

The Corporation of the City of Nelson



CITY OF NELSON

2021-2025 Proposed
Draft Financial Plan
April 7, 2021



CITY OF NELSON

Agenda

1. Introduction
2. Quick Facts
3. 2021 – 2025 Financial Plan Process
4. 2021 Budget Overview
5. Taxation & Operating Budget
6. City Assets/Reserves/Debt
7. Comments & Questions

***Presenter: Colin McClure, Chief Financial Officer
Chris Jury, Deputy CFO***



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

Enhance Sustainability of City Services and Infrastructure

Strengthen Neighbourhoods

Expand Local Jobs and Local Prosperity

Achieve Excellence in City Governance

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.

Update on 2020 - 25 Point Action Plan

Economic Stimulus & Financial Stability

- #1) 0% Property tax increase
- #5) No increase in the Nelson hydro rate for 2020
- #6) No increase in the hydro dividend to City operations in 2020
- #12) Very successful Eco-Save Energy Retrofit program enhancements
- #13) Capital infrastructure team developed and applied for shovel ready projects (Pier, New Library building, Signage improvements, Cottonwood park improvements, Civic centre revitalization projects)
- #15) 50% of parking meter & fines from May to August to be used to help support business and upgrade amenities - \$150K allocated
- #18) Worked with the “Remier building” on ensuring it was feasible
- #19) over a dozen individuals took advantage of the waving of the \$500 secondary suite development fee
- #23 & 24) waived patio, sidewalk and signage rental fees

Provincial COVID-19 Safe Restart Grant Funding

City received \$2.6M from the Province

- ❖ Funds are to support the following:
 - Revenue shortfalls
 - Facility reopening & operating costs
 - Emergency planning & response costs
 - Additional bylaw enforcement & protective services costs
 - Computer & other electronic technology costs
 - Services for vulnerable persons
 - Other pandemic related costs

2020 use of COVID-19 Safe Restart Grant Funding

Revenue shortfalls - \$747,000

- Parking meters
- Parkade
- Field rentals
- Youth centre revenues
- Waved patio, sidewalk & signage fees

Expenses - \$653,000

- Emergency/bylaw operations staffing and supplies
- City provided support of vulnerable populations not covered by the province
- Protective glass installation and sanitation supplies
- Additional cleaning
- Computer equipment and supplies

2021 use of COVID-19 Safe Restart Grant Funding

City internal business improvement and support

- Potential coverage of revenue shortfalls
- Computer hardware & software improvements
- Records management & digitization of City files
- Upgrades to City buildings (eg touchless soap dispenser)

External project funding

- Arts & culture Economic impact study – council approved
- 2021 waving of patio, sidewalk rental fees – council approved
- Grant program for not-for-profit entities needing help to recover from Covid-19 (not designed yet)

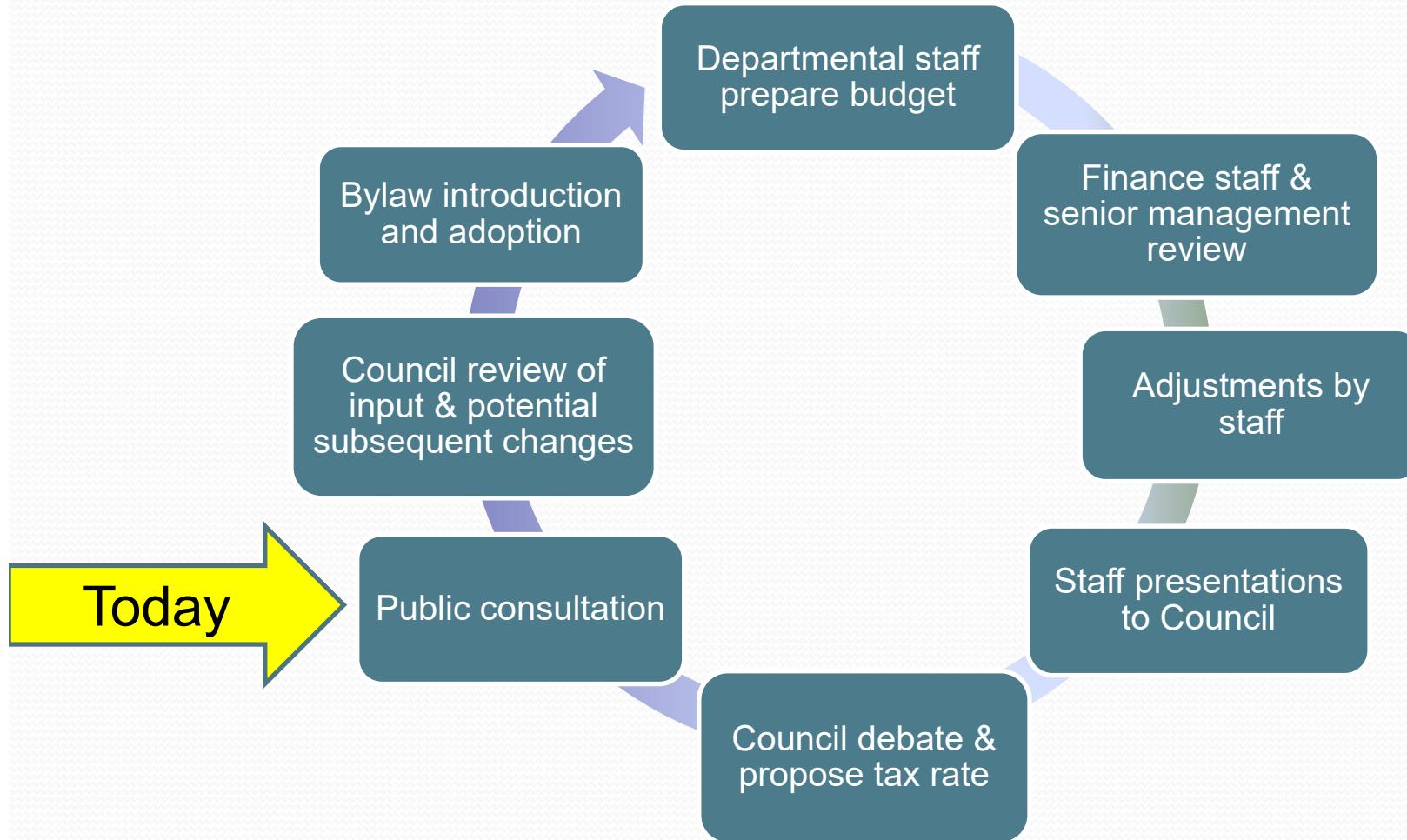
2021-2025 Proposed Financial Plan

- 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

Financial Planning Process



CITY OF NELSON





Budget Principles

Council's Direction to Staff

- Support delivery of municipal services
- Maintain services delivered at 2020 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

All City Departments

Revenue Sources

Operating Expenses

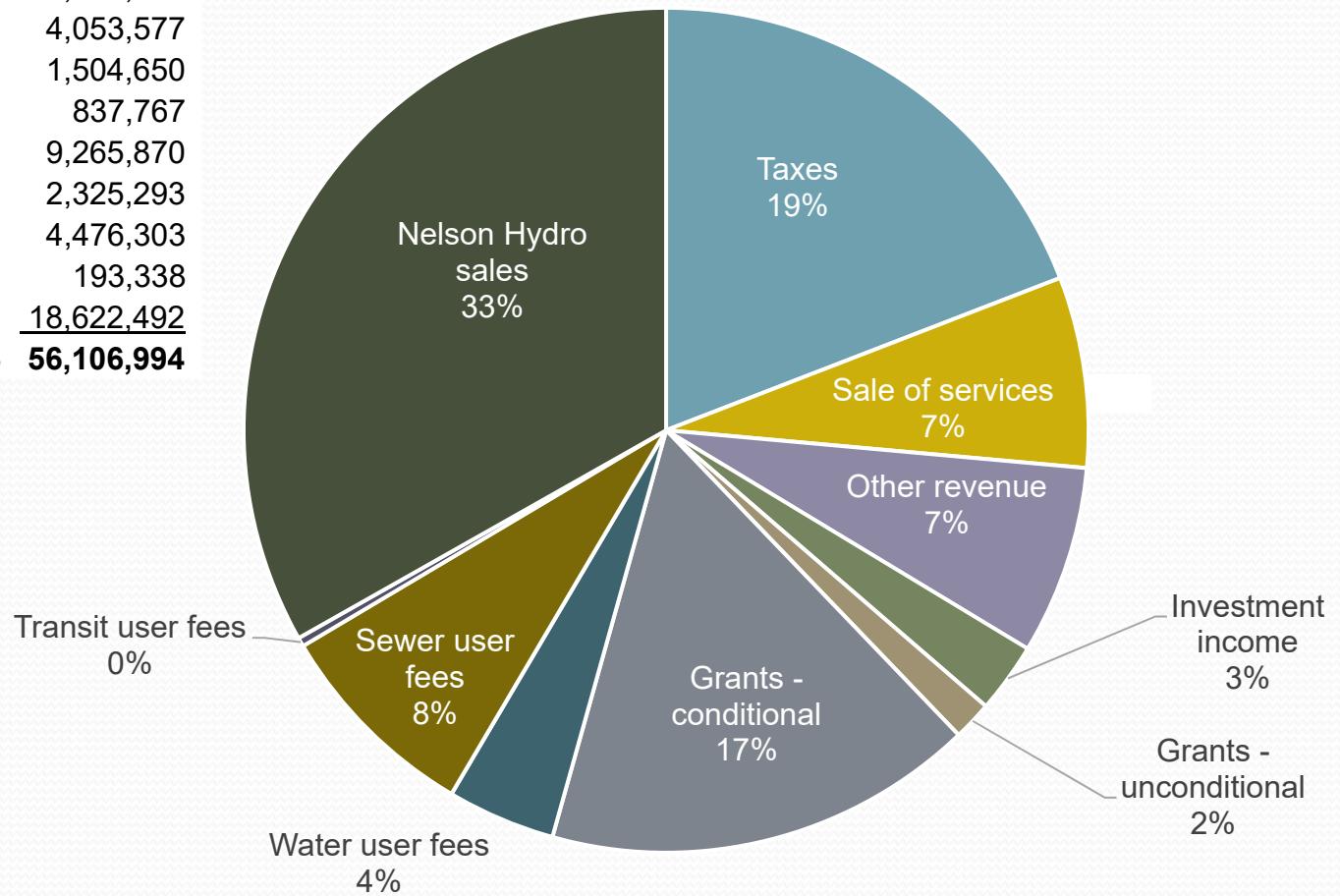


Quick Facts

- All City operational revenue \$56 Million (2020 draft)
- Operational expenses (before amortization) \$37M (2020 draft)
- Revenue over expenses pay down debt & flow into Operational and Capital reserves
- General Fund Operational expense and allocations to reserves is budgeted at \$23M in 2021, funded by \$10.8M 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 30% tax increase
- Only Municipality in Western Canada that generates and distributes electricity
- 169 Regular Employees

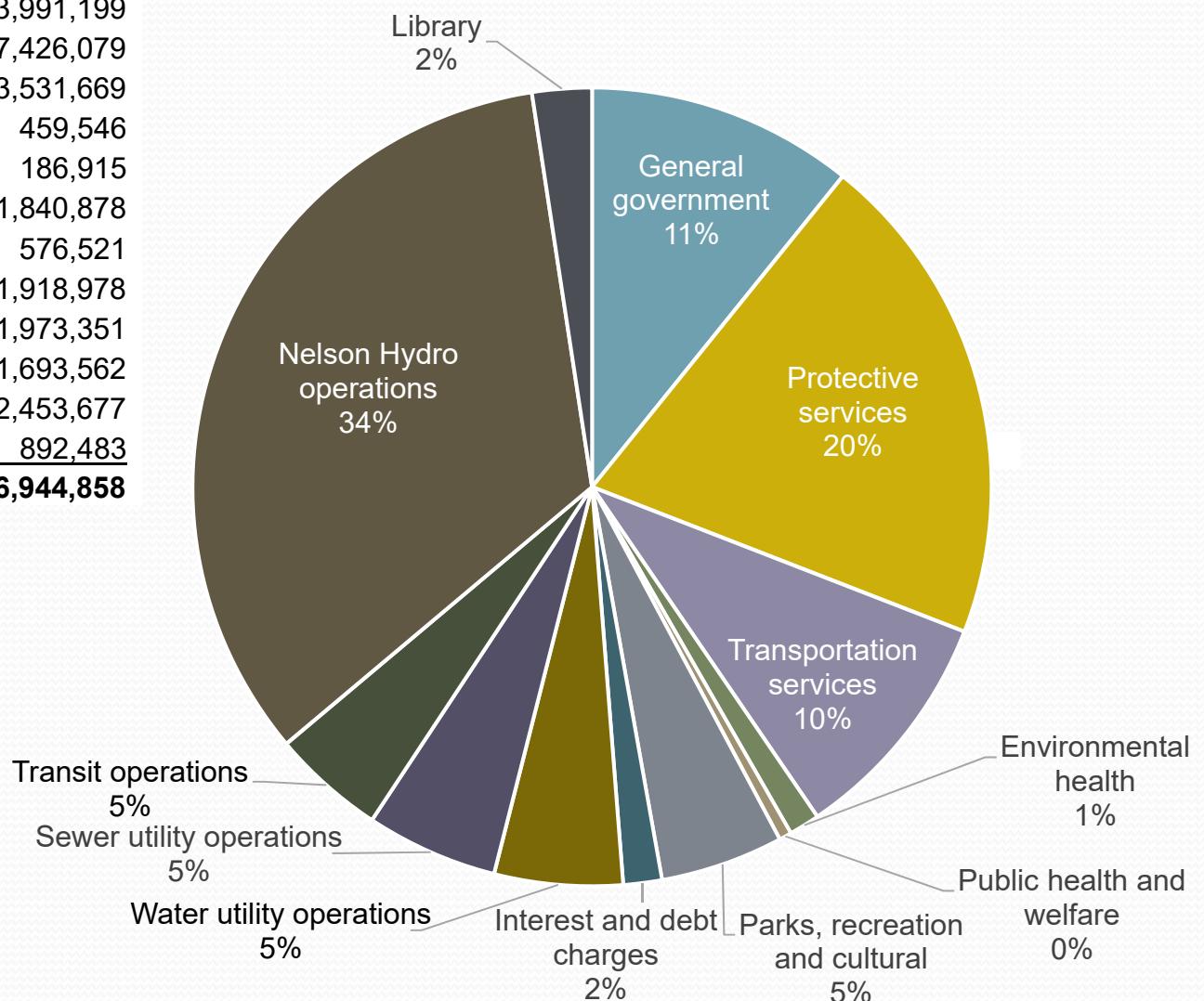
City of Nelson Revenues 2020 (unaudited)

Taxes	\$ 10,733,184
Sale of services	4,094,520
Other revenue	4,053,577
Investment income	1,504,650
Grants - unconditional	837,767
Grants - conditional	9,265,870
Water user fees	2,325,293
Sewer user fees	4,476,303
Transit user fees	193,338
Nelson Hydro sales	<u>18,622,492</u> \$ 56,106,994



City of Nelson Expenses 2020 (unaudited)

General government	\$ 3,991,199
Protective services	7,426,079
Transportation services	3,531,669
Environmental health	459,546
Public health and welfare	186,915
Parks, recreation and cultural	1,840,878
Interest and debt charges	576,521
Water utility operations	1,918,978
Sewer utility operations	1,973,351
Transit operations	1,693,562
Nelson Hydro operations	12,453,677
Library	892,483
	<hr/>
	\$ 36,944,858



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	✓		✓



2021 Budget Overview

Highlights:

- New market construction taxation revenue generation for 2021 is expected to be \$70,000
- Council has proposed a 1.75% tax increase for 2021
- Water & Sewer combined overall rate increase of 1.75% or \$17 for a SFD; 0% increase for Commercial
- Resource recovery fees remained at \$75 annual plus \$1.75 for 2021
- In 2020, the \$35 increase in the annual fee was to fund the purchase of new recycling bins for each household
- For 2021 the annual fee has stayed the same to assist in funding the start of an organics diversion strategy

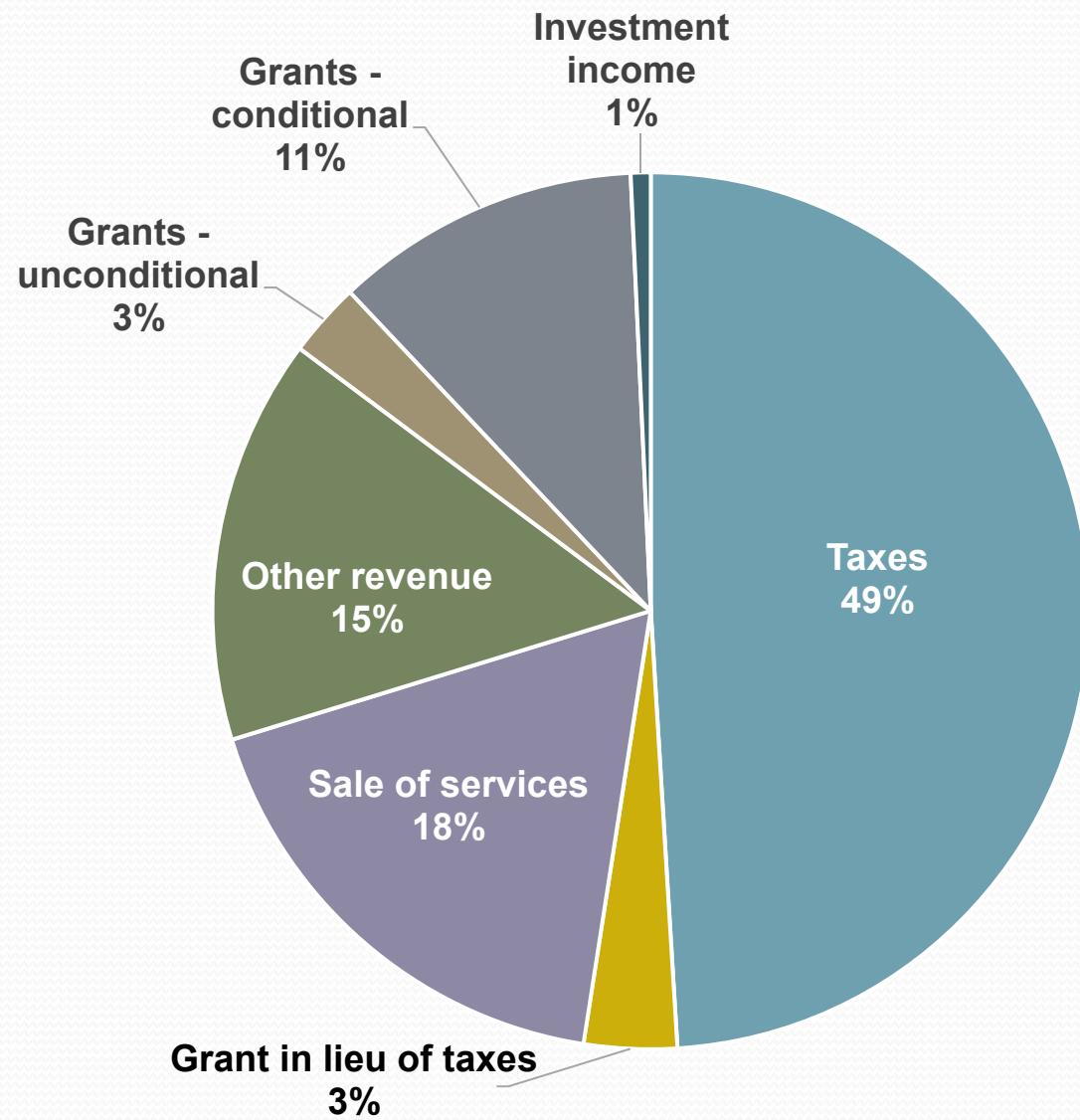
Operating Fund

Revenue Sources

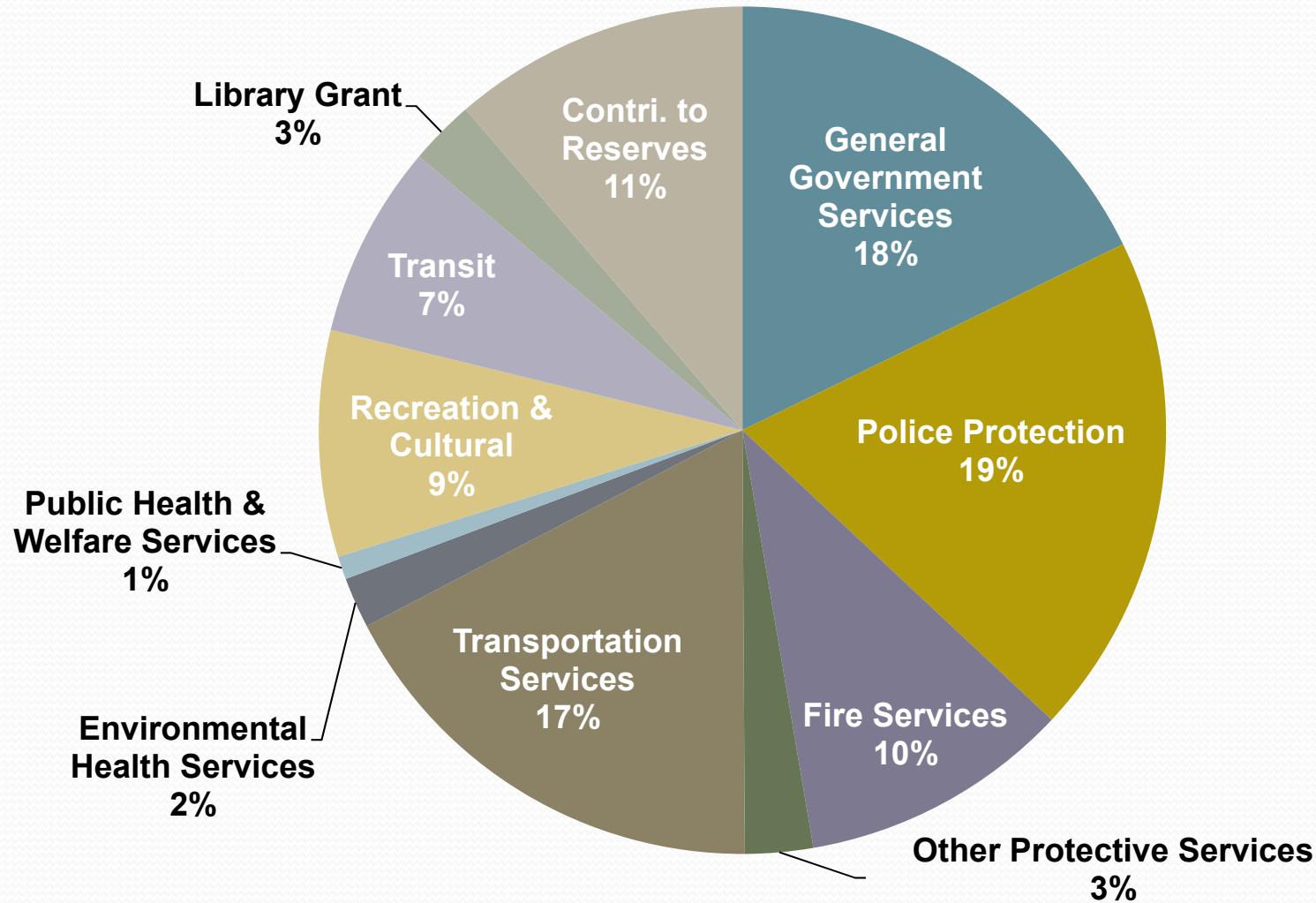
Operating Expenses

Capital Plan

2021 Operating Budget Revenues



2021 Operating Budget Expenditures

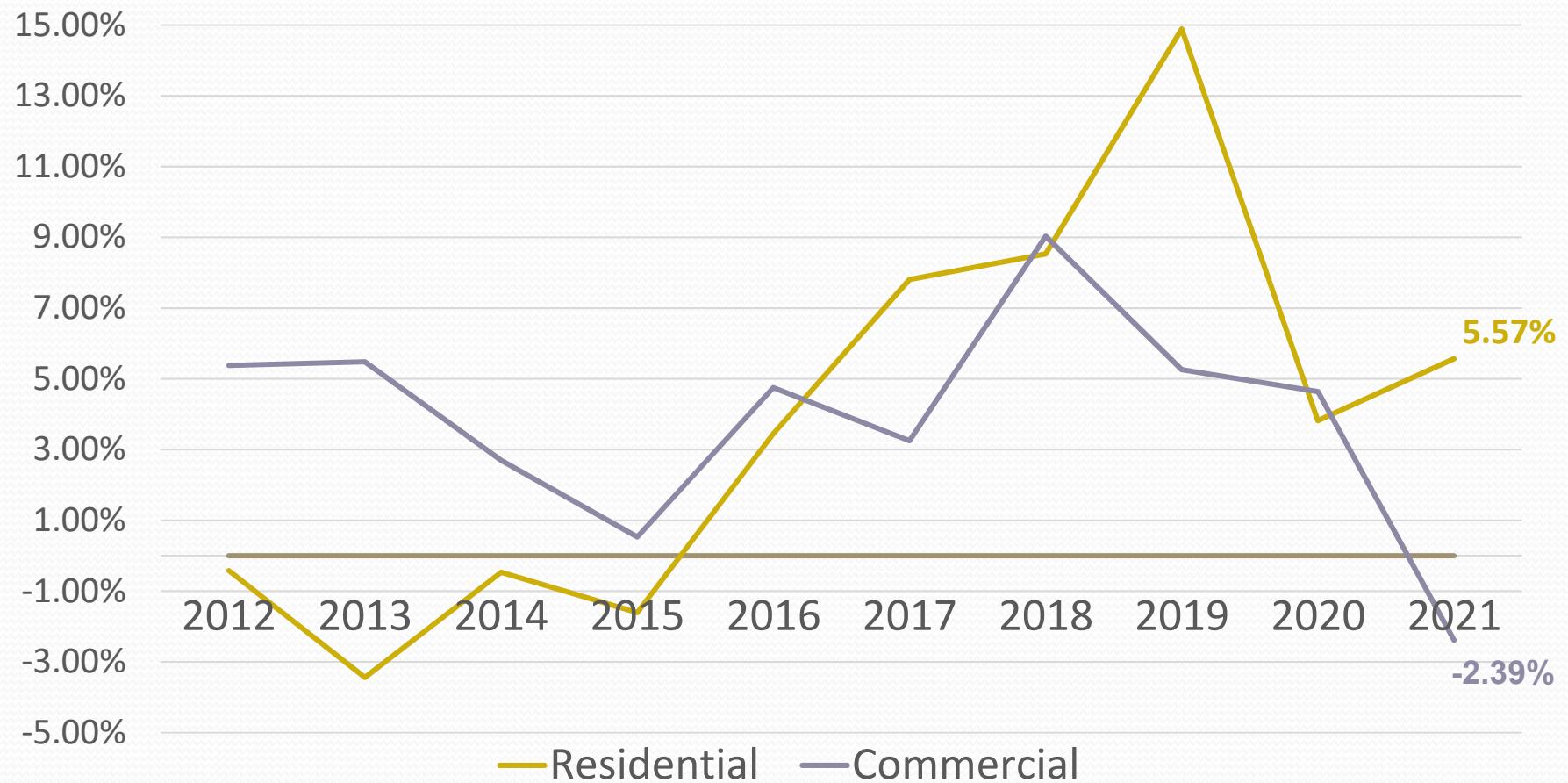


Taxation - Assessment



- ▶ 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).

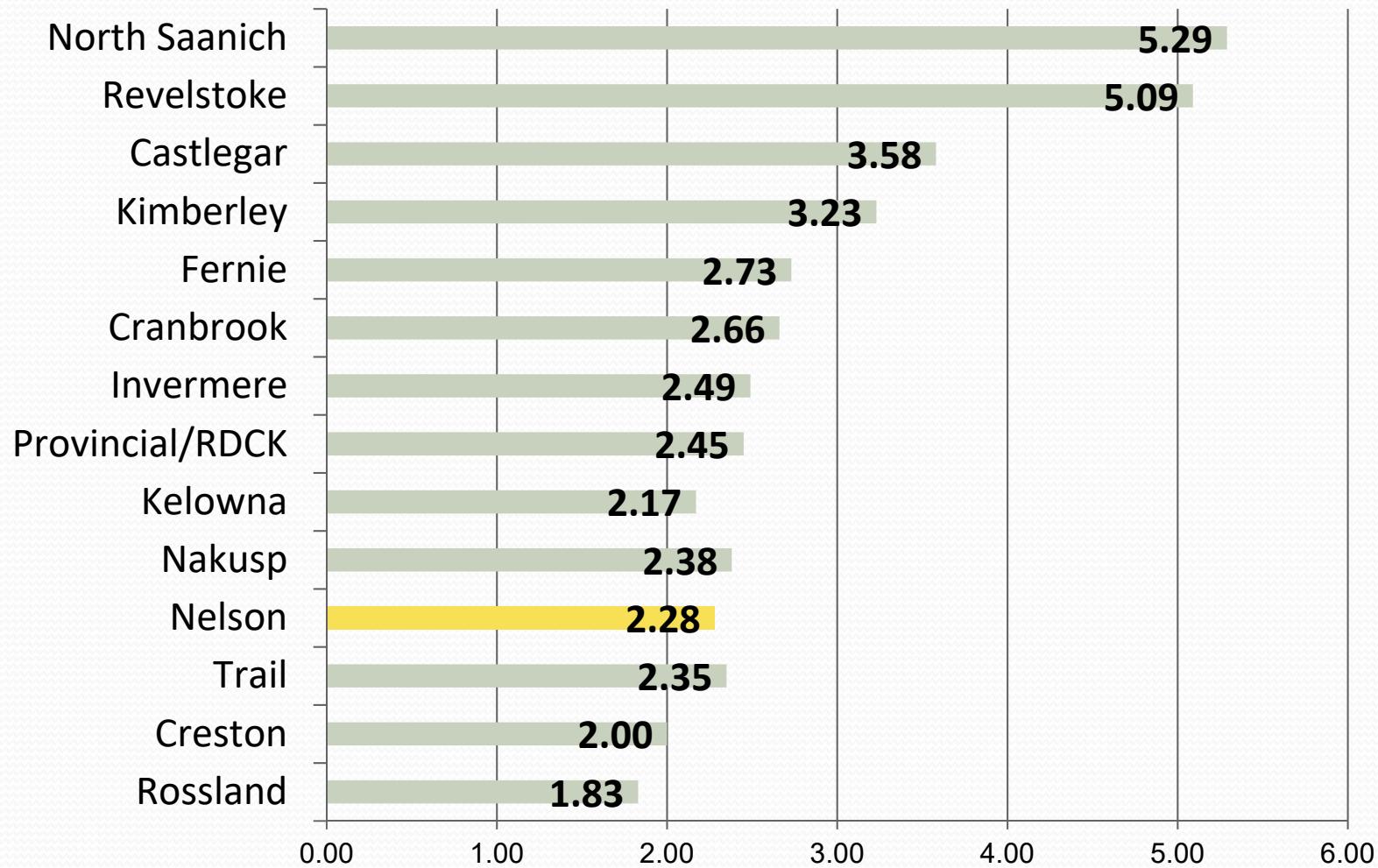
BC Assessment: Historical year over year market change



Effect of Assessments in 2021

Property Class	2020 Assessed Values	2021 Assessed Values	% Change Due to Market	% Change Overall
Residential	\$1,909,911,000	\$2,038,967,100	5.6%	6.8%
Utility	112,765,245	115,912,250	2.8%	2.8%
Light Industry	1,998,400	1,998,200	0.0%	0.0%
Business	284,662,400	277,946,350	-2.4%	-2.4%
Non-Profit	2,682,500	2,704,100	7.9%	0.8%
Total	\$2,312,668,145	\$2,443,580,000	4.5%	5.4%

2020 Business Tax Class Multiples



2021 Proposed Budget – City only

Effect on an
Average SFD

	Average Single Family Dwelling \$504,000 (5.6% increase)			
	2020	2021	Net Change	Net Monthly Change
Property Tax (municipal only)	\$1,718	\$1,747	\$29	\$2.44
Water Rates (after discount)	365	372	7	0.58
Sewer Rates (after discount)	689	699	10	0.83
Resource Recovery (fee + bag tag)	166	166	0	0
Overall	\$2,938	\$2,984	\$46	\$3.85

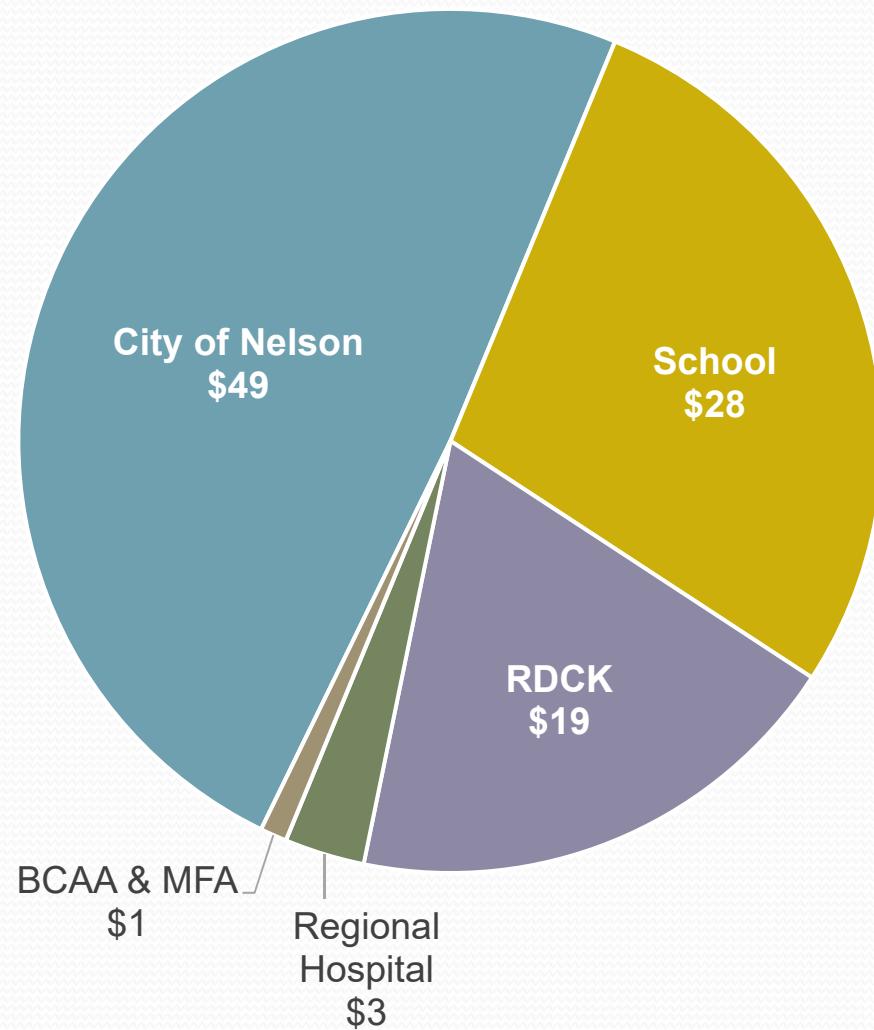
*2020/21: \$75 annual fee plus \$1.75 tag fee, based on an estimated one tag per week

2021 Proposed Budget - Commercial

Effect on Commercial
Restaurant (50 seats)

	2021 Assessed value \$1,000,000 (2.4% decrease)			
	2020	2021	Net Change	Net Monthly Change
Property Tax (municipal only)	\$8,400	\$8,546	\$146	\$12
Water Rates (after discount)	1,093	1,093	0	0
Sewer Rates (after discount)	2,058	2,058	0	0
Overall	\$11,551	\$11,697	\$146	\$12

2020 Tax Notice Breakdown



City of Nelson	\$49
School District	28
RDCK	19
Regional Hospital	3
BCAA & MFA	1
Total	\$100

2021 RDCK Service Tax Requisition

City participation in RDCK Services							
March 18, 2021							
Service #	Service Name	Partners	% of service paid by Nelson	2020	2021	Diff	% change
S100	General Admin	All	20.50%	271,887	267,637	-4,250	-1.56%
s102	GIS	All except Castlegar	24.00%	73,307	84,382	11,075	15.11%
s154	Search & Rescue	Nel, Salmo, E,F,G	64.00%	18,313	22,449	4,136	22.59%
S187	Central waste	Nel, Kaslo, Salmo, D,E,F,G	48.00%	1,190,864	1,421,855	230,991	19.40%
s202	Regional Parks	Nel, Salmo, E,F,G	52.12%	450,249	434,838	-15,411	-3.42%
s226	Rec Commission	Nelson, Defined E, F	66.00%	1,995,466	2,032,330	36,864	1.85%
s239	Transit (not in Nelson)		20.00%	90,985	97,808	6,823	7.50%
				4,091,071	4,361,299	270,228	6.61%
s160	Emerg Management	Nelson, E, F	58.00%	14,000	14,000	0	0.00%
s111	Economic Development	Nelson, E, F	58.00%	114,280	114,313	33	0.03%
				4,219,351	4,489,612	270,261	6.41%

Capital Funding Sources

Surplus and Reserves

Debt



Overall Capital Plan – 2021 Highlights

Total Capital - \$22.6M

\$13.6M 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, Active Transportation)

\$9M Water, Sewer & Hydro

- Continuation of watermain replacement, secondary source
- Sewer Force main, lift station & masterplan upgrades
- G5 turbine overhaul, pole replacements, asset management

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





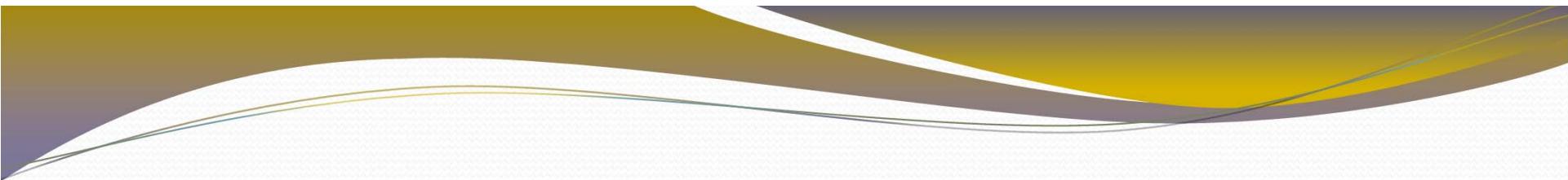
How Should We Spend General Surplus or Reserves?

- ▶ 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
- 2020 year end non-utility statutory reserves was \$11.3M (unaudited)



Other Appropriated Surplus

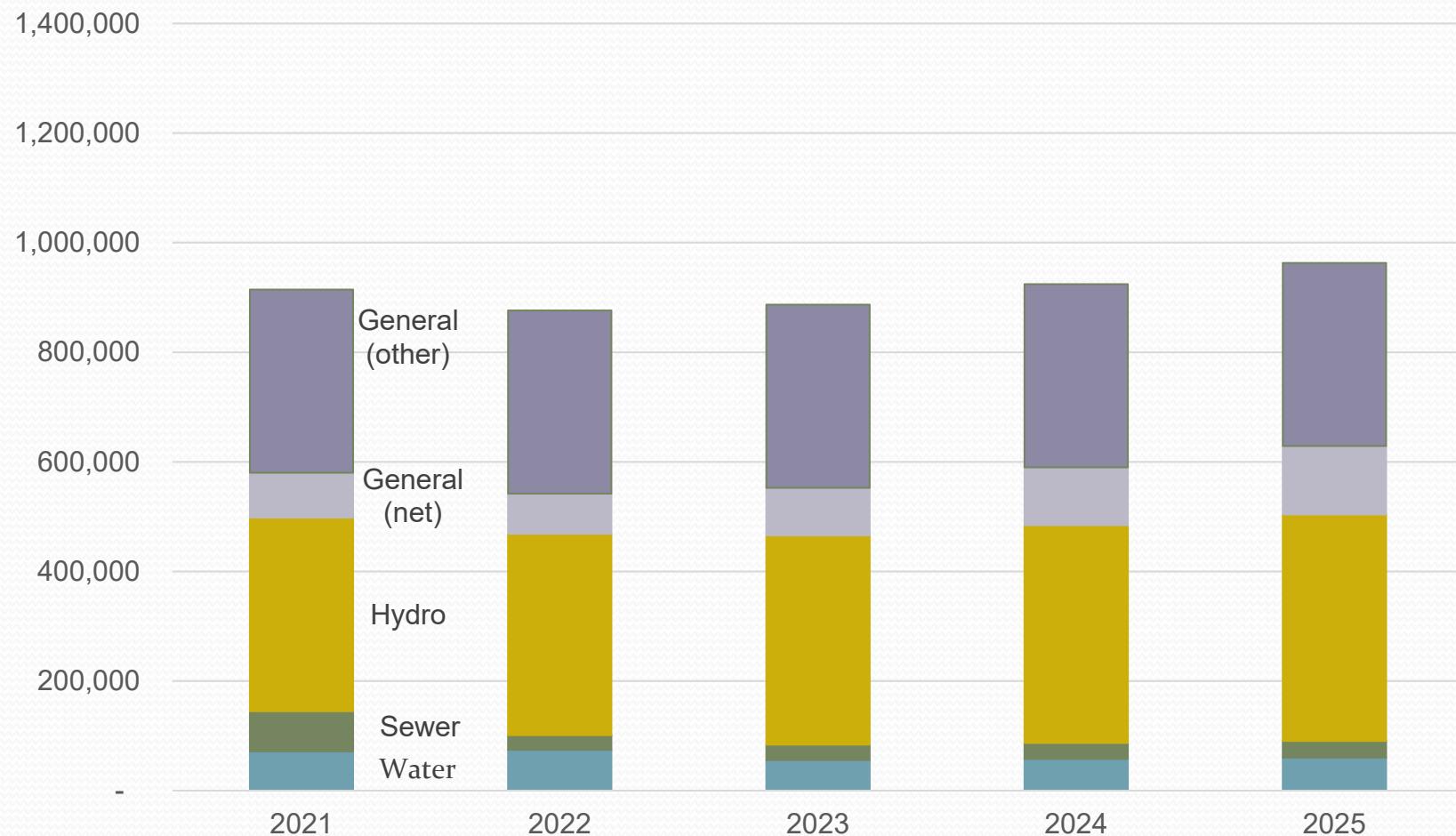
- Past Councils have directed allocation of surpluses to be reserved from a variety of one-time and ongoing activities including:
 - Selkirk College Campus
 - Services – Recycling, Economic Development
 - Administrative Costs – Insurance, Legal
 - Development and Infrastructure– Land Sale, Bridges, Airport, Buildings
 - Fortis Pay Down
- 2020 year end Appropriated Surplus was \$5.1M (unaudited)



Debt and Debt Servicing

- Major capital projects typically funded by using combination of existing reserves and borrowing funds.
- Strategic decision when to borrow vs using reserves or taxation.
- \$11.4M in General & Utility Debt
- Of \$5.4 M in General Debt (Dec 31, 2020), only \$898K 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 residential and 0% for commercial for 2021
 - Proposed 2% increase per year for next 10 years



Overview – Water Utility 2021

Operating Highlights

- Revenue:
 - Fees of \$2.9M
- Operating costs:
 - Approx. \$1.5M
- Debt Service:
 - \$73k per year
 - No new debt planned until 2025

Capital Highlights

- Budget of \$5.3M for infrastructure upgrades
 - ❖ Secondary Source - \$4.4M
 - ❖ Watermain - \$500k
 - ❖ Emerg. Source - \$153k
 - ❖ ICI metering - \$75k
- 2021-2025 Capital
 - funded through User Fees, Gov't grants, new borrowing in 2025

Overview – Wastewater Utility

- **Strategic Direction:**

- 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 residential and 0% for commercial for 2021
- Proposed 1.5% increase per year for next 10 years

Overview – Wastewater Utility

Operating

- Revenue:
 - Fees of \$5.0M
- Operating costs:
 - Approx. \$2.0M
- Debt Service:
 - \$65k per year
 - No new debt planned until 2026

Capital

- 2021 Budget \$835k
 - Infrastructure expansion and replacement:
 - Lift station upgrades - \$325k
 - Master Plan Update - \$250k
 - Main & forcemain upgrades - \$125k
- 2021-2025 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
- 2021:
 - Fees remain at \$75 annually
 - Bag tag fee remains at \$1.75 per tag
 - Allocation of fixed fee to organic diversion starting 2021
 - The new waste collection truck was received in December 2020 and is in operation.

Overview – Hydro Utility

► Strategic Objective:

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

► Strategic Projects:

- Generator upgrade study
- Asset management system
- Project management methodology



Overview – Hydro Utility

► 2021 Operating Budget:

- Revenues of \$19.8M
- Expenses:
 - \$5.5M Operating
 - \$7.0M Power Purchase
 - \$460k Debt Payments

► 2021 Contributions:

- \$2.9M to City of Nelson operations
- \$694k to Water License Reserve



Overview – Hydro Utility

2020 Capital Achievements:

- Pole replacements – Nelson Hydro and final phase Telus Aerial Make Ready (AMR)
- Bonnington Power Plant – Archway and Forebay wall repairs and bridge deck replacement
- Vegetation management
- Phase 1 CIS Software upgrade
- Decommissioning of Lakeside Substation



Overview – Hydro Utility

2021 Capital Budget \$2.9M

- **Distribution System**

- Pole replacements; new installs at Balfour Ferry Landing
- Cutout, arrestor, recloser replacements

- **Power Plant**

- G5 turbine overhaul
- Tagum Sub 25kV conversion
- Backup generator

- **Other**

- SCADA upgrade
- Asset Management





Comments and Questions?

Email: budget@nelson.ca