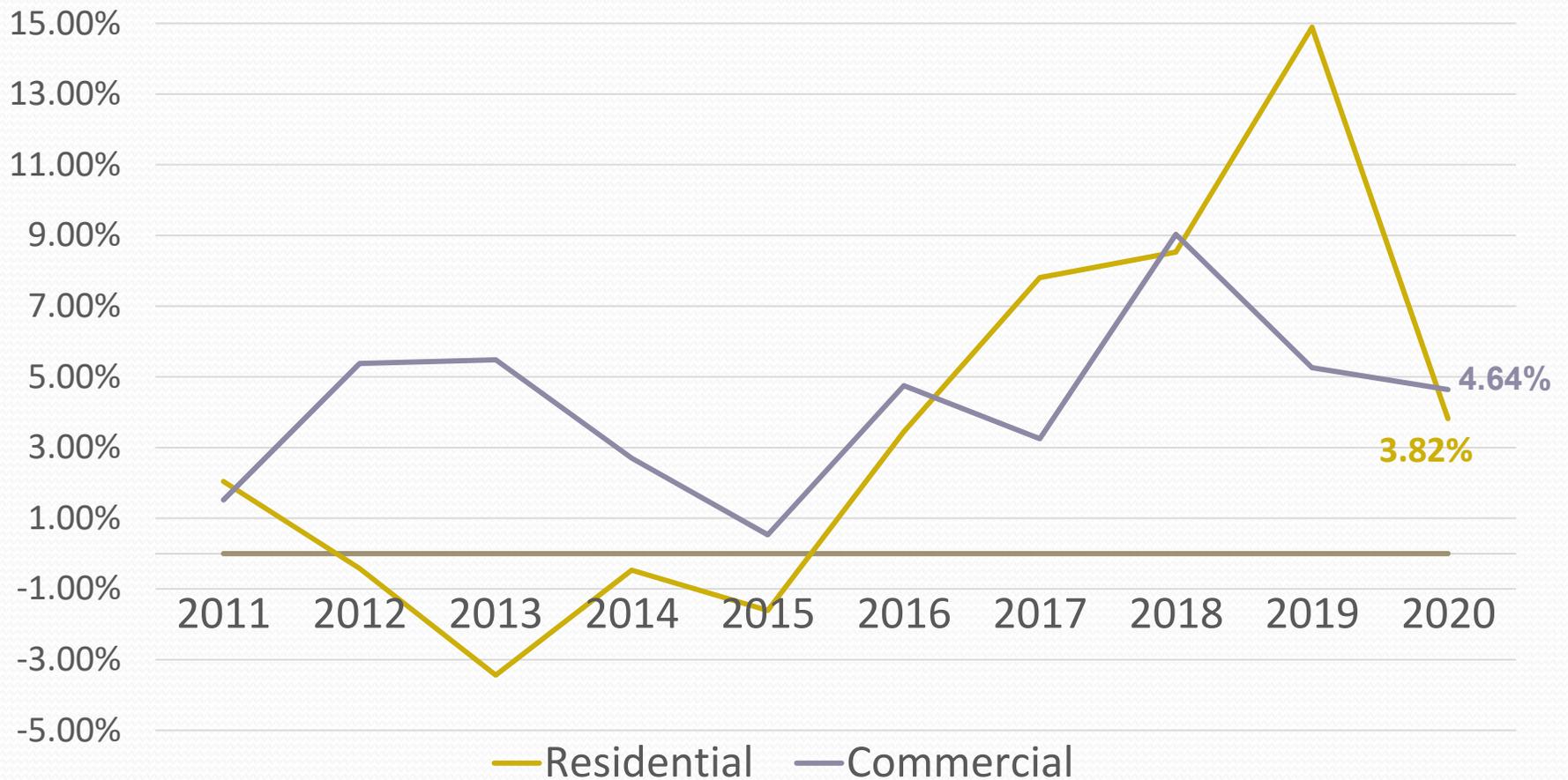
- ▶ BC Assessment is a provincial Crown corporation that determines the market value of all real properties in BC.
- ▶ After determining correct classification, actual value and exemption status of every property, BC Assessment provides taxing authorities with an Assessment Roll which lists all properties, names of owners and taxable values of the land and any improvements (buildings).



# Tax Revenues: Growth – Where does it come from?

- New revenue only exists when there is new assessment
- Increase in “inventory” i.e. through subdivision or new construction
- General increases in market value do not generate more tax dollars
- Past couple of years has resulted in moderate new revenues from growth

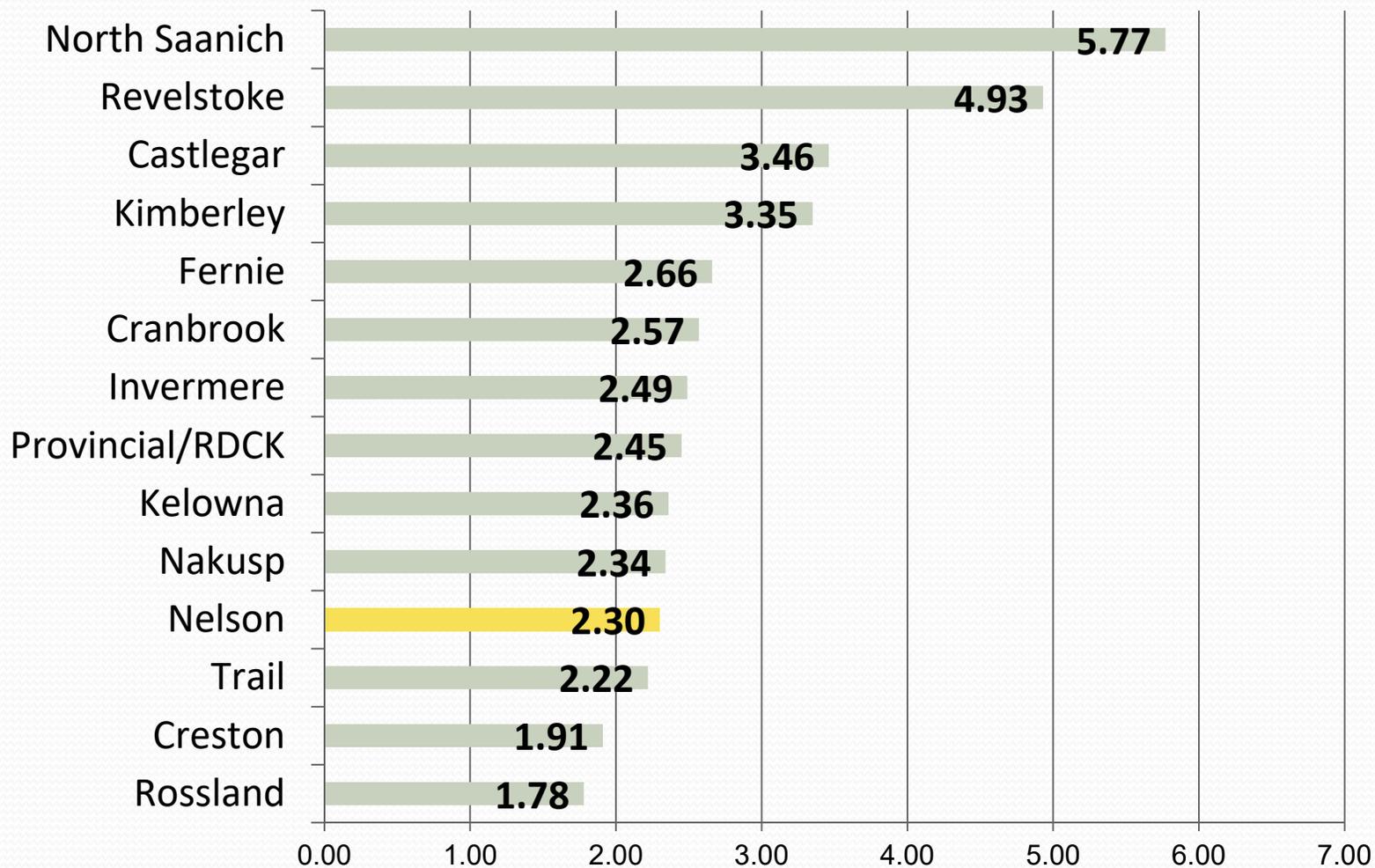
# BC Assessment: Historical year over year market change



## Effect of Assessments in 2020

Property Class	2019 Assessed Values	2020 Assessed Values	% Change Due to Market	% Change Overall
Residential	\$1,819,007,000	\$1,910,492,000	3.82%	5.03%
Utility	109,669,495	112,765,245	2.85%	2.82%
Light Industry	1,704,500	1,998,400	15.34%	17.24%
Business	268,575,600	284,730,000	4.64%	6.01%
Non-Profit	2,324,700	2,682,500	2.43%	15.39%
<b>Total</b>	<b>\$2,201,281,295</b>	<b>\$2,312,668,145</b>	<b>12.9%</b>	<b>5.06%</b>

# 2019 Business Tax Class Multiples



# 2020 Proposed Budget – City only

Effect on an  
Average SFD

Average Single Family Dwelling  
\$472,000 (3.8% increase)

	2019	2020	Net Change	Net Monthly Change
Property Tax (municipal only)	\$1,701	\$1,701	\$0	\$0
Water Rates (after discount)	357	365	8	0.67
Sewer Rates (after discount)	680	689	9	0.75
Resource Recovery (fee + bag tag)	118	166	48	4.00
<b>Overall</b>	<b>\$2,856</b>	<b>\$2,921</b>	<b>\$65</b>	<b>\$5.42</b>

\*2020: \$75 annual fee plus \$1.75 tag fee, based on an estimated one tag per week

# 2020 Property Tax – All agencies

Effect on an  
Average SFD

Average Single Family Dwelling  
\$472,000 (3.8% increase)

	2019	2020	Net Change
Municipal Property Tax	\$1,701	\$1,701	\$0
RDCK	619	657	38
West Kootenay Hospital	119	118	-1
BC Asses/MFA	18	20	2
School Tax	934	976	42
<b>Overall</b>	<b>\$3,391</b>	<b>\$3,472</b>	<b>\$81</b>

# 2020 Proposed Budget - Commercial

Effect on Commercial Restaurant (50 seats)	2020 Assessed value \$1,000,000 (4.6% increase)			
	2019	2020	Net Change	Net Monthly Change
Property Tax (municipal only)	\$8,200	\$8,200	\$0	\$0
Water Rates (after discount)	1,070	1,093	23	1.92
Sewer Rates (after discount)	2,028	2,058	30	2.50
<b>Overall</b>	<b>\$11,298</b>	<b>\$11,351</b>	<b>\$53</b>	<b>\$4.42</b>

# 2020 Property Tax – All agencies

Effect on Commercial  
Restaurant (50 seats)

	2020 Assessed value \$1,000,000 (4.6% increase)		
	2019	2020	Net Change
Municipal Property Tax	\$8,200	\$8,200	\$0
RDCK	3,183	3,404	221
West Kootenay Hospital	610	609	-1
BC Asses/MFA	104	111	7
School Tax	3,534	1,107	-2,427
<b>Overall</b>	<b>\$15,631</b>	<b>\$13,431</b>	<b>-\$2,200</b>



# Overall Capital Plan – 2020 Highlights

**Total Capital - \$19.2M**

## **\$9.2M General Capital**

- Paving program, storm sewer, sidewalk & retaining wall improvements
- Building improvements (i.e. exteriors, mechanical systems)
- Vehicle & equipment replacements
- Downtown waterfront & park improvements (i.e. Cottonwood, lakeshore erosion mitigation)

## **\$10M Water, Sewer & Hydro**

- Continuation of watermain replacement, secondary source
- Sewer Forcemain, Lift station & Masterplan upgrade
- Hydro transmission system upgrades, pole replacements

# Capital Funding Sources

Surplus and Reserves

Debt



# Funding - What is a Surplus?

- A surplus is the amount by which revenue exceeds expenditures in a year. We do not budget for a surplus.
- **May be caused by:**
  - Unexpected revenue
  - Revenue exceeding budget (i.e. investments, fees - difficult to budget)
  - Budgeting may be conservative to protect the City, where possible, to not incur a deficit
  - Vacant positions





# How Should We Spend General Surplus or Reserves?

- ▶ Emergency situations (e.g. COVID-19 pandemic response and recovery)
- ▶ Good tool for non-recurring items (e.g. capital or one-time projects)
- ▶ Recurring items (e.g. policing costs or parks maintenance) should generally not be funded through reserves, as the benefits can be short lived

# Statutory Reserves

- Statutory reserves are set up by bylaw, which describes the purpose of the reserve, how it is funded and what expenditures the funds can be used for.
- Examples:
  - Equipment replacement
  - Capital projects
  - Water licence
  - Land sales
  - Parks acquisition
- 2019 year end non-utility statutory reserves was \$11.1M (unaudited)



## Other Appropriated Surplus

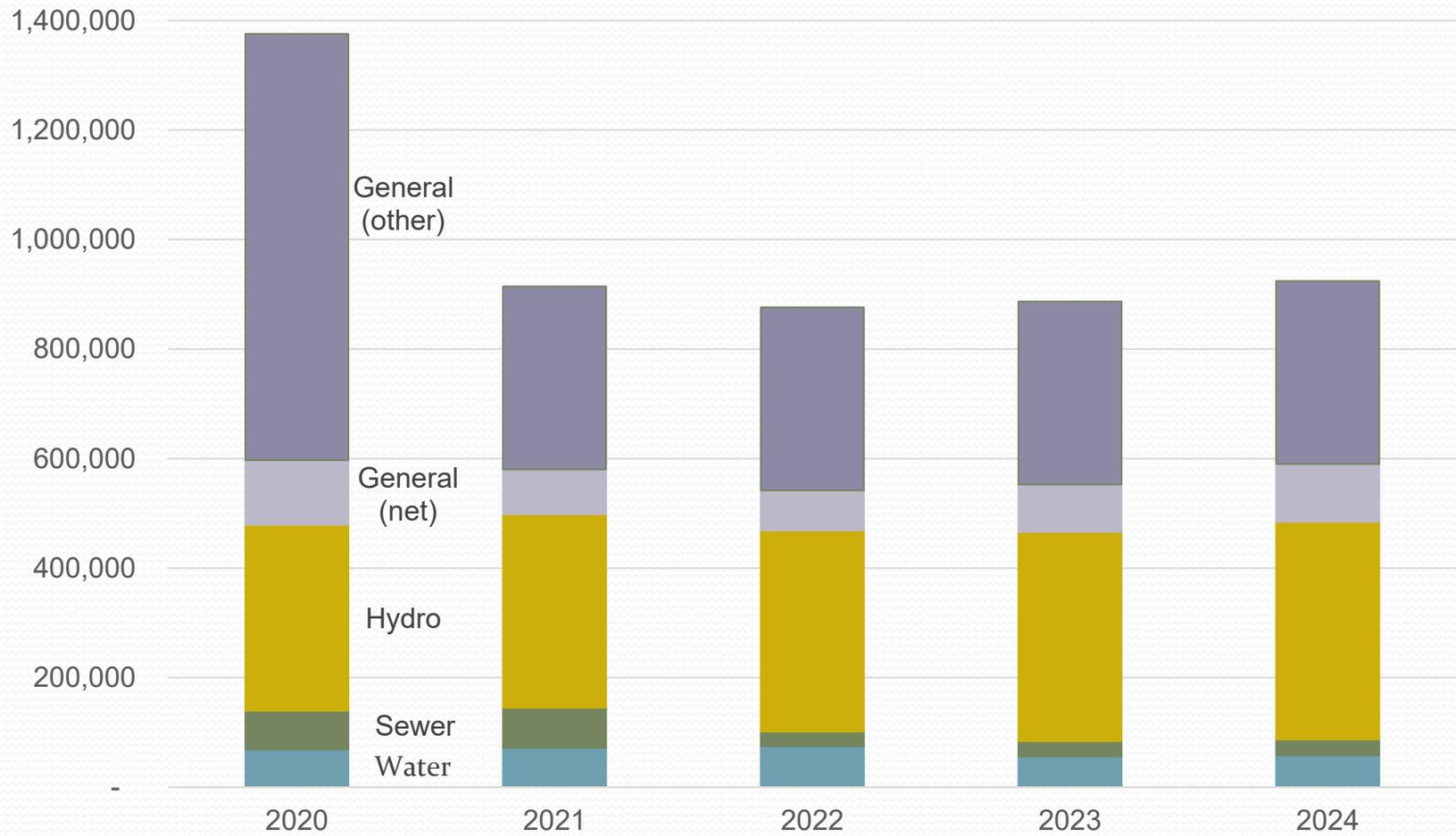
- Past Councils have directed allocation of surpluses to be reserved from a variety of one-time and ongoing activities including:
  - Selkirk College Campus
  - Services – Recycling, Economic Development
  - Administrative Costs – Insurance, Legal
  - Development and Infrastructure– Land Sale, Bridges, Airport, Buildings
  - Fortis Pay Down
- 2019 year end Appropriated Surplus was \$2.4M (unaudited)



# Debt and Debt Servicing

- Major capital projects typically funded by using combination of existing reserves and by borrowing funds.
- Strategic decision when to borrow vs using reserves or taxation.
- \$12.7M in General & Utility Debt
- Of \$6.3 M in General Debt (Dec 31, 2019), only \$980K is supported through general taxation.

# Debt Payments – 5 years



# Utilities

Water

Sewer

Resource Recovery

Nelson Hydro

# Overview – Water Utility



- **Strategic Direction:**
  - Water Master Plan - long term planning critical to maintain safe and accessible water and fire flow protection
  - Water conservation, secondary water sources, continuation of watermain replacement and data gathering for water metering plan
- **Rates:**
  - Council approved 2% rate increase for 2020
  - Proposed 2% increase per year for next 10 years

# Overview – Water Utility 2020

## Operating Highlights

- Revenue:
  - User fees \$2.87M
- Operating costs:
  - Approx. \$1.4M
- Debt Service:
  - \$73k per year
  - No new debt planned until 2024

## Capital Highlights

- Budget of \$5.3M for infrastructure upgrades
  - ❖ Watermain - \$1.2M
  - ❖ Secondary Source - \$3.5M
  - ❖ Emerg. Source - \$153k
  - ❖ ICI metering - \$425k
- 2020-2024 Capital
  - funded through User Fees & Gov't grants



# Overview – Sewer Utility

- **Strategic Direction:**

- Sewer Masterplan update – asset repair & maintenance
- Develop replacement program in conjunction with water utility and road network upgrades
- Improved technology “CIPP (cured-in place pipe)” has cut cost of relining sewer pipes

- **Rates:**

- Council approved 1.5% rate increase for 2020
- Proposed 1.5% increase per year for next 10 years

# Overview – Sewer Utility



## Operating

- Revenue:
  - User fees \$4.97M
- Operating costs:
  - Approx. \$1.9M
- Debt Service:
  - \$65k per year
  - No new debt planned until 2023

## Capital

- 2020 Budget \$975k
  - Infrastructure expansion and replacement:
    - Sewer Main and Forcemain upgrades - \$450k
    - Airport Liftstation Genset install - \$275k
    - Master Plan Update - \$250k
- 2020-2024 Capital
  - funded through User Fees & grants

# Overview – Resource Recovery Utility

- Waste function is based on a fee for service model
- Yearly charge per household pays for the collection
- 2020:
  - Fees increased to \$75 annually up from \$40
  - Bag tag increased from \$1.50 to \$1.75 per tag
  - The need to purchase recycle cans, in order to comply with the City contract with Recycle BC, which requires the elimination of single use blue bags for curbside pick up by July of 2020, was the reason for the \$35 jump in fees this year
  - The \$.25 increase in the bag tag fee was approved to assist in covering the 10% increase in tipping fees by the RDCK as well to cover the cost of additional resources required to pick up recycling efficiently with the new 2 compartment rear load truck
  - The New waste collection truck is expected to arrive in the Fall

# Overview – Hydro Utility

## ▶ **Strategic Objective:**

- Provide safe and efficient generation, distribution and sale of electrical energy

## ▶ **Strategic Business Priorities:**

- District Energy Business Plan
- Investigating new small hydro generation



# Overview – Hydro Utility

## 2019 Capital Achievements:

- Telus Aerial Make Ready (AMR) pole replacements
- Sub-marine cable replacement by orange bridge
- North Shore hazard tree assessment and tree trimming program
- Porcelain cutouts & porcelain surge arrestor replacements



# Overview – Hydro Utility

## 2020 Capital Budget \$3.6M

- **Distribution System**
  - Pole replacements – Telus AMR North Shore
  - Cutout, arrestor, recloser replacements
- **Power Plant**
  - Archway & Forebay concrete wall repair
  - Bridge deck replacement
- **Substations**
  - New voltage regulator at Six Mile Sub
- **Software**
  - CIS upgrade to e-billing module



# Overview – Hydro Utility

## ▶ 2020 Operating Budget:

- Revenue of \$19M
- Expenses:
  - \$5.2M Operating
  - \$6.9M Power Purchase
  - \$460k Debt Payments
  - \$6.3M Transfers to reserves

## ▶ 2020 Contributions:

- \$2.8M to City of Nelson operations
- \$665k to Water License Reserve
- \$90k to the Nelson & District Community Complex



# Comments and Questions?

Email: [budget@nelson.ca](mailto:budget@nelson.ca)