

# The Corporation of the City of Nelson



CITY OF NELSON

2022-2026 Proposed  
Draft Financial Plan  
April 14, 2022



CITY OF NELSON

# Agenda

- 1. Introduction**
- 2. Quick Facts**
- 3. 2022 – 2026 Financial Plan Process**
- 4. 2022 Budget Overview**
- 5. Taxation & Operating Budget**
- 6. City Assets/Reserves/Debt**
- 7. Comments & Questions**

**Presenter:** *Colin McClure, Deputy CAO & CFO*  
*Chris Jury, Deputy CFO*



The background image shows a calm lake with a yellow truss bridge spanning it. The bridge's reflection is clearly visible in the water. In the distance, there are green hills and mountains under a clear blue sky. The foreground is a dark, solid color.

*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.

# Provincial COVID-19 Safe Restart Grant Funding

City received \$2.6M at the end of 2020 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 Restart Grant:

- Revenue Short-falls - \$750,000
- COVID related expenses - \$650,000

# 2021 use of COVID-19 Safe Restart Grant Funding

Revenue shortfalls - \$180,000

- Parking meters
- Campground
- Police Prisoner recovery
- Transit fares

Expenses - \$183,359

- Additional cleaning
- Computer equipment and supplies
- Grants to non-profits



# Budgeted plan to use of COVID-19 Safe Restart Grant Funding

City internal business improvement and support

- Records management & digitization of City files
- OT funding to Nelson police department to deal with staffing challenges due to COVID
- Upgrades to City buildings (eg touchless soap dispenser)

External project funding - \$154,000

- Grant program for not-for-profit entities needing help to recover from Covid-19 (not designed yet)

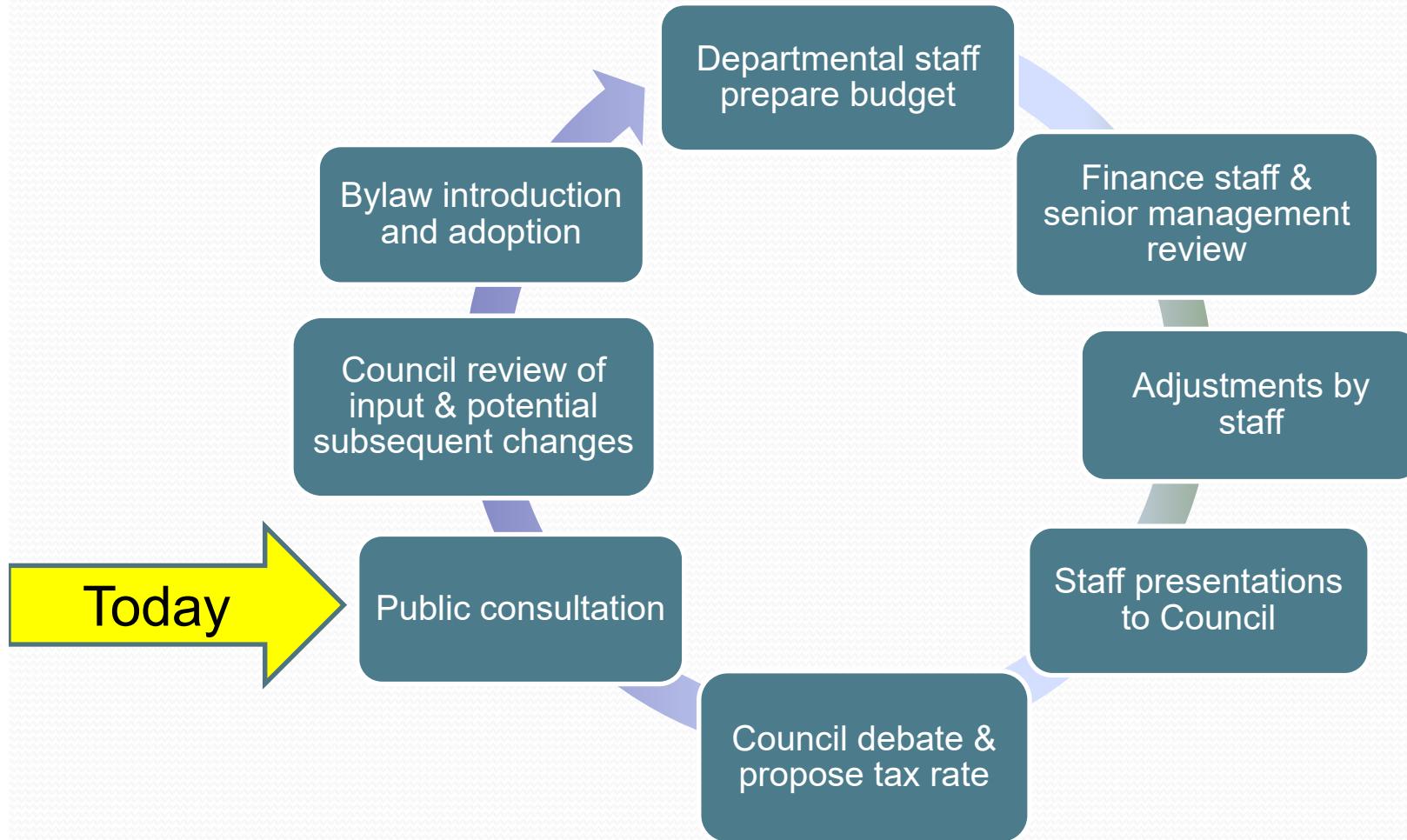
# 2022-2026 Proposed Financial Plan

- 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 2021 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 \$53 Million (2021 draft)
- Operational expenses (before amortization) \$38M (2021 draft)
- Revenue over expenses pay down debt & flow into Operational and Capital reserves
- General Fund Operational expense and allocations to reserves is budgeted at \$25M in 2022, funded by \$11.3M 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
- 180 Regular Employees

## SNOW REMOVAL ACTUAL TO BUDGET



	2022 Projected	2021 Actual	2020 Actual	2019 Actual	2018 Actual	2017 Actual	2016 Actual
Jan-Mar	740,355	369,982	587,407	607,562	718,904	780,736	323,678
Apr-Dec	238,544	315,308	175,409	227,137	183,940	228,565	260,809
Total annual	978,899	685,291	762,817	834,699	902,844	1,009,301	584,487
Budget	789,743	769,201	766,918	763,918	749,491	891,192	703,287

83,910 Use of 2021 snow removal budget surplus

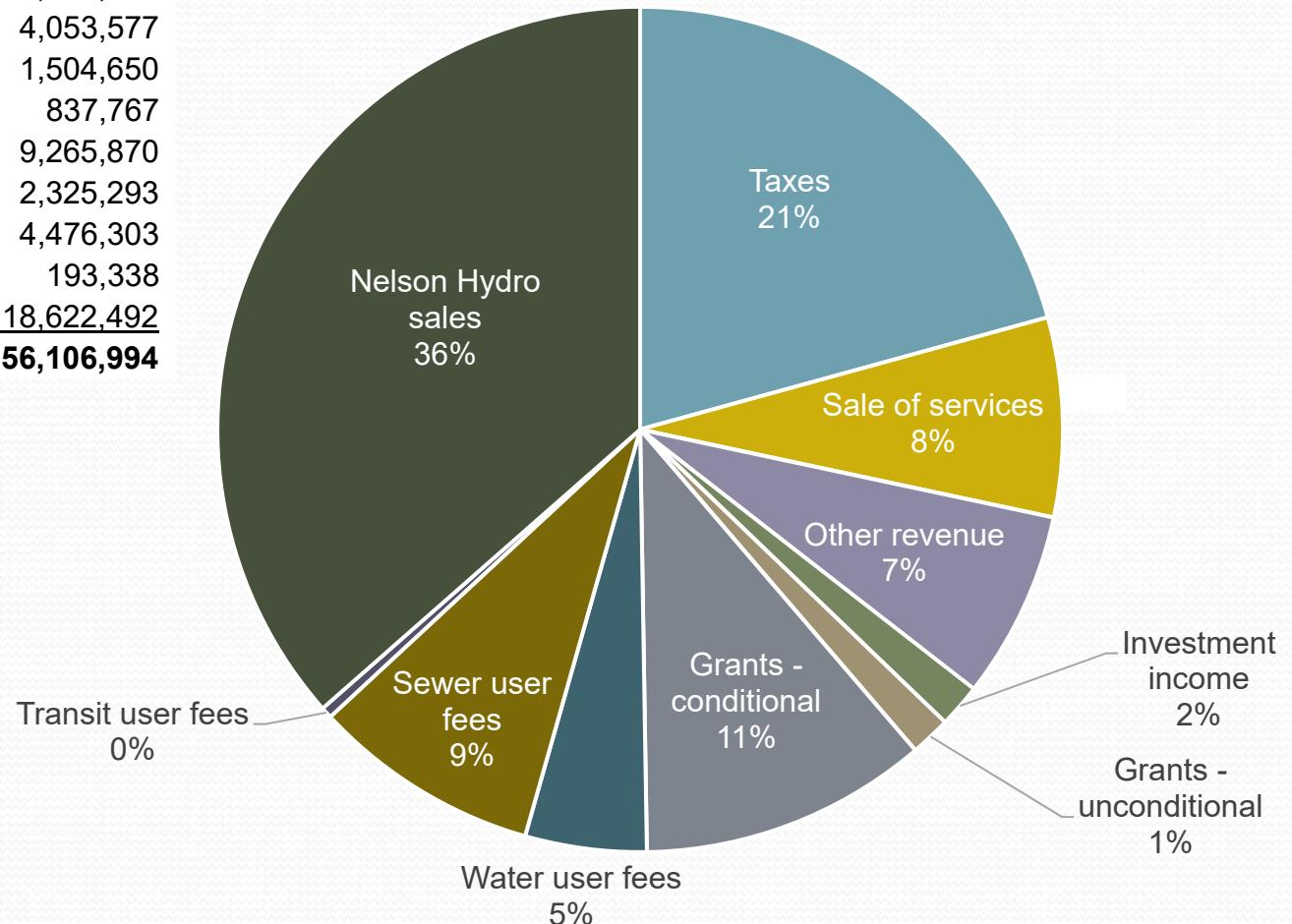
106,347 One-time increase from surplus

190,257 Total staff request from surplus

980,000 New 2022 budget

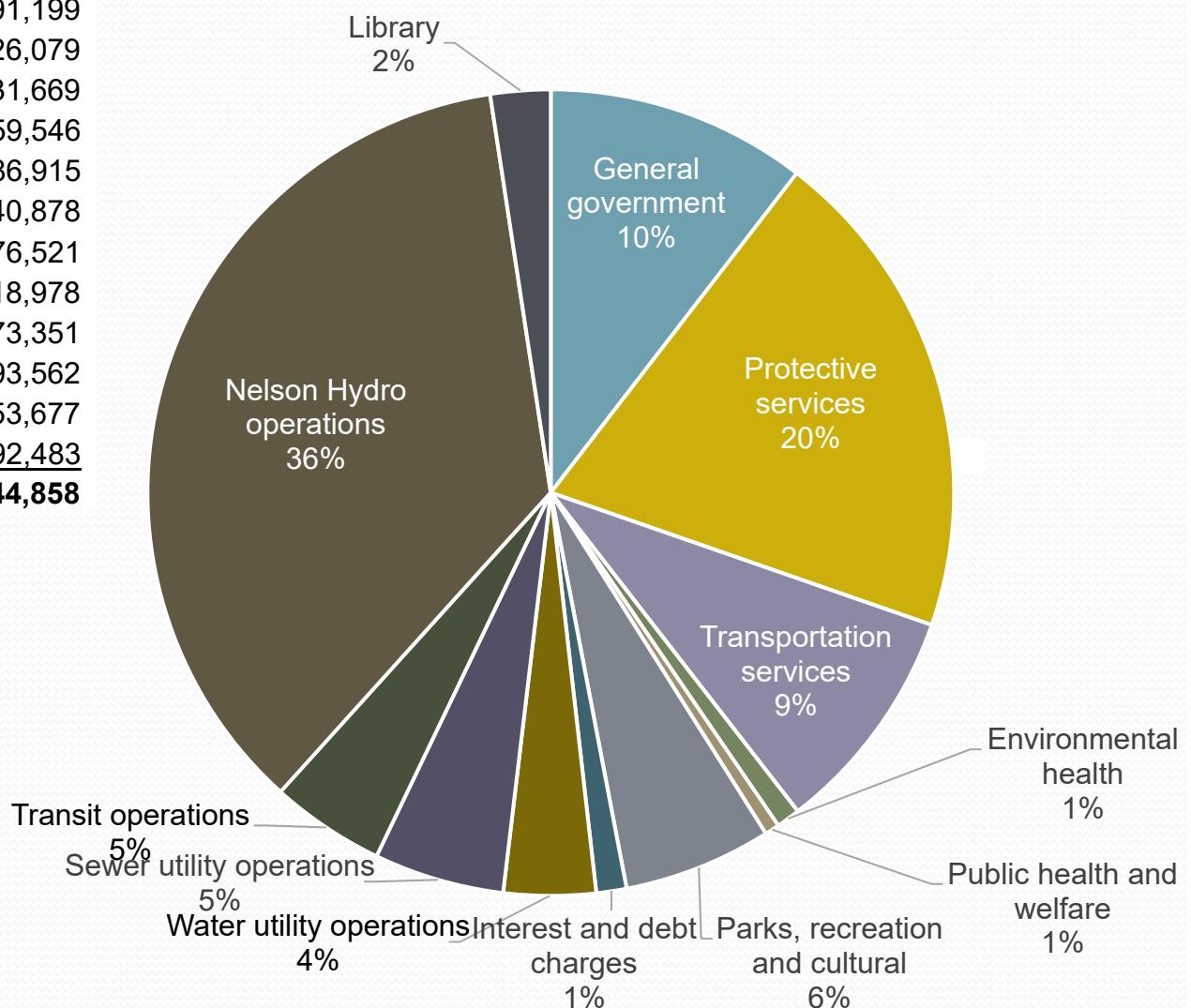
# City of Nelson Revenues 2021 (unaudited)

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> \$ <u>56,106,994</u>



# City of Nelson Expenses 2021 (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	✓		✓



# 2022 Budget Overview

## Highlights:

- New market construction taxation revenue generation for 2022 is expected to be \$92,000
- Council has proposed a 4.00% tax increase for 2022
- Water & Sewer combined overall rate increase of 1.6% or \$17 for a SFD
- Resource recovery fees increased to \$100 annual for 2022
- In 2020, a \$35 increase in the annual fee was implemented to fund the purchase of new recycling bins for each household
- For 2021 and 2022 the additional fee has been budgeted to assist in funding an organics diversion strategy

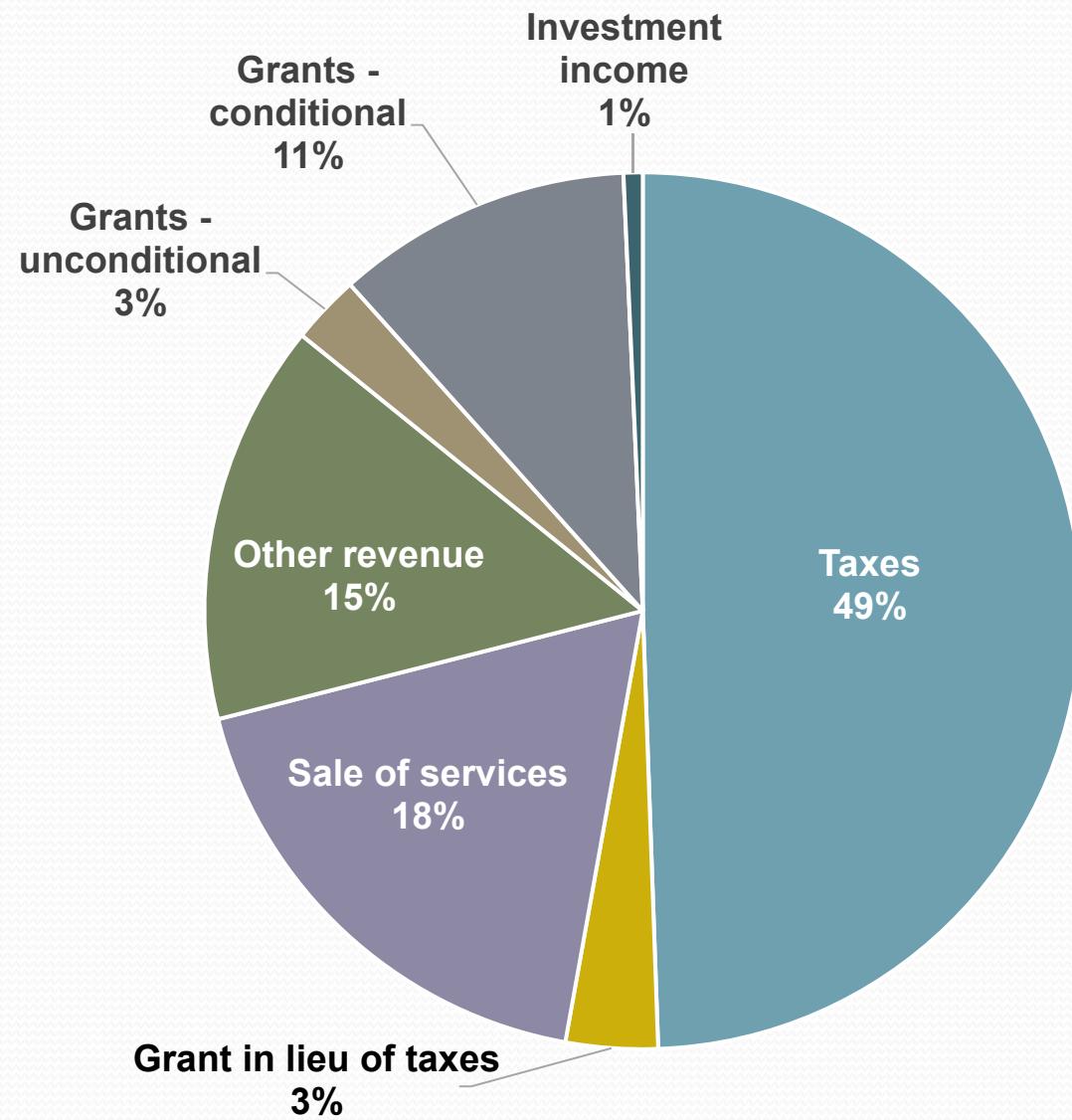
# Operating Fund

Revenue Sources

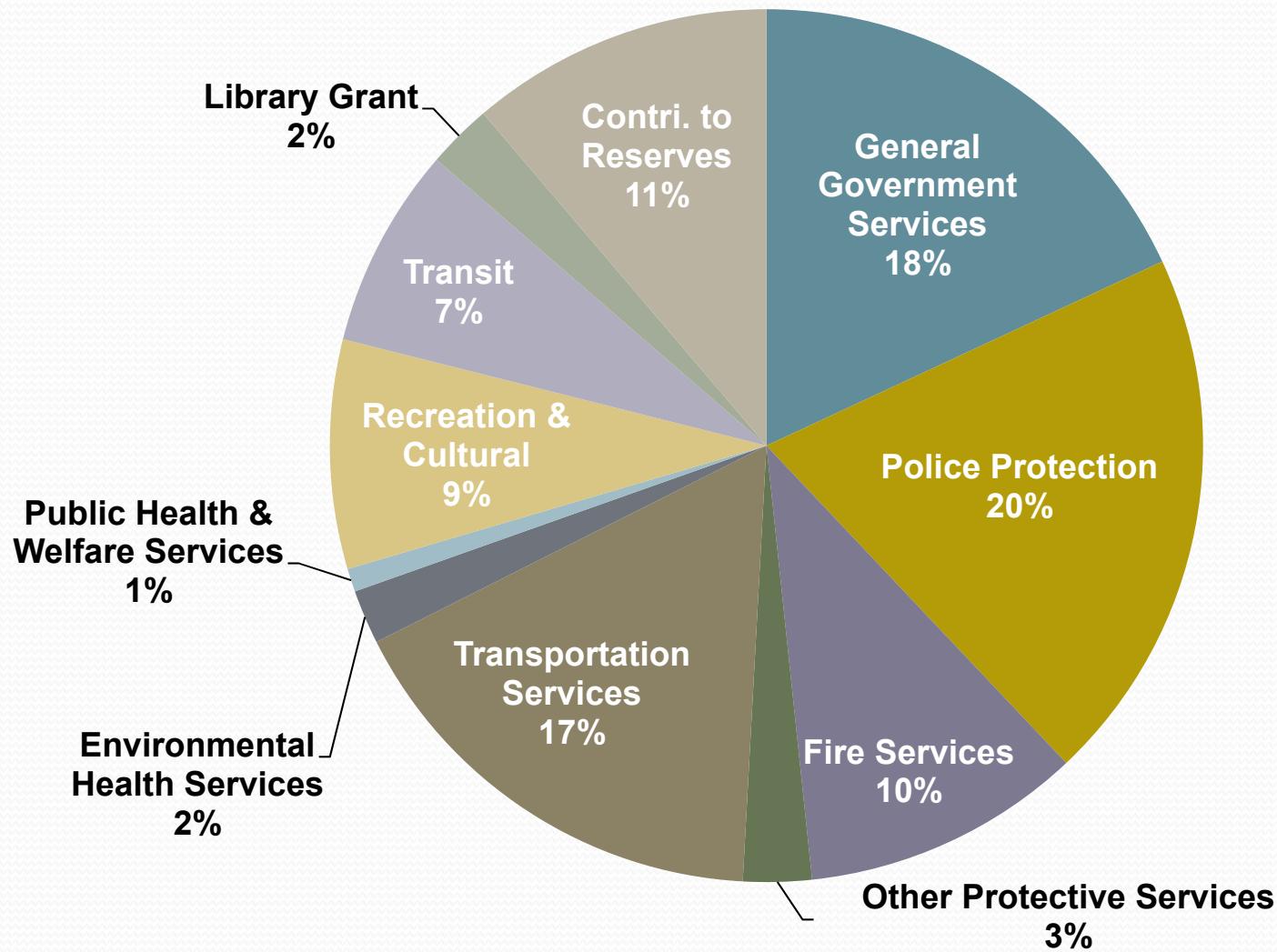
Operating Expenses

Capital Plan

# 2022 Operating Budget Revenues



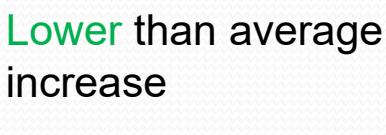
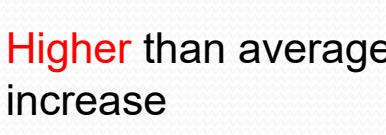
# 2022 Operating Budget Expenditures



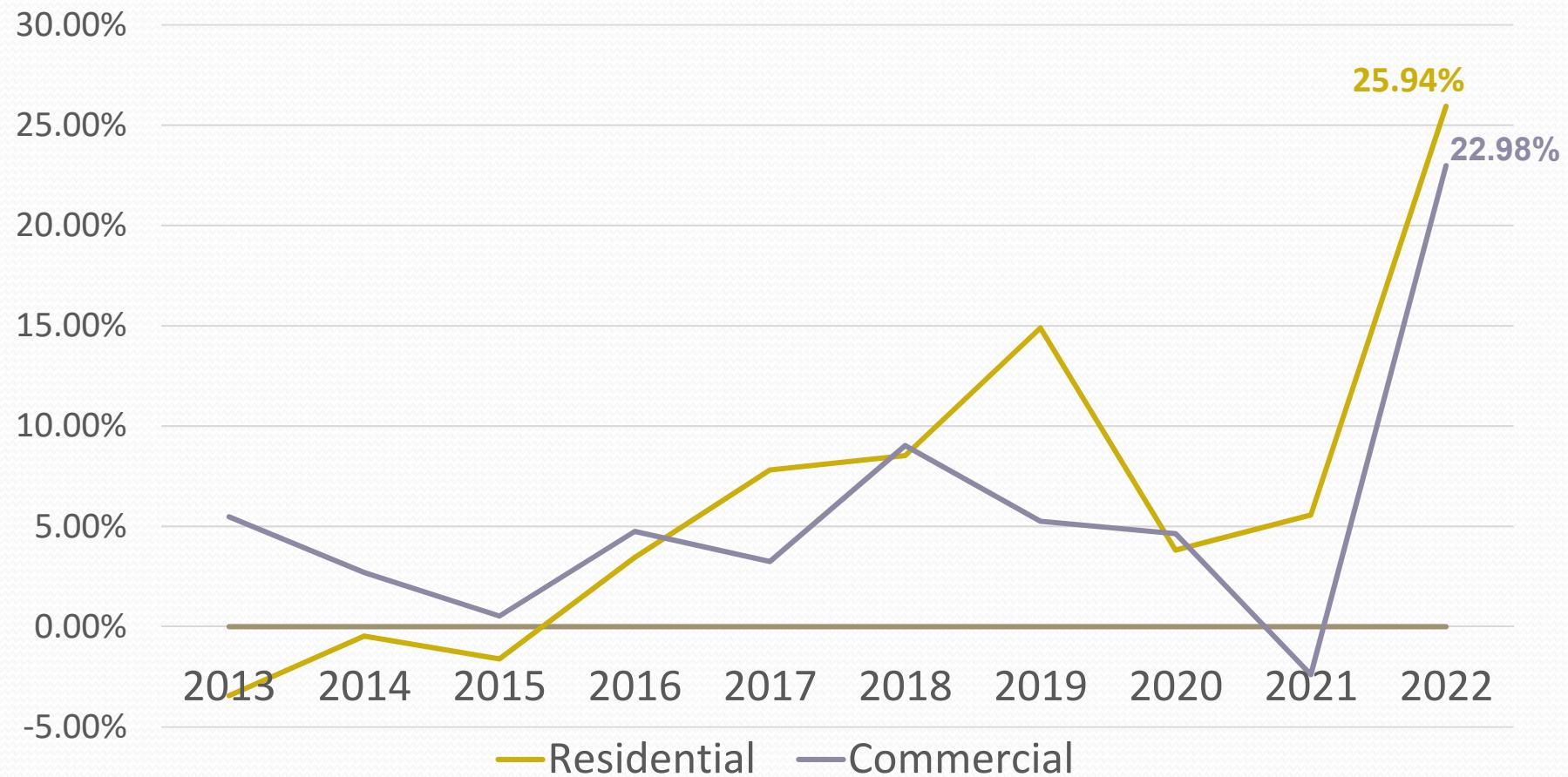
# Taxation - Assessment



- ▶ January 2022 Assessment Notices
- ▶ Value as of July 1 2021

	<u>Property Value Change</u>	<u>Property Tax Impact</u>
1.	 Lower than average change	 Lower than average tax increase
2.	 Average change	 Average tax increase
3.	 Higher than average change	 Higher than average tax increase

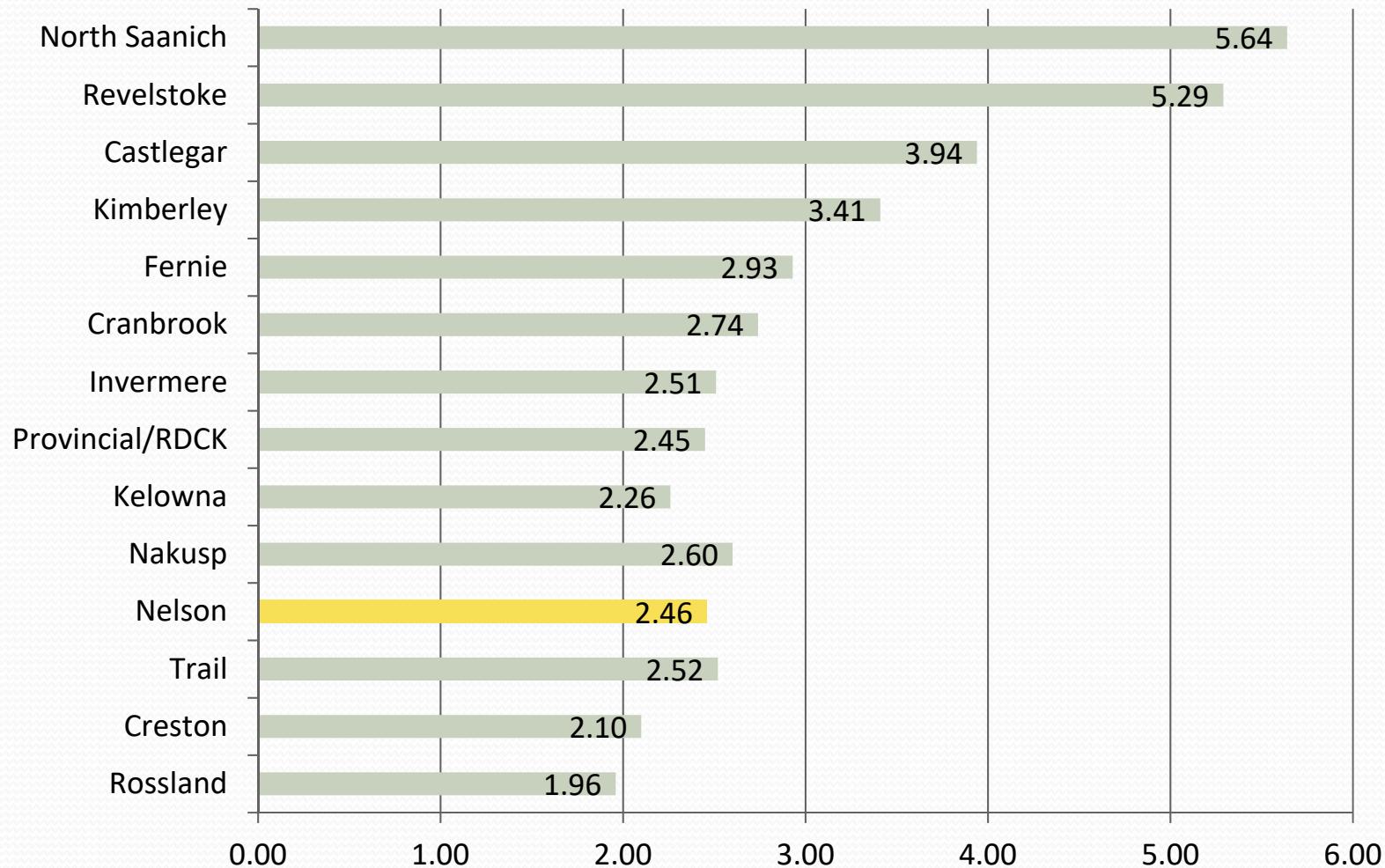
# BC Assessment: Historical year over year market change



# Effect of Assessments in 2022

Property Class	2021 Assessed Values	2022 Assessed Values	% Change Due to Market	% Change Overall
Residential	\$2,038,728,100	\$2,594,297,900	25.94%	27.25%
Utility	115,912,250	120,012,905	3.54%	3.54%
Light Industry	1,998,200	4,025,900	30.41%	101.48%
Business	277,946,350	343,230,000	22.98%	23.49%
Non-Profit	2,704,100	3,063,600	26.75%	13.29%
<b>Total</b>	<b>\$2,437,289,000</b>	<b>\$3,064,630,305</b>	<b>24.48%</b>	<b>25.67%</b>

# 2021 Business Tax Class Multiples



# 2022 Proposed Budget – City only

Effect on an  
Average SFD

	Average Single Family Dwelling \$636,000 (26% increase)			
	2021	2022	Net Change	Net Monthly Change
Property Tax (municipal only)	\$1,747	\$1,815	\$68	\$5.67
Water Rates (after discount)	372	379	7	0.58
Sewer Rates (after discount)	699	709	10	0.83
Resource Recovery (fee + bag tag)	166	191	25	2.08
<b>Overall</b>	<b>\$2,984</b>	<b>\$3,094</b>	<b>\$110</b>	<b>\$9.16</b>

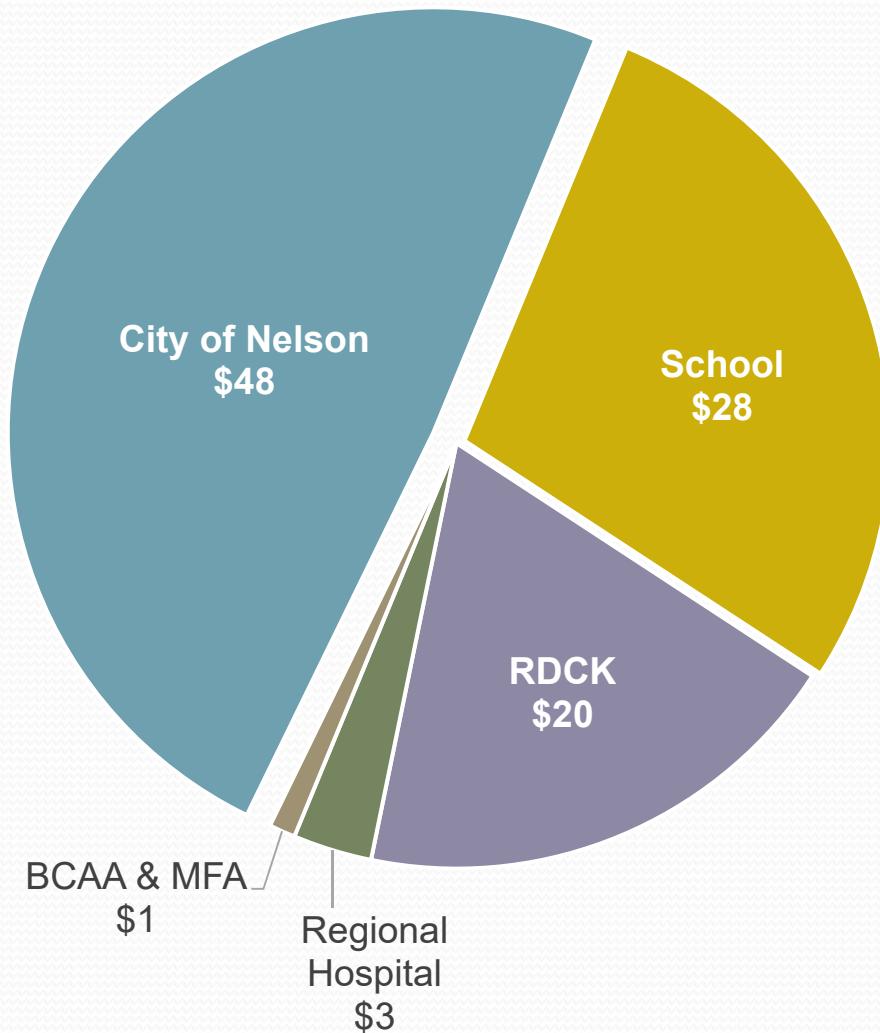
\*2022: \$100 annual fee plus \$1.75 tag fee, based on an estimated one tag per week

# 2022 Proposed Budget - Commercial

Effect on Commercial  
Restaurant (50 seats)

	2022 Assessed value \$1,000,000 (23% increase)			
	2021	2022	Net Change	Net Monthly Change
Property Tax (municipal only)	\$6,960	\$7,250	\$290	\$24.15
Water Rates (after discount)	1,093	1,115	22	1.83
Sewer Rates (after discount)	2,058	2,089	31	2.58
<b>Overall</b>	<b>\$10,111</b>	<b>\$10,454</b>	<b>\$343</b>	<b>\$28.56</b>

# 2021 Tax Notice Breakdown



For every \$100 in taxes:

City of Nelson	\$48
School District	28
RDCK	20
Regional Hospital	3
BCAA & MFA	1
<b>Total</b>	<b>\$100</b>

# 2021 RDCK Service Tax Requisition

City participation in RDCK Services							
March 18, 2022							
Service	Service Name	Partners	% of service paid by	2021	2022	Diff	% change
S100	General Admin	All	20.50%	267,142	<b>317,295</b>	50,153	18.77%
s102	GIS	All except Castlegar	24.00%	84,245	<b>77,467</b>	-6,778	-8.05%
s154	Search & Rescue	Nel, Salmo, E,F,G	64.00%	22,427	<b>18,210</b>	-4,217	-18.80%
S187	Central waste	Nel, Kaslo, Salmo, D,E,F	48.00%	1,420,420	<b>1,472,880</b>	52,460	3.69%
s202	Regional Parks	Nel, Salmo, E,F,G	52.12%	435,030	<b>450,403</b>	15,373	3.53%
s226	Rec Commission	Nelson, Defined E, F	66.00%	2,030,654	<b>2,081,834</b>	51,180	2.52%
s239	Transit (not in Nelson)		20.00%	97,809	<b>100,743</b>	2,934	3.00%
				4,357,727	<b>4,518,832</b>	161,105	3.70%
s160	Emerg Management	Nelson, E, F	58.00%	14,000	<b>15,000</b>	1,000	7.14%
s111	Economic Developme	Nelson, E, F	58.00%	114,313	<b>114,325</b>	12	0.01%
				4,486,040	<b>4,648,157</b>	162,117	3.61%

# Capital Funding Sources

Surplus and Reserves

Debt



# Overall Capital Plan – 2022 Highlights

**Total Capital - \$23.4M**

**\$14.6M 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)
- Transit Exchange

**\$8.8M Water, Sewer & Hydro**

- Continuation of watermain replacement, secondary source
- Sewer 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 \$11.5M



# Other Appropriated Surplus

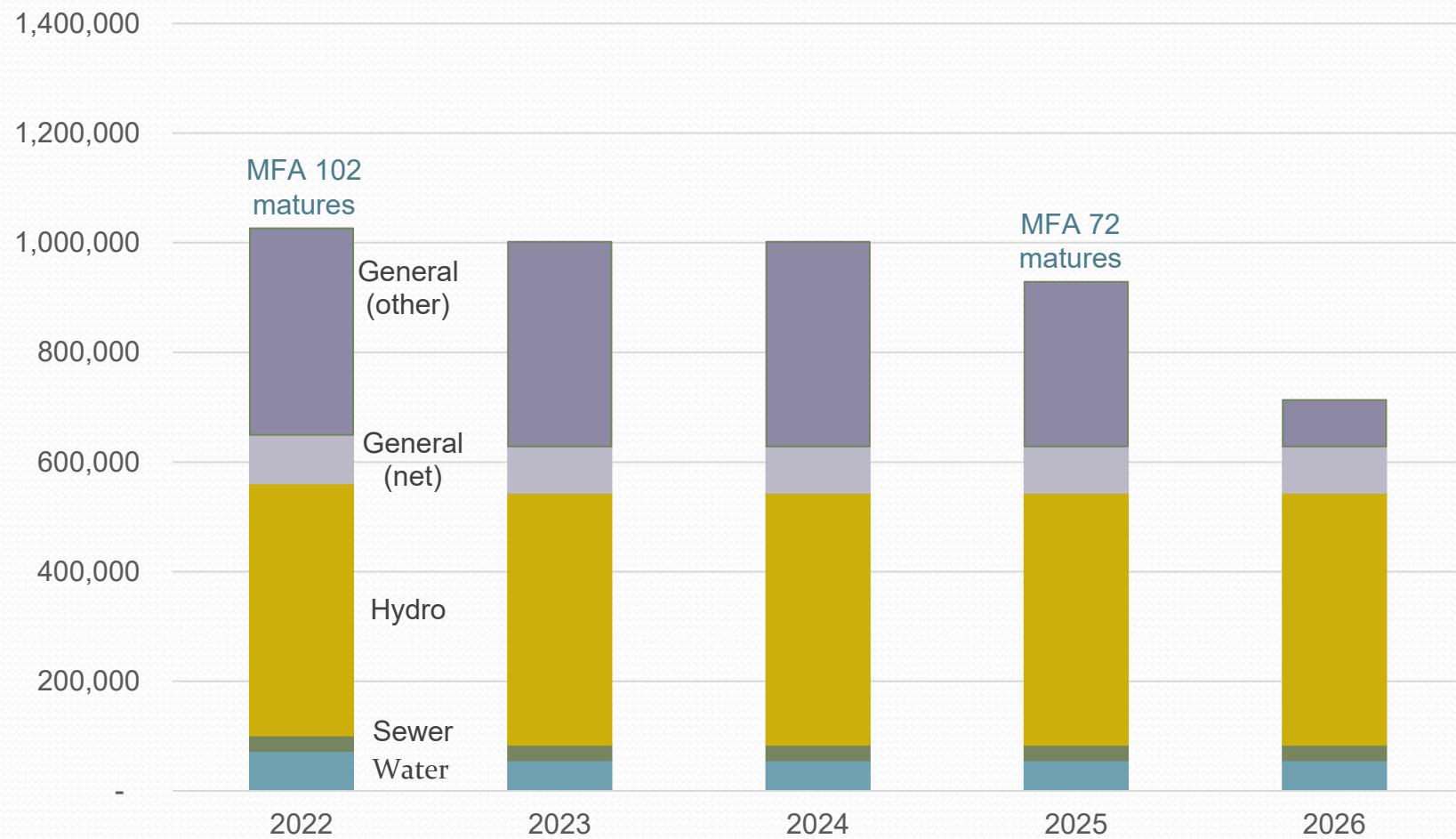
- Past Councils have directed allocation of surpluses to be reserved from a variety of one-time and ongoing activities including:
  - Selkirk College Campus
  - Services – Recycling, Economic Development
  - Administrative Costs – Insurance, Legal
  - Development and Infrastructure– Land Sale, Bridges,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



# 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.
- \$7.7M in General & Utility Debt
- Of \$2.3 M in General Debt (Dec 31, 2021), only \$816K 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 commercial for 2022
  - Proposed 2% increase per year for next 10 years



# Overview – Water Utility 2022

## Operating Highlights

- Revenue:
  - Fees of \$3.3M
- Operating costs:
  - Approx. \$1.5M
- Debt Service:
  - \$73k per year
  - No new debt planned until 2025

## Capital Highlights

- Budget of \$3.7M for infrastructure upgrades
  - ❖ Secondary Source - \$2.65M
  - ❖ Watermain - \$1.0M
  - ❖ ICI metering - \$50k
- 2022-2026 Capital
  - funded through User Fees, Gov't grants, new borrowing



# 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 commercial for 2022
- Proposed 1.5% increase per year for next 10 years

# Overview – Wastewater Utility

## Operating

- Revenue:
  - Fees of \$5.3M
- Operating costs:
  - Approx. \$2.1M
- Debt Service:
  - \$28k per year
  - No new debt planned until 2027

## Capital

- Budget of \$725k
  - Infrastructure expansion and replacement:
    - STP & lift station upgrades - \$350k
    - Master Plan Update - \$100k
    - Main & forcemain upgrades - \$275k
  - 2022-2026 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
- 2022:
  - Fees increased by \$25 to \$100 annually
  - Bag tag fee remains at \$1.75 per tag
  - The additional annual fee is budgeted to fund the capital component of an organic diversion program, which will commence in 2022.

# Overview – Hydro Utility

## ► Strategic Objective:

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

## ► Strategic Projects:

- Generator upgrade
- Asset management system
- Project management methodology



# Overview – Hydro Utility

## ► 2022 Operating Budget:

- Revenues of \$20.8M
- Expenses:
  - \$6.6M Operating
  - \$7.3M Power Purchase
  - \$460k Debt Payments

## ► 2022 Contributions:

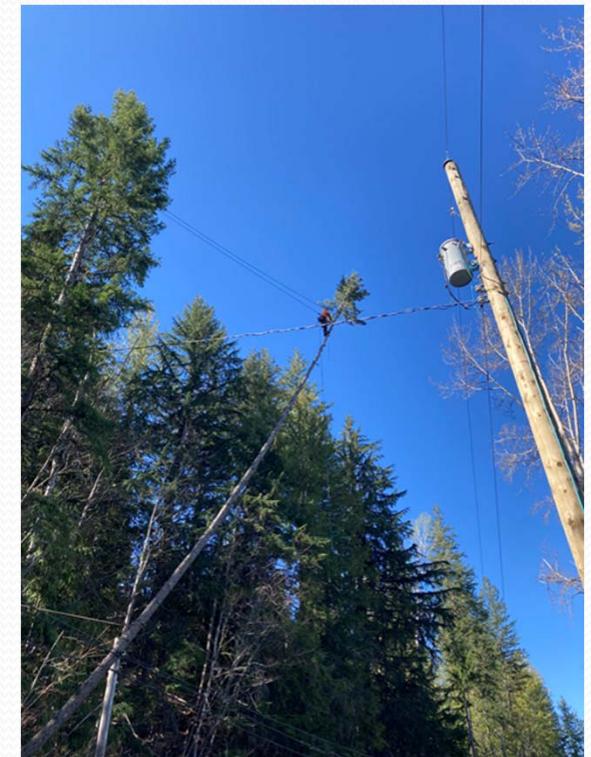
- \$2.9M to City of Nelson operations
- \$718k to Water License Reserve



# Overview – Hydro Utility

## 2021 Achievements:

- Northshore Volt Var Optimization (VVO)
- Completion of CIS Software upgrade
- Balfour Ferry Landing Project
- Vegetation management
- SCADA upgrade



# Overview – Hydro Utility

2022 Capital Budget \$4.3M

- **Distribution System**
  - Pole & cutout replacements
  - Replace Downtown vault covers
- **Power Plant & Substations**
  - G5 turbine overhaul
  - G3 & G4 excitation
  - Backup generator
  - Mill St Sub transformer replacement
- **Other**
  - AMI meter upgrade
  - Asset management plan



# Comments and Questions?

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