

The Corporation of the City of Nelson



2017-2021 Proposed
Draft Financial Plan
February 27, 2017

Agenda

1. Introduction
2. Quick Facts
3. 2017 – 2021 Financial Plan Process
4. 2017 Budget Overview
5. Taxation & Operating Budget
6. City Assets/Reserves/Debt
7. Comments & Questions



CITY OF NELSON

Presenter: Colin McClure, Chief Financial Officer



2015-2018 Strategic Plan

NELSON



Our Vision for the Future

Nelson is a prosperous and resilient community with robust ecosystems and safe, welcoming neighbourhoods where diversity, history and culture are celebrated.

Message from Mayor and Council

Nelson is bustling little city with a thriving arts & culture scene, magnificent heritage buildings and beautiful scenery. However, it is the people living here that are truly what bring character and vibrancy to our community; and it is the people who we are ultimately here to work for.



Mayor
Deb Kozak



Councillor
Bob Adams



Councillor
Robin Cherbo



Councillor
Michael Dailly



Councillor
Janice Morrison



Councillor
Anna Purcell



Councillor
Valerie Warmington

The City of Nelson's Strategic Plan for 2015-2018 clearly sets out the City's direction and priorities for the next three years. The work that we do every day at the City is based on solid planning which provides guidance and direction for our staff to ensure that your tax dollars are spent in a sustainable, coordinated and efficient way. Our Strategic Plan is just part of the over-all Strategic Planning process – and is not intended to be a standalone document. The

Plan provides a broad look at our future goals and aspirations and is developed over time based on our vision and ultimate strategic goals as a community.

We have an opportunity, as Council, to set goals that we know are important to the residents of Nelson. Through sound planning we have the ability to strengthen our neighbourhoods, expand local jobs and prosperity, achieve excellence in City governance and deliver sustainable services

and infrastructure. We want all of the residents of Nelson, including businesses and community groups, to be part of the strategic planning process and play a role in how our city ultimately grows.

The City of Nelson Strategic Plan sets forth our vision and clearly identifies our strategic goals. We are committed to a sustainable future. Our plan is ambitious, but in conjunction with the priorities set out in our Business Plan and our Path to

2040 Sustainability Strategy, we have clearly identified the tools and resources we need to meet our objectives.

It will be a great pleasure to see how this Strategic Plan and its supporting documents unfold over the next three years. I am convinced, that we, as a community, will evolve and prosper like never before.

Mayor Deb Kozak

Enhance Sustainability of City Services and Infrastructure

What We Hope to Achieve & *How We Plan to Achieve it!*

Renewal of the assets of the City's major utilities in a cost effective manner.

- ◆ Continue the implementation of the master and capital replacement plans for our major utilities: water, sanitary sewer and Nelson Hydro.
- ◆ Total investment in water, sanitary sewer and Nelson Hydro over the four years is targeted to be \$24,000,000 while keeping utility rate increases to near inflationary increases.
- ◆ Replacement costs targeted at 50% of those forecasted in the master plans for water and sanitary sewer.
- ◆ Build reserves that will ensure these utilities self-sustaining over the long-term.
- ◆ Develop capital replacement plans for roads, sidewalks and facilities including a sustainable funding strategy to renew these assets.

Develop a safe and adequate water supply.

- ◆ Develop an emergency water supply system to make the community more resilient to drought events.
- ◆ Develop a secondary source to supplement Five Mile Creek.
- ◆ Reduce water consumption in the City by 20% while allowing for development in line with OCP targets.
- ◆ Understand and prepare for the impact of climate change.

Create an energy-efficient community.

- ◆ Through the Eco-Save program we will reduce the energy use in homes and small businesses and encourage the transition to non-fossil fuel sources.
- ◆ Through Corporate GHG plan we will reduce our energy use, our costs and our reliance on fossil fuels for City owned facilities.
- ◆ We will develop a Solar Farm for Nelson Hydro customers.
- ◆ We will develop alternative energy sources which may include District Energy; hydro-electric generation and/or co-generation.

Ensure sustainable, equitable and effective funding strategies to enable the City to provide high quality services and an appropriate level of infrastructure.

- ◆ Focus on value for service across the organization.
- ◆ Generate non-taxation revenues.
- ◆ Manage costs within inflationary levels by looking at innovative and creative ways to deliver services including partnering opportunities, shared services, containing cost increases and delivering services differently.

Improve the City's Emergency Management Capabilities.

- ◆ Review the shared services model for emergency management and implement any changes necessary.

Improve the City's Occupational Health and Safety Program.

- ◆ Complete a review of the program and implement improvements.

Strengthen Neighbourhoods

What We Hope to Achieve & *How We Plan to Achieve it!*

Develop complete, well connected neighbourhoods.

- ◆ Completion of the Sustainable Neighbourhood Plan for Railtown and implementation of the short-term recommendations.
- ◆ Completion of the downtown public realm plan and implementation of short-term recommendations.
- ◆ Development of the central and East waterfront neighbourhoods including the identified amenity improvements.
- ◆ Completion of the Hall Street Corridor to the waterfront.

Encourage a suitable mix of housing in our neighbourhoods.

- ◆ Implement the short-term recommendations in the Housing Strategy.
- ◆ Complete a housing project at Youth Center.
- ◆ Leverage opportunities to encourage investment in affordable housing in neighbourhoods.



Expand Local Jobs, Local Prosperity

What We Hope to Achieve & *How We Plan to Achieve it!*

Leverage community assets to drive investment and job creation.

- ♦ Expansion of Nelson Fibre to serve the business community with high speed connectivity.
- ♦ Becoming an Intelligent Community.
- ♦ Attracting new technology/creative sector businesses.

Development that meets the goals of the OCP especially in the downtown and the waterfront.

- ♦ Developing policies to encourage new housing units in the downtown and waterfront areas.
- ♦ Developing policies to support our vibrant downtown.

Support the retention, expansion and attraction of business to strengthen Nelson's economic base.

- ♦ Policies and incentives that encourage commercial development, revitalization and optimize use of industrial/commercial land.

Create an inspiring public realm through public art, and natural and designed spaces, that enhance quality of life and encourages private sector investment.

- ♦ Effective use of landscaping and public art that enhance streets and City spaces.

Facilitate vibrancy in sport, culture and recreation to enhance economic growth through partnerships, events, festivals and business development.

- ♦ Renewal and enhancement of parks and facilities, building capacity for sporting events, community events and festivals.
- ♦ Implement the priorities in the Cultural Collaboration and Recreation Master Plan.



Achieve Excellence in City Governance

What We Hope to Achieve & *How We Plan to Achieve it!*

Maintain prudent financial management policies regarding land management, asset replacement and long-range planning and budgeting so that taxpayers remain confident that tax dollars are being spent wisely.

- ♦ A focussed organization that results in the most effective use of staff time and resources, accomplishment of key projects in a timely and cost-effective manner.

Develop strategic partnerships and positive working relationships with businesses, community groups and many government organizations who work with, for and in Nelson.

- ♦ Continue to build collaborative partnerships with neighbouring communities, and senior and regional levels of government.
- ♦ Advocacy with other organizations and governments to foster positive change in our community including taxation fairness with senior levels of government; health care; housing; social programs; environmental programs and waste management.

Support, encourage and empower employees by living the City's values, recognizing success and fostering a positive team environment.

- ♦ Employee training that supports the implementation of strategic directions.
- ♦ Engage in meaningful succession planning to reflect the future needs of the City.
- ♦ Implementing an accountability model throughout the organization.

Encourage citizen and neighbourhood engagement so that residents contribute to the affairs of the whole community.

- ♦ Provide volunteer programs that engage and retain volunteers in a way that reflects the changing nature of our community.
- ♦ New public engagement opportunities and initiatives that increase public participation, including expanding our social media presence.

Improve customer service and enhance efficiency and effectiveness through innovation, high customer service standards, and a commitment to continuous improvement.

- ♦ Focus on the City's customer service values and their application across departments and services.
- ♦ Continue to grow on-line options to allow customers to do business in the City.

Demonstrate achievement of plans through accomplishments and measured performance with a focus on results.

- ♦ Corporate performance reporting that reflects strategic plan achievement .

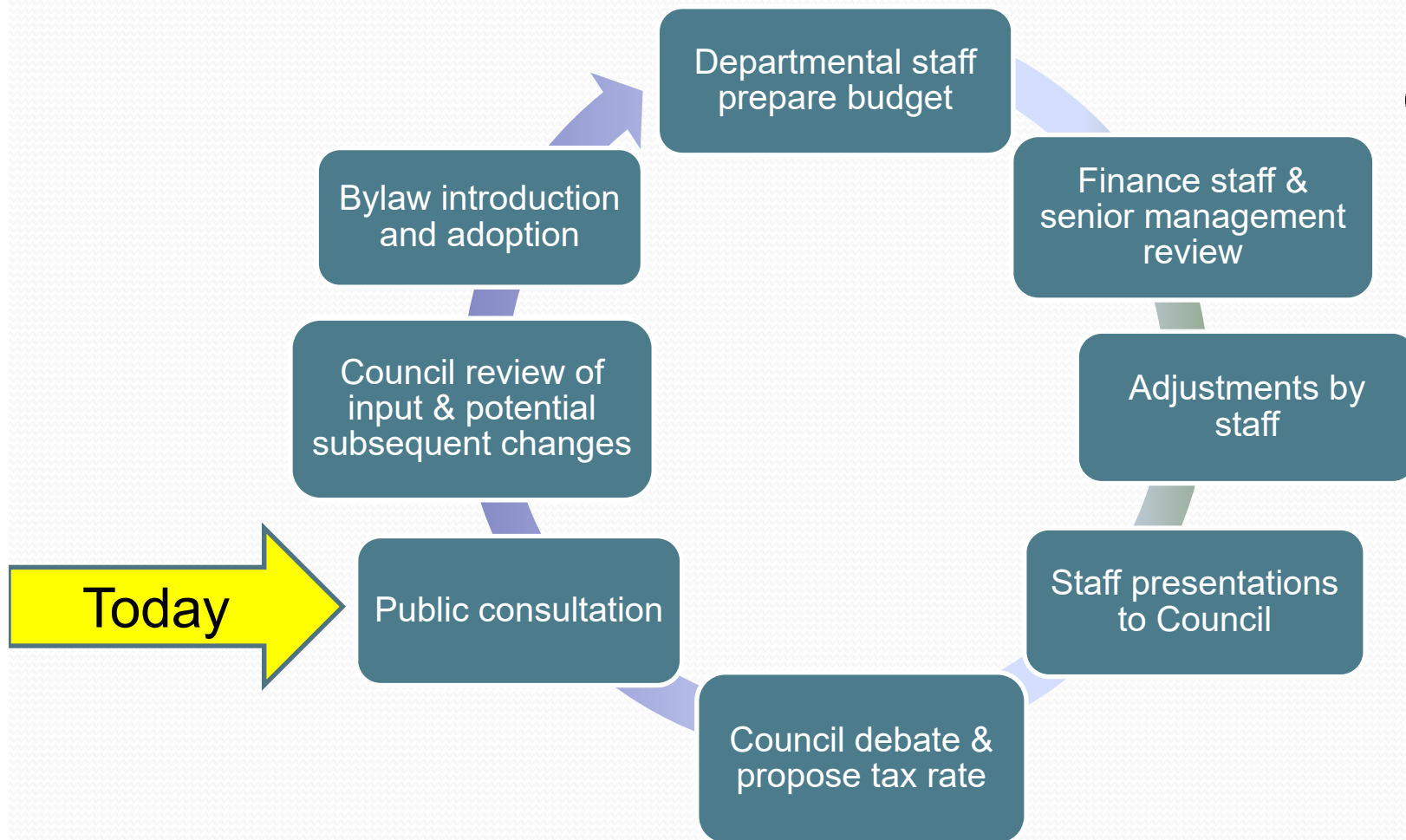
2017-2021 Proposed Financial Plan

- 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





Financial Planning Environment

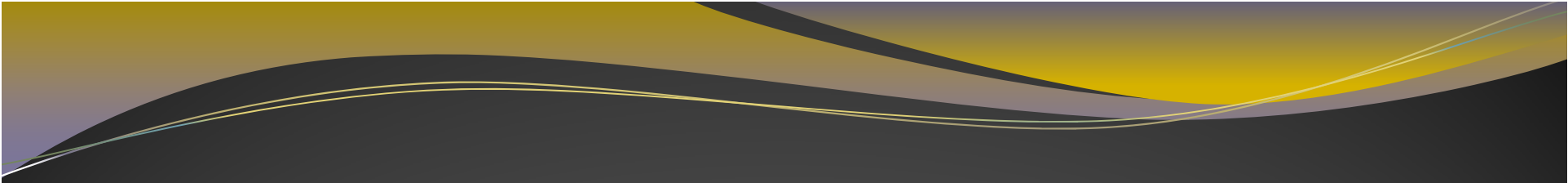
- Economic performance in BC expected to be 2.5% in 2017
- Shifting of responsibilities/downloading
- Public demand for services
- Increasing demands on aging infrastructure and the need to address this issue
- Sustainability & GHG Reduction Plans
- Long term planning
- Current and potential new private development will assist in generating new market construction taxation revenue
- Reduced interest earned on investments



Budget Principles

Council's Direction to Staff

- Support delivery of municipal services
- Maintain services delivered at 2016 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

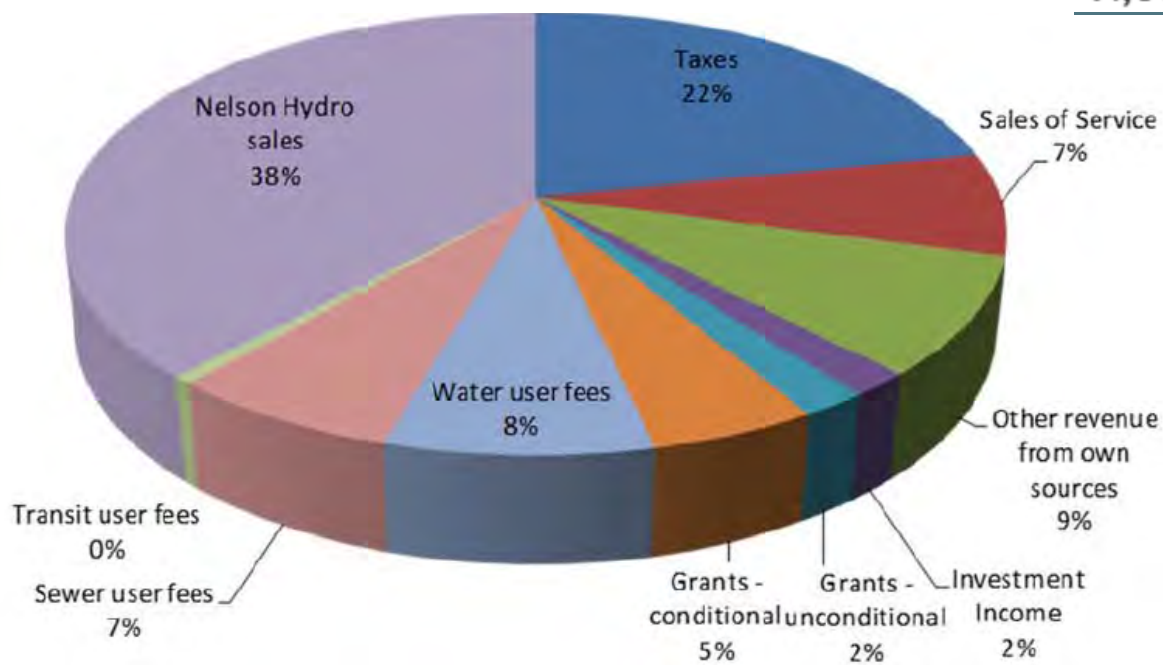


Quick Facts

- All City Operational revenue close to \$42 Million
- Total operational expenses \$39 Million
- Revenue over expenses pay down debt & flow into Operational and Capital reserves
- General Fund Operational expense is budgeted at \$17.7M in 2017, funded by \$9.8M in Taxation (approx. 2 to 1 ratio)
- A 1% increase in taxation produces about \$80,000 to cover operational expenditures
- The dividend from Hydro to operations is equal to a 34% tax increase
- Only Municipality in Western Canada that generates and distributes electricity
- 174 Regular Employees

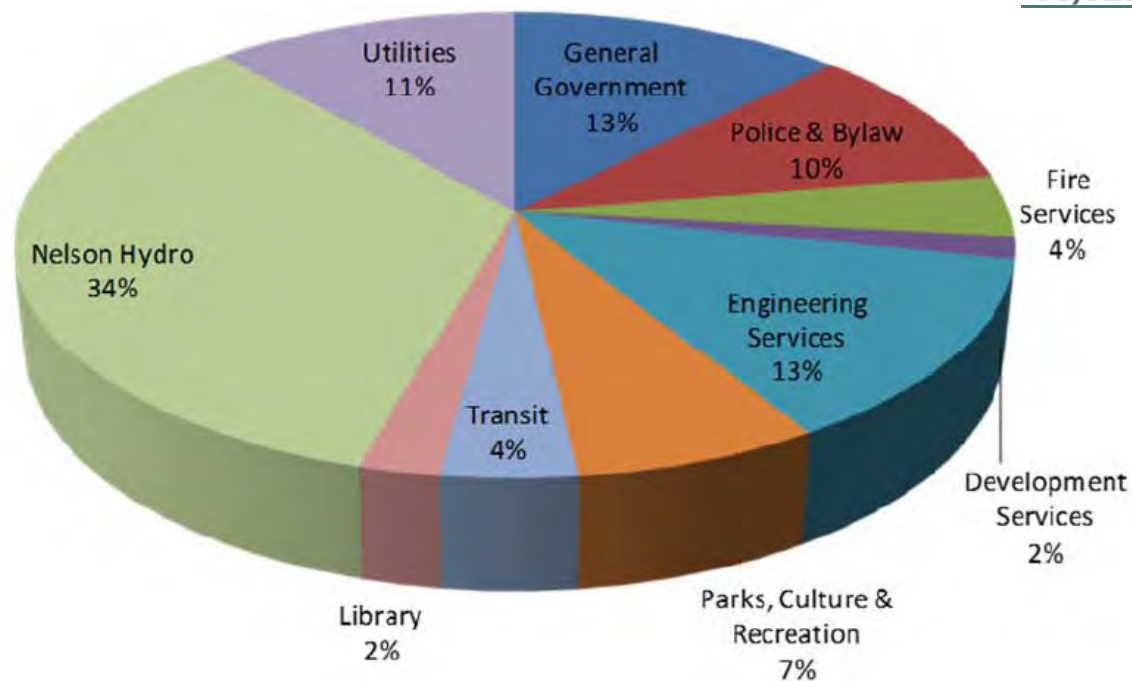
City of Nelson 2015 Operating Revenues

Taxes	9,137,584
Sales of Service	3,076,330
Other revenue from own sources	3,653,093
Investment Income	749,260
Grants - unconditional	806,527
Grants - conditional	2,056,221
Water user fees	3,293,748
Sewer user fees	2,868,551
Transit user fees	236,954
Nelson Hydro sales	15,965,059
	<u>41,843,327</u>



City of Nelson 2015 Operating Expenses

General Government	4,885,060
Police & Bylaw	3,839,644
Fire Services	1,655,286
Development Services	589,409
Engineering Services	5,085,312
Parks, Culture & Recreation	2,673,343
Transit	1,485,464
Library	875,111
Nelson Hydro	13,295,992
Utilities	4,441,351
	<u>38,825,972</u>



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	✓		✓



CITY OF NELSON

Budget Overview - 2017

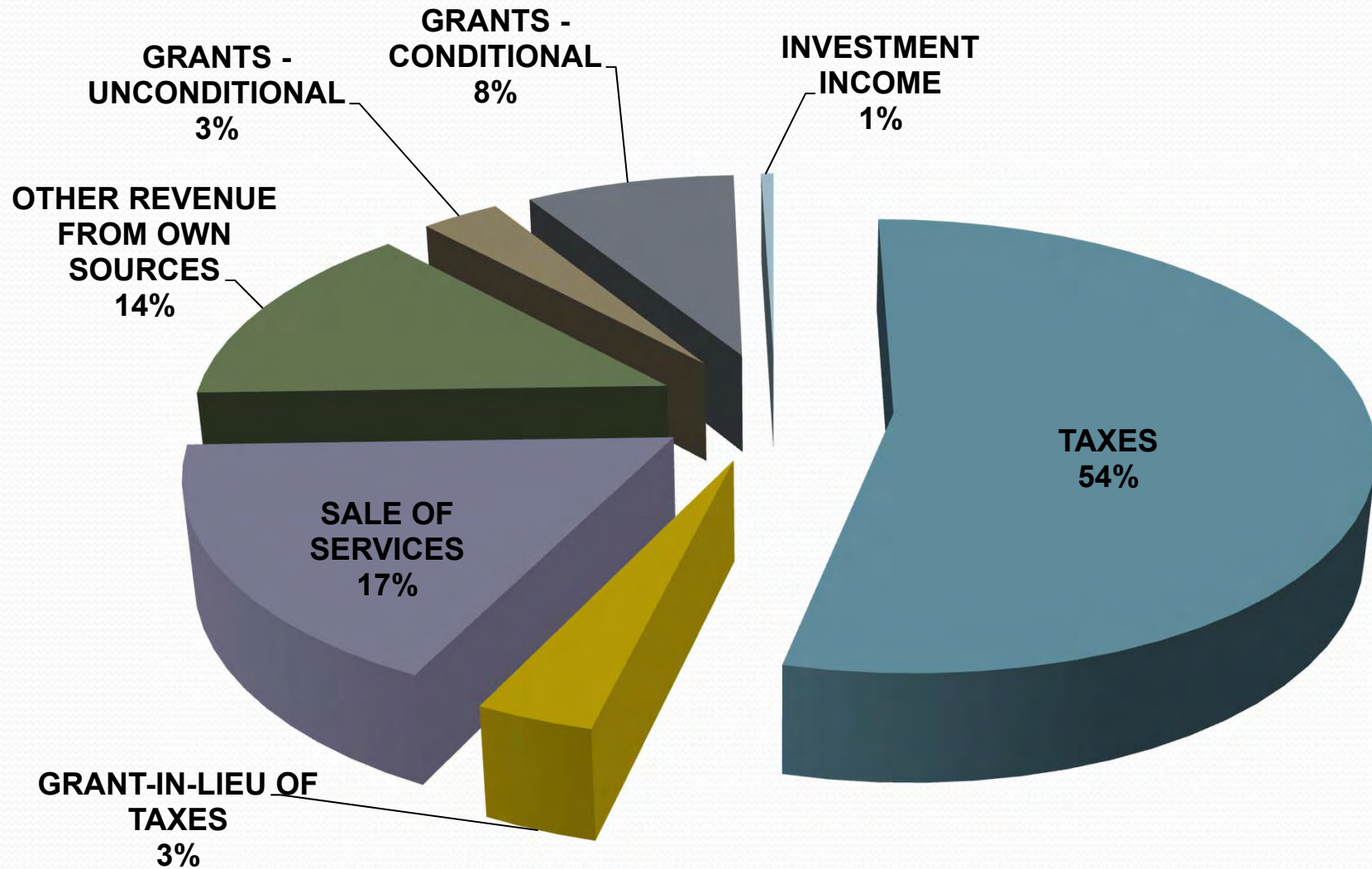
Highlights:

- New market construction taxation revenue generation for 2017 is expected to be \$255,000
- Recommending a 4.85% average overall property tax increase
- Negotiating with the NDCC Rec Commission on a reduction in the tax requisition related to the pool renovation in the hopes of decreasing taxes by 1.7%
- 2% or \$11 annual increase in water rates for a home
- 1.5% or \$7 annual increase in sewer rates for a home
- 4.28% increase in Hydro rates effective April 1, 2017 (2.96% annual increase)
- No change in garbage and recycling fees

2017 Capital Budget:

- \$18.3M including General, Water, Sewer & Hydro

2017 Operating Budget Revenues

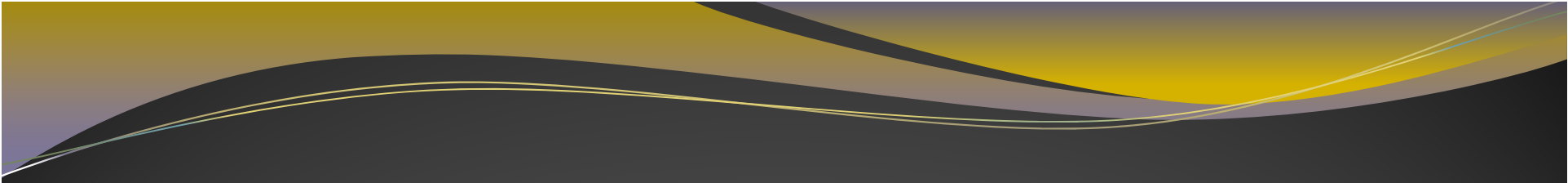


Operating Fund - How did we get there?

Starting Operating Budget Shortfall	\$(233,000)
Revenues	
New Development – Taxation	255,000
Increase in Youth employment grants	50,000
Decrease in Fortis operating fee	(40,000)
Decrease in building permit revenue	<u>(140,000)</u>
Total Change in Revenues	<u>\$125,000</u>

Operating Fund - How did we get there?

Expenditure Additions/Reductions	
Decrease in Planning contract budget	\$40,000
Decrease in O&M costs at City Hall Building	15,000
Increase in IT software costs	(20,000)
One time allocation of new construction rev to roads	(120,000)
Mandated New staff for NPD	(195,000)
Shortfall after adjustments	<u>388,000</u>
Proposed 4.85% Taxation revenue	<u>\$388,000</u>



Operating Fund

Revenue Sources

Operating Expenses

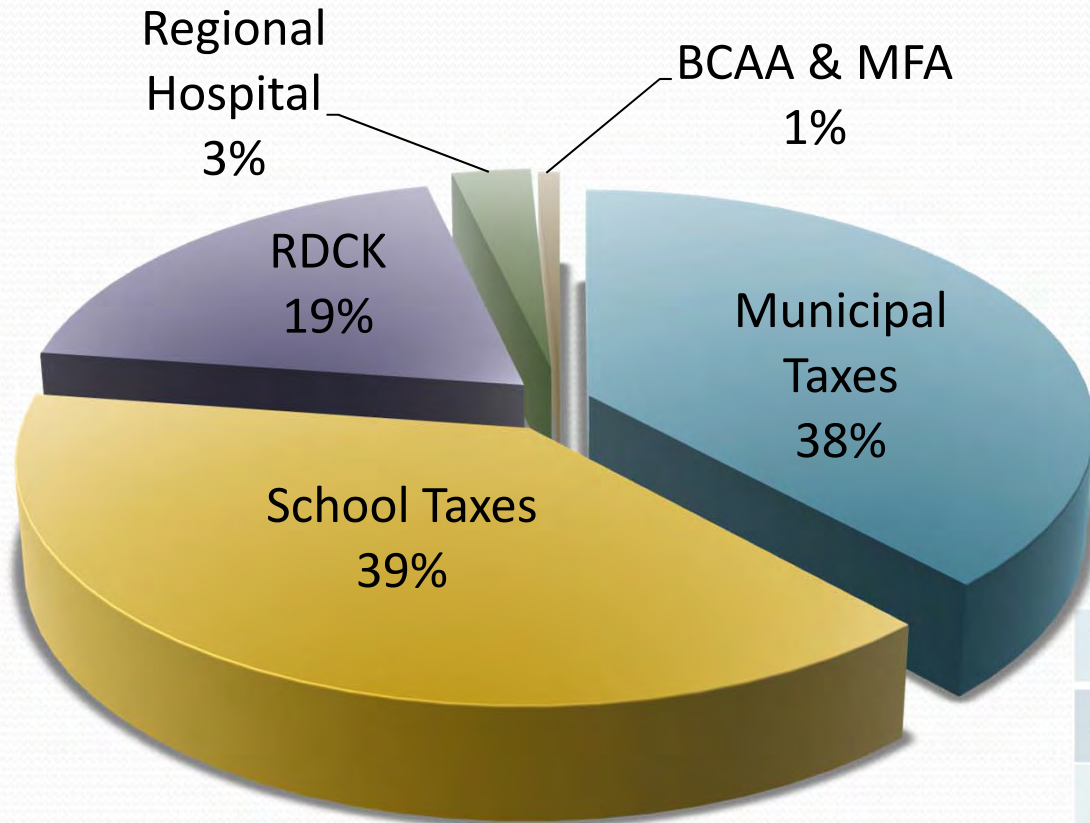
Capital Plan



Taxation

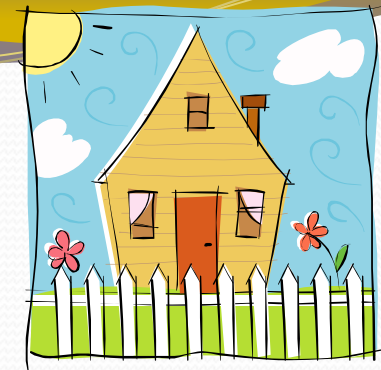
- Who does the City collect taxes for?
- $\text{Assessment} * \text{Tax Rate} = \text{Property Taxes}$
- What is the proposed change for 2017?

2016 Tax Collection Over All Gov't Sectors



Municipal Taxes	\$ 8,635,843
School Taxes	8,447,471
RDCK	4,178,806
Regional Hospital	665,745
BCAA & MFA	161,096
Total	\$22,088,961

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 minimum new revenues from growth

Effect of Assessments in 2017

Property Class	2016 Assessed Values	2017 Assessed Values	Overall % Change	% Change Due to Market
Residential	\$1,288,486,100	\$1,436,767,000	11.51%	7.81%
Utility	104,295,375	105,342,385	1.00%	1.00%
Light Industry	1,284,800	1,279,800	-0.39%	7.47%
Business	222,824,000	234,659,100	5.31%	3.25%
Non-Profit	2,013,600	1,958,900	-2.72%	-3.47%
Total	\$1,618,905,891	\$1,780,009,202	9.95%	6.71%



Effect of Assessments in 2017

Average market changes:

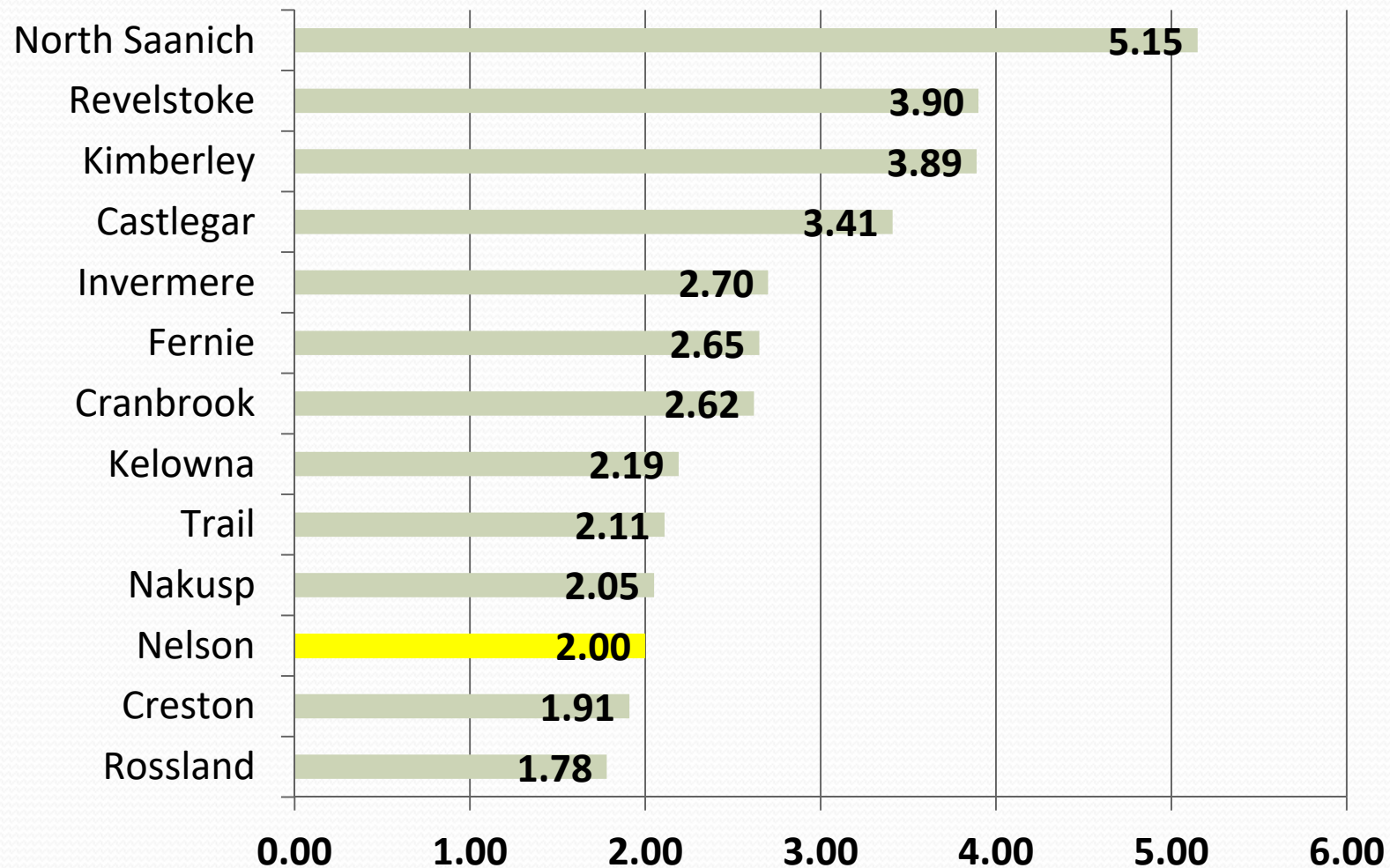
- Residential up 7.81% from 2016
- Commercial up 3.25% from 2016

In a reversal of the past number of years Council has directed staff to increase the Business tax multiplier in order to offset the larger increase in Residential assessment values versus Commercial in the current year.

This will keep the tax burden consistent with prior years instead of shifting it to the Residential sector.

Business Tax Class Multiple will likely increase from 2.00 in 2016 to 2.1 in 2017.

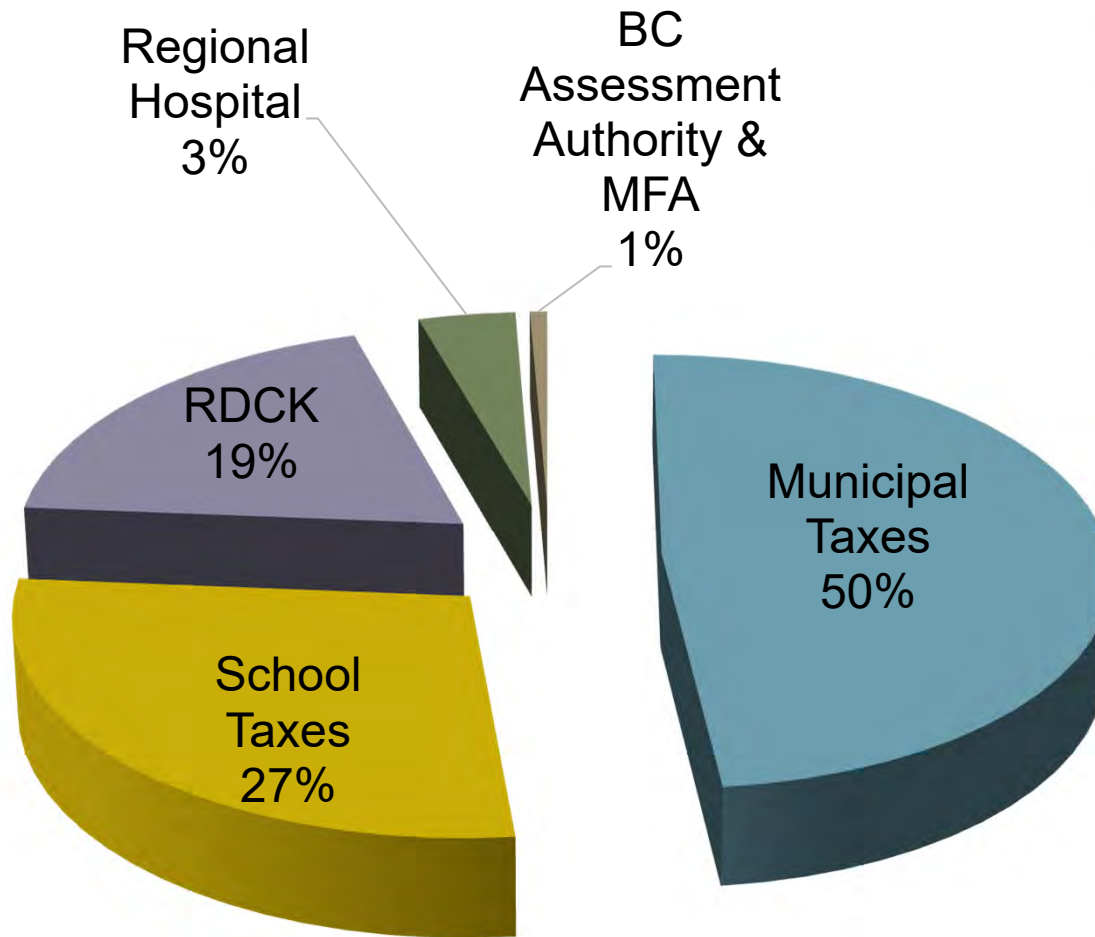
2016 Business Tax Class Multiples



Property Taxes & Assessments

Property Class	2017 Assessed Values	Assessed Value Percentages	% of Property Taxes Levied
Residential	\$1,436,767,000	80.7%	73.0%
Utility	105,342,385	5.9%	1.4%
Light Industry	1,279,800	0.1%	0.1%
Business	234,659,100	13.2%	25.4%
Non-Profit	1,958,900	0.1%	0.1%
Total	\$1,780,007,185	100%	100%

Allocation of 2016 Taxes on an Average SFD



Municipal Taxes	\$1,523
School Taxes	817
RDCK	566
Regional Hospital	98
BCAA & MFA	18
Total	\$3,021

Avg. SFD assessed at
\$330,000 in 2016

2017 Proposed Budget

Effect on an Average SFD

	2016	2017	Net Change	Net Monthly Change
Assessed Value	\$330,000	\$354,000	\$24,000	n/a
Property Tax (municipal only)	1,523	1,597	74	6.17
Water Rates (after discount)	527	538	11	0.92
Sewer Rates (after discount)	454	462	8	0.67
Resource Recovery	118	118	0	0
Overall	\$2,622	\$2,715	\$93	\$7.76

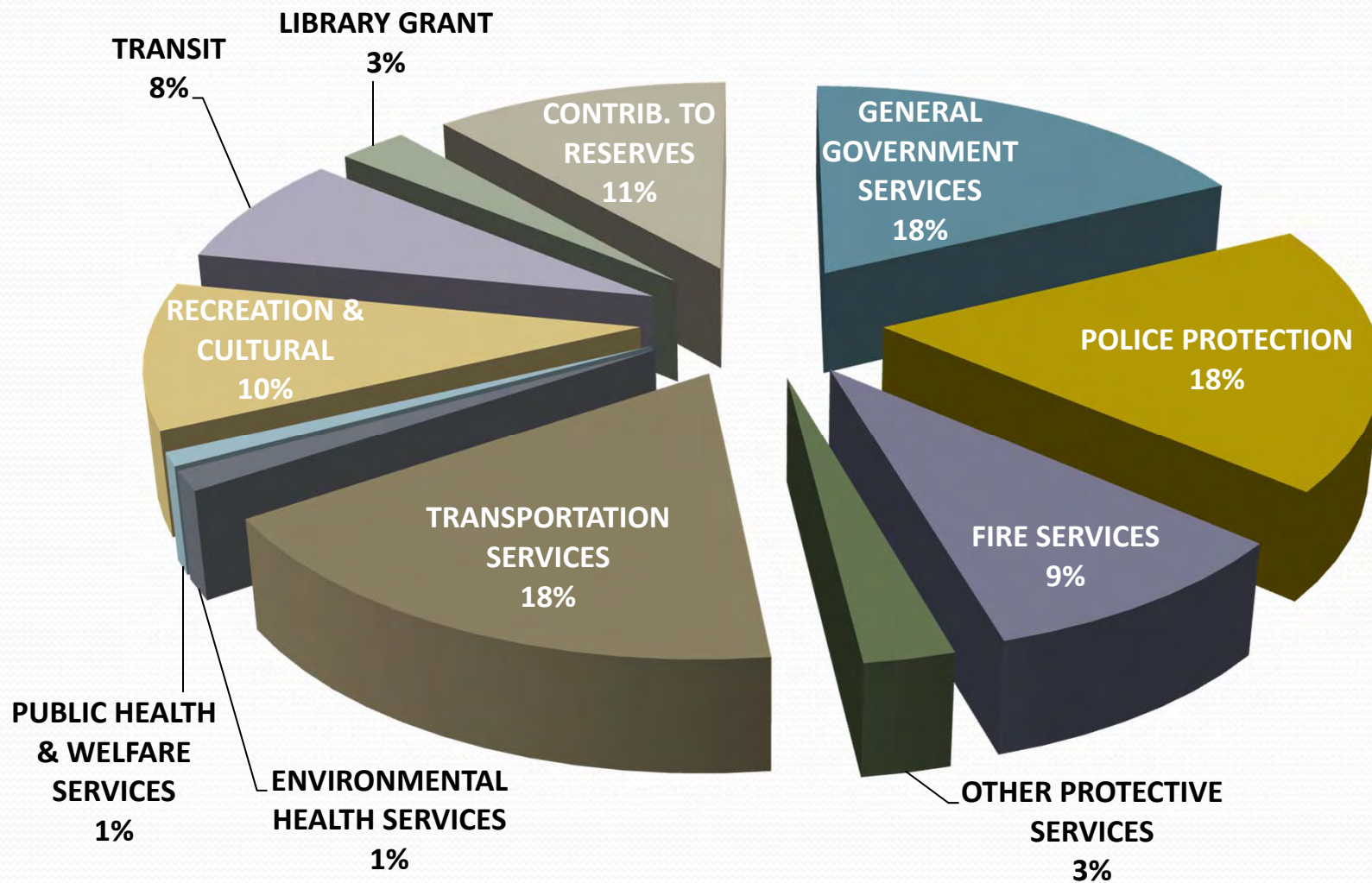
2017 Proposed Budget

Effect on \$1,000,000 Commercial Restaurant

(50 seats - Nelson 2017 average)

	2016	2017	Net Annual Change	Net Monthly Change
Assessed Value	\$968,523	\$1,000,000	\$31,477	n/a
Property Tax (municipal only)	\$8,959	\$9,393	\$434	\$36.17
Water Rates (after discount)	1,581	1,613	32	2.67
Sewer Rates (after discount)	1,360	1,380	20	1.67
Overall	\$11,900	\$12,386	\$486	\$40.51

2017 General Budget Expenditures





Transit

	2016 Budget	2017 Budget
Transit operating costs	\$1,333,000	\$1,361,000
Debt service costs	<u>205,000</u>	<u>209,000</u>
Total costs	<u>\$1,538,000</u>	<u>\$1,570,000</u>
Fares	\$237,000	\$245,000
RDCK/BCT Contribution	997,000	1,019,000
City Contribution	<u>304,000</u>	<u>306,000</u>
Total Funding	<u>\$1,538,000</u>	<u>\$1,570,000</u>



Overall Capital Plan – 2017 Highlights

Total Capital - \$18.3M

\$9.6M Water, Sewer & Hydro

- Continuation of watermain replacement, emergency source
- Continuation of CIPP relining, sewer main upgrades
- Hydro Distribution System upgrades, voltage conversion

\$8.7M General Capital

- Hall Street Phase 2
- Emergency Services radios
- Park improvements
- Building improvements (i.e. exteriors, mechanical systems)
- IT – Network cabling, fiber lines, virtual desktops
- Vehicle & equipment replacement

Propose Facilities Program

	2017	2018
Required annual budget	\$1,245,000	\$1,000,000
Current contribution	40,000	40,000
Shortfall	<u>\$1,205,000</u>	<u>\$960,000</u>
Proposed Funding		
Profit 310 Ward Street	\$180,000	\$180,000
Water Lic. Reserve	750,000	350,000
NDCC Taxation		300,000
Grants	80,000	
Community Works Fund	195,000	150,000
New Funding	<u>\$1,205,000</u>	<u>\$980,000</u>

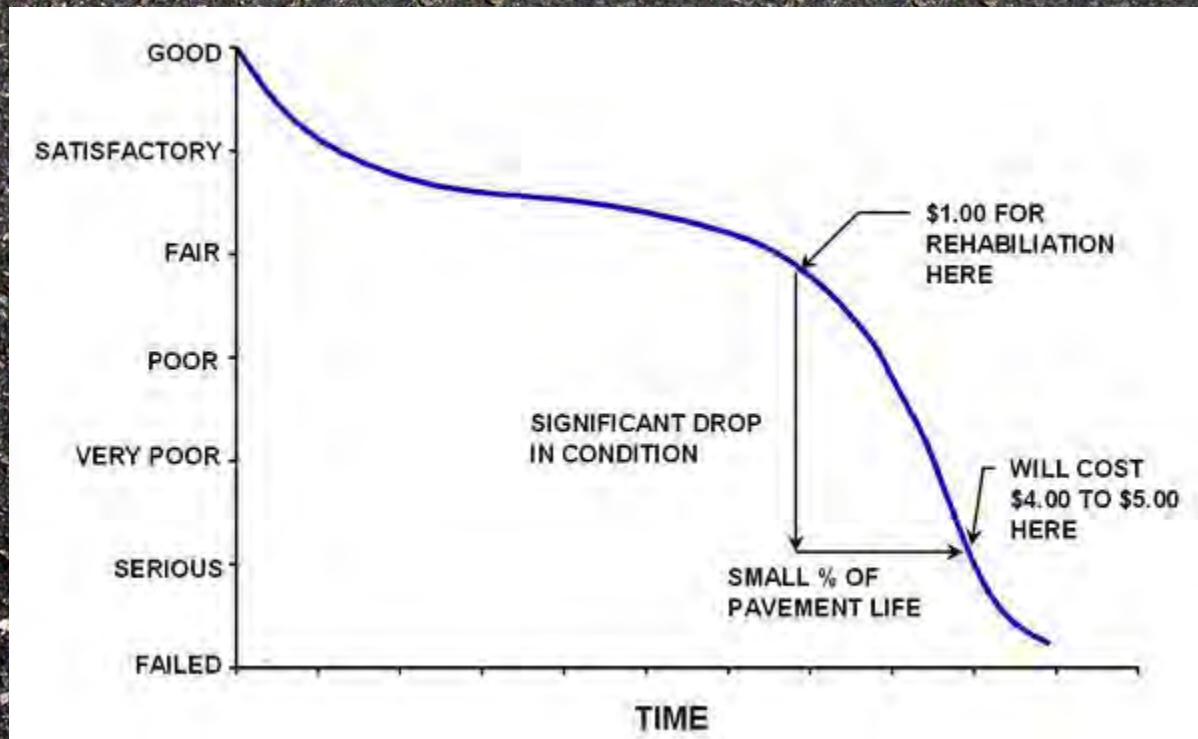
The background of the slide is a close-up photograph of a dark asphalt road surface. A bright yellow painted line is visible in the upper right corner, running diagonally. The asphalt texture is granular and dark grey/black.

Asphalt Analysis

The City of Nelson has approximately 71 km of paved road surfaces.

In September of 2016 a preliminary assessment of asphalt surfaces was done on the Arterial, Bus Routes and Collector streets in the asphalt network.

Asphalt Analysis (cont)



Asphalt Analysis (cont)

If we consider all asphalt that is 15+ years of age to represent the backlog, then the program would need to

address: **\$22,769,215.18**

Asphalt Analysis (cont)

However, if we note that the performance of the network seems to indicate that the pavements are withstanding 30 years of lifecycle, than the backlog would be: **\$11,683,884.35**

Asphalt Analysis (cont)

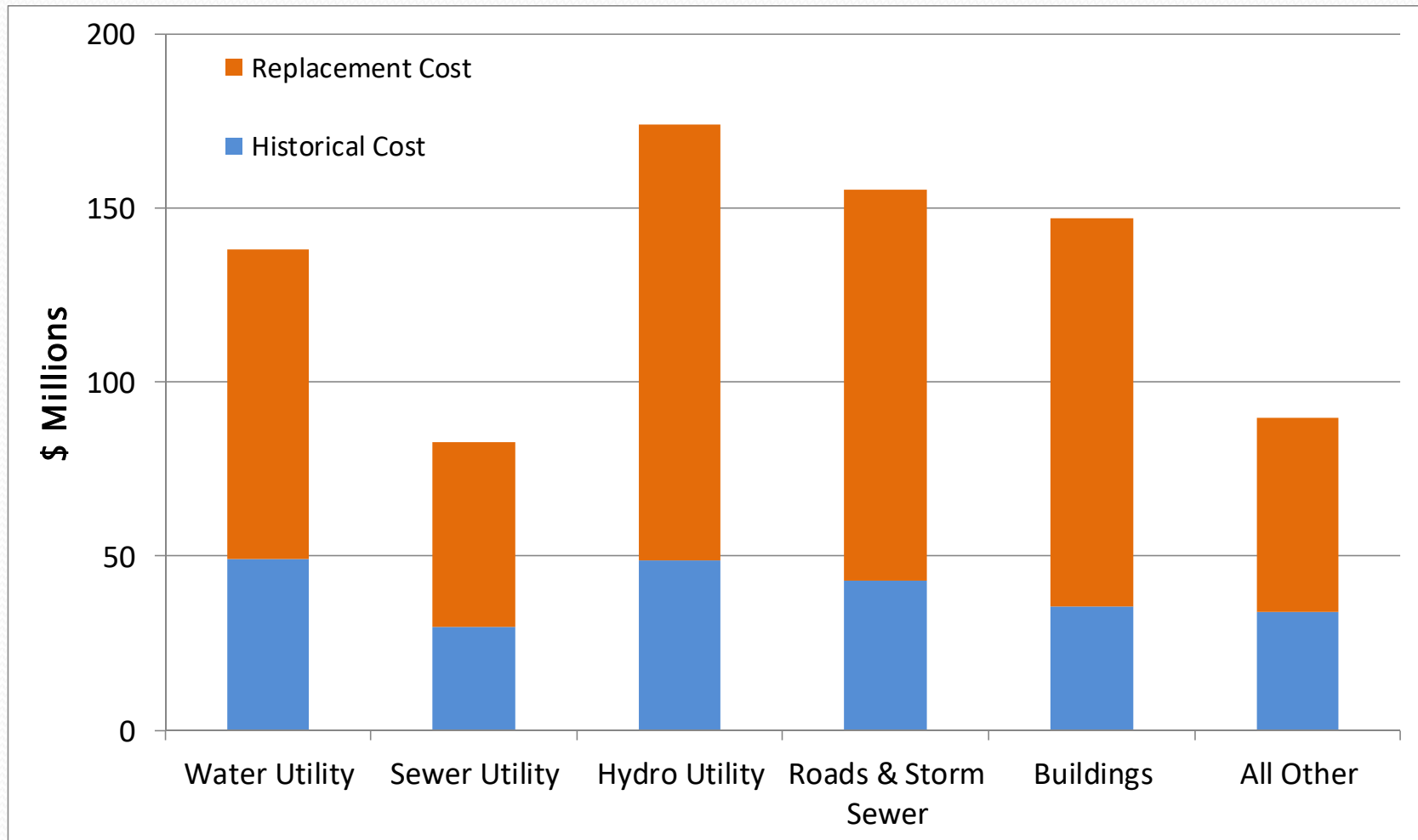
Remember that a \$1.1M investment is an annual investment in 23,913 m² of rehab work and the actual price will vary with the cost of the asphalt.

Applying the cost increases that have been observed in Nelson over the last 10 years it is estimated that by 2046 the \$1.1M annual investment will cost \$2.5M.

Proposed Paving Program Funding

	2017	2018
Required annual budget	\$1,200,000	\$1,200,000
Current contribution	600,000	705,000
Shortfall	<u>\$600,000</u>	<u>\$495,000</u>
Proposed Funding		
One time allocation of 2017 New construction revenue	\$120,000	\$0
Increase parking meter revenues (Meter increase, Senior permits expand coverage)	105,000	45,000
Community Works Fund	125,000	200,000
Utilities	250,000	250,000
New Funding	<u>\$600,000</u>	<u>\$600,000</u>

Overview – Total City Assets



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 because we cannot have a deficit
 - Vacant positions



How Should We Spend General Surplus or Reserves?

- ▶ 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. The bylaw describes the specific purpose of the reserve, how it is funded and what expenditures the funds can be used for.
- Examples are:
 - Equipment replacement reserve
 - Capital projects reserve
 - Water licence reserve
 - Land sales reserve
 - Parks acquisition reserve
- Non-Utility statutory Reserves at the end of 2017 was approx. \$7.2 Million



Other Appropriated Surplus

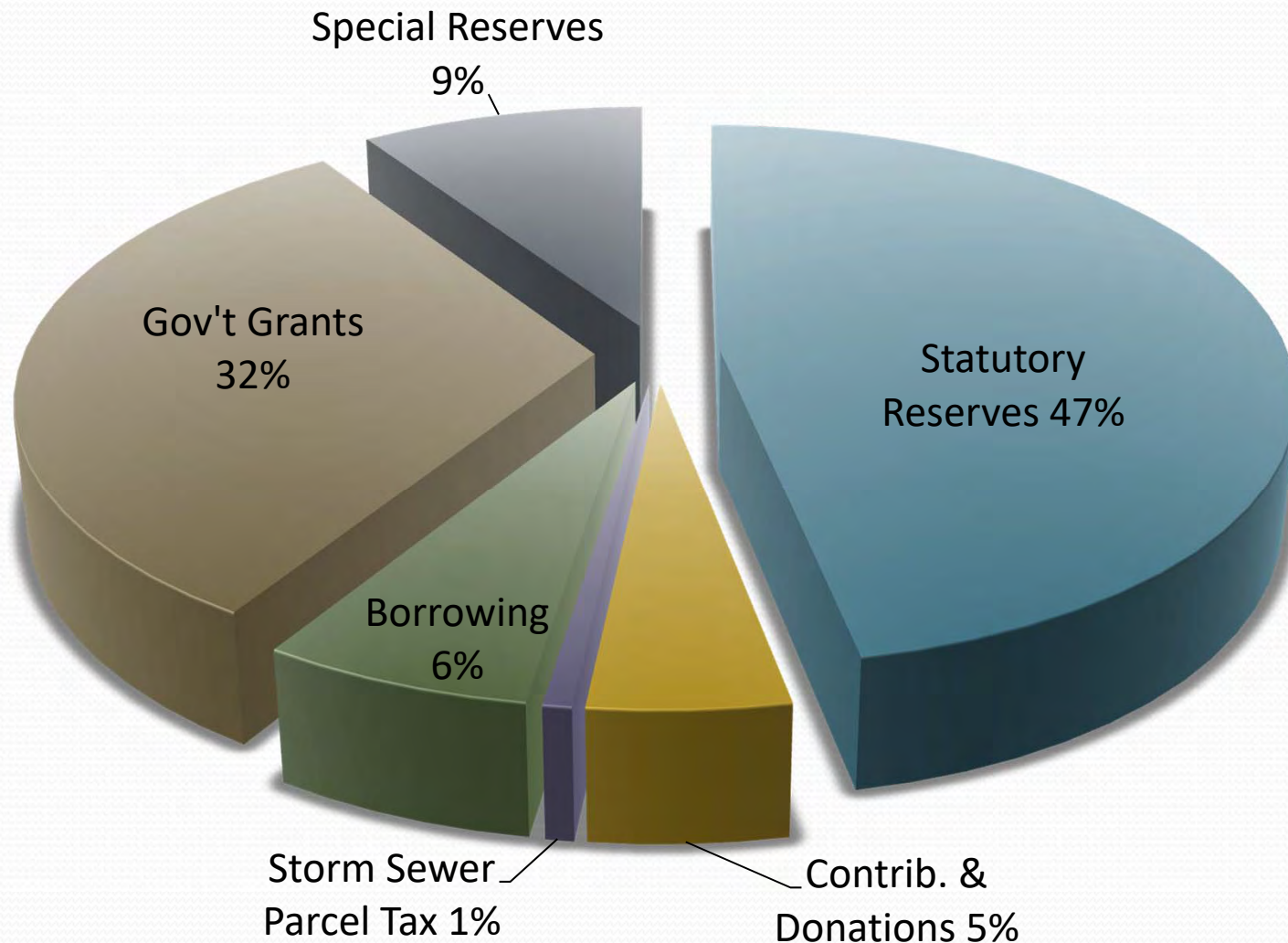
- Past Councils have directed allocation of surpluses to be reserved from a variety of one-time and ongoing activities including:
 - Selkirk College Campus
 - Services – Recycling, Economic Development
 - Administrative Costs – Insurance, Legal
 - Development and Infrastructure– Land Sale, Bridges, Airport, Buildings
 - Fortis Pay Down
- Appropriated Surplus at the end of 2016 was approx. \$2.3 Million

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.
- \$16.9M in General & Utility Debt
- Of \$9.2M in General Debt (Dec 31, 2016), only \$1.2M is supported through general taxation.



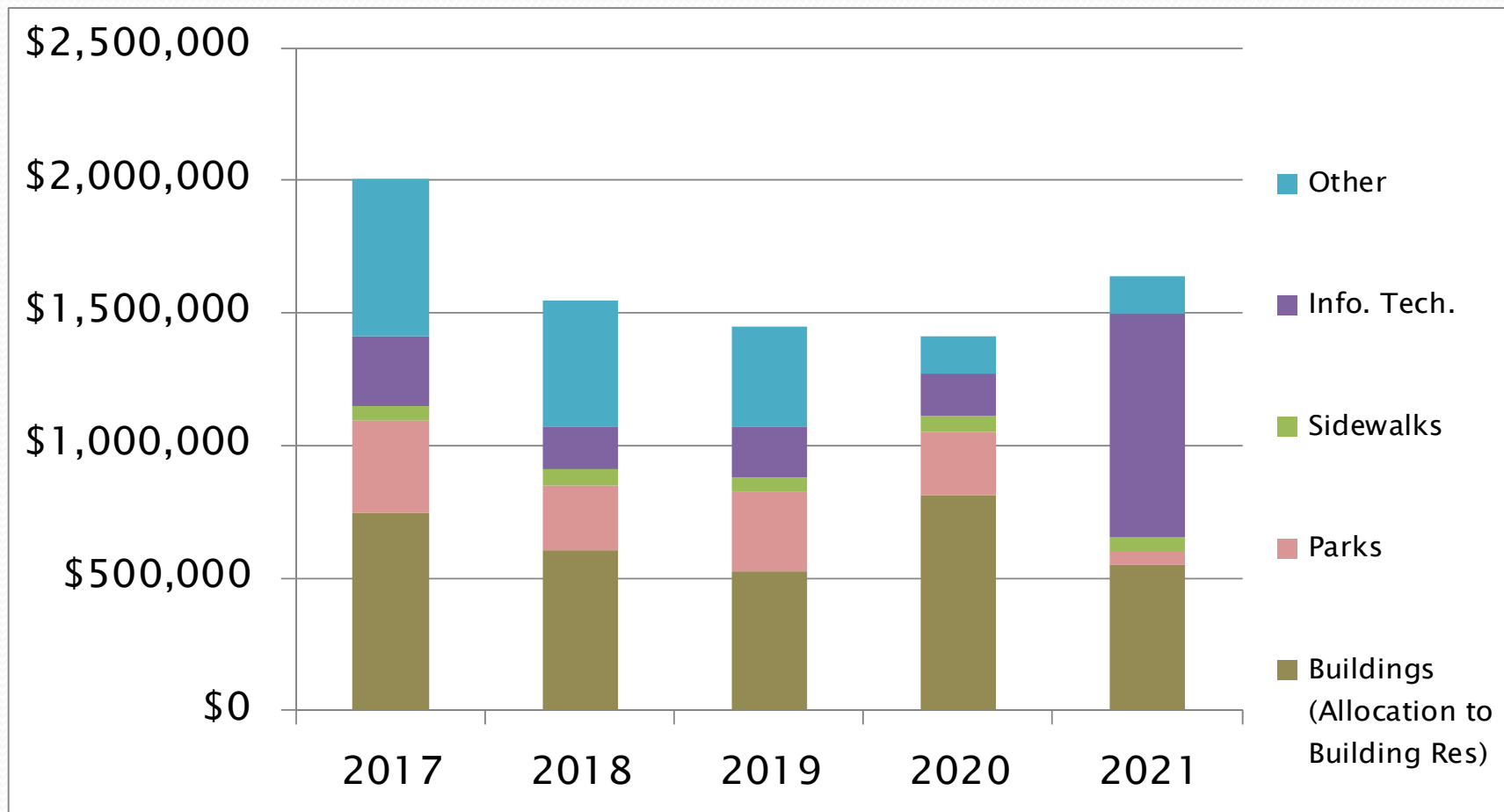
2017 \$8.7M General Capital Funding Sources



Water Licence Reserve

	2017	2018	2019	2020	2021
Opening bal.	\$2,121,623	\$1,148,099	\$636,530	\$227,790	\$(137,503)
Water licence rev.	833,266	846,431	859,860	873,557	887,528
Borrowing	0	0	0	0	0
Grants/Donations	0	0	0	0	0
Debt Servicing	175,000	175,000	175,000	175,000	175,000
Capital program	(2,004,290)	(1,545,500)	(1,448,100)	(1,413,850)	(1,639,850)
Interest	22,500	12,500	4,500	0	0
Closing Balance	\$1,148,099	\$636,530	\$227,790	\$(137,503)	\$(714,825)

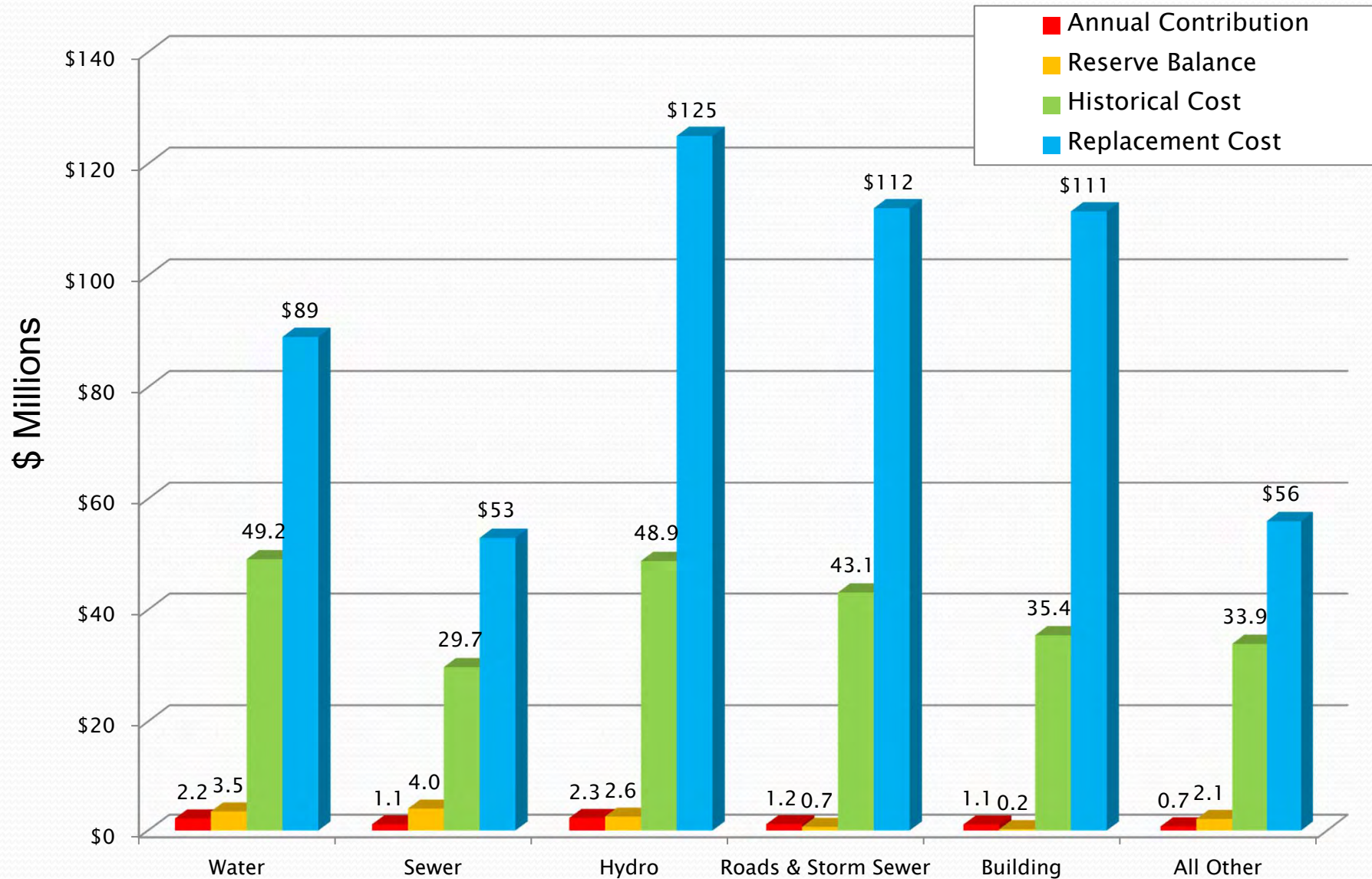
Water License Reserve – Planned Five Year Expenditures



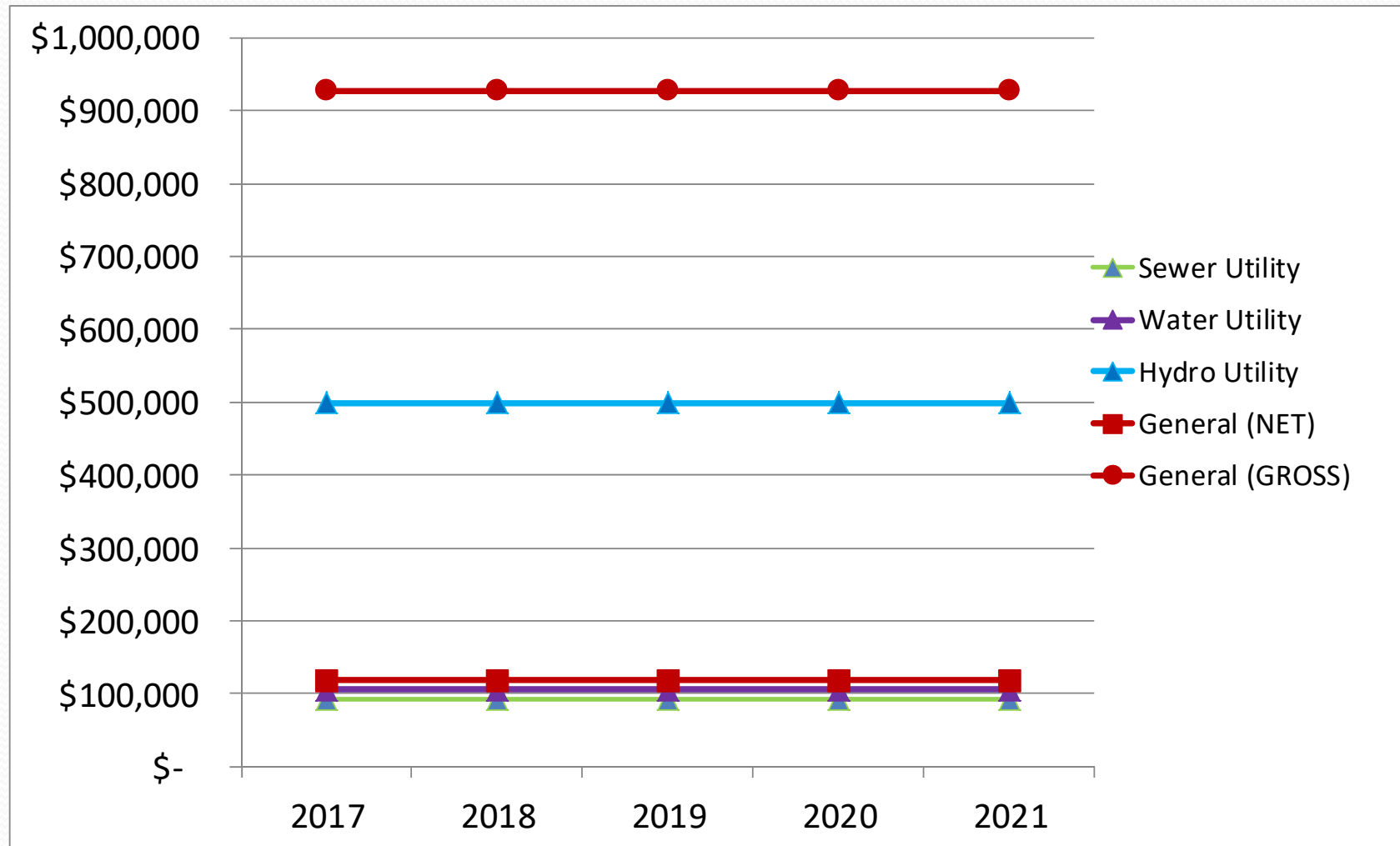
Capital Reserve (Transportation System)

	2017	2018	2019	2020	2021
Opening bal.	\$678,807	\$920,742	\$872,842	\$824,042	\$774,242
Parking meter revenue	885,000	885,000	885,000	885,000	885,000
Other funding	3,719,831	250,000	150,000	150,000	150,000
Road/sidewalk maintenance program	<u>(4,350,996)</u>	<u>(1,200,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>
Interest Income	18,100	17,100	16,200	15,200	14,200
Closing Balance	<u>\$920,742</u>	<u>\$872,842</u>	<u>\$824,042</u>	<u>\$774,242</u>	<u>\$723,442</u>

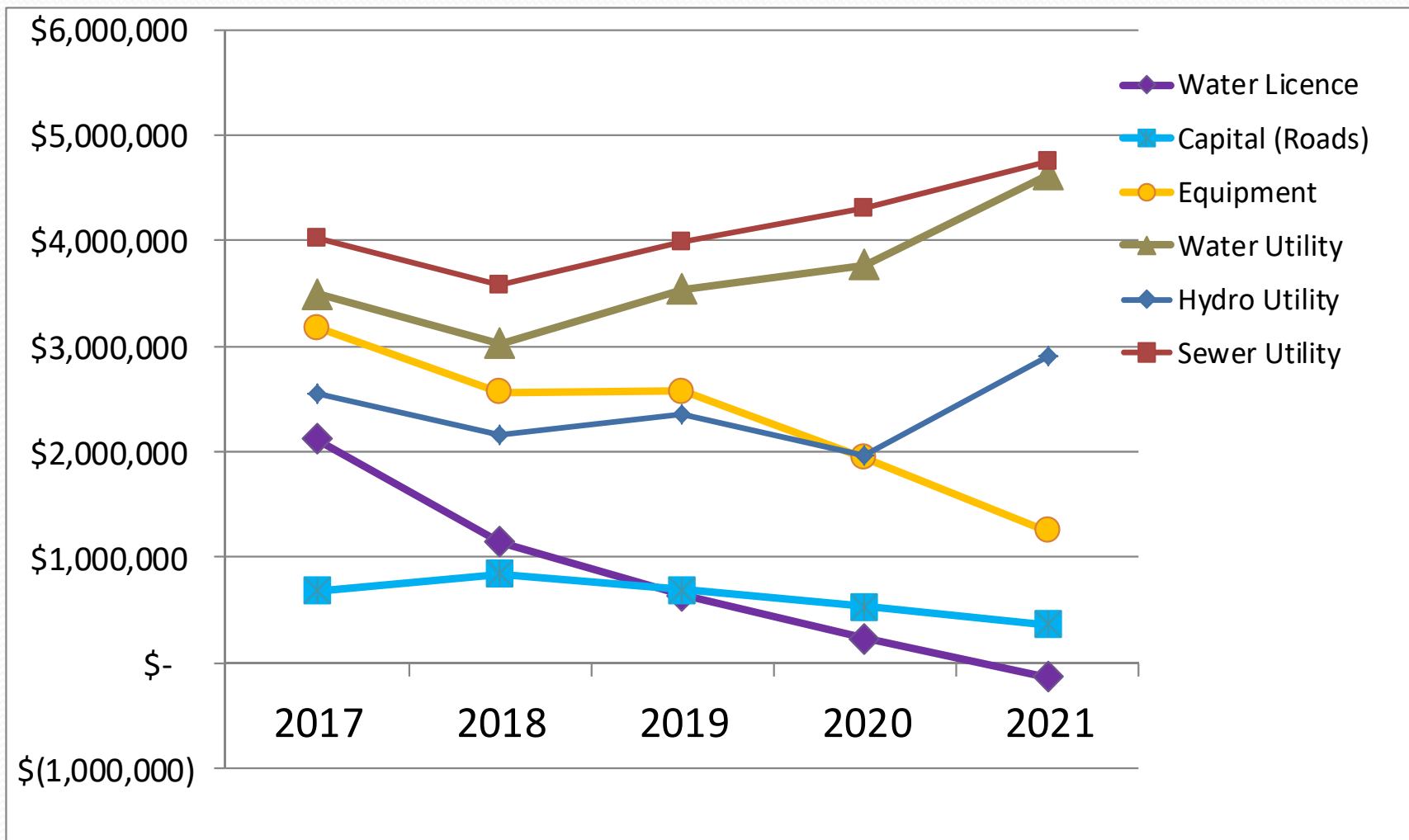
Assets Versus Reserves



Debt Payments– Trend Line – 5 years



Statutory Reserves – Trend Line



Utilities

Water

Sewer

Resource Recovery

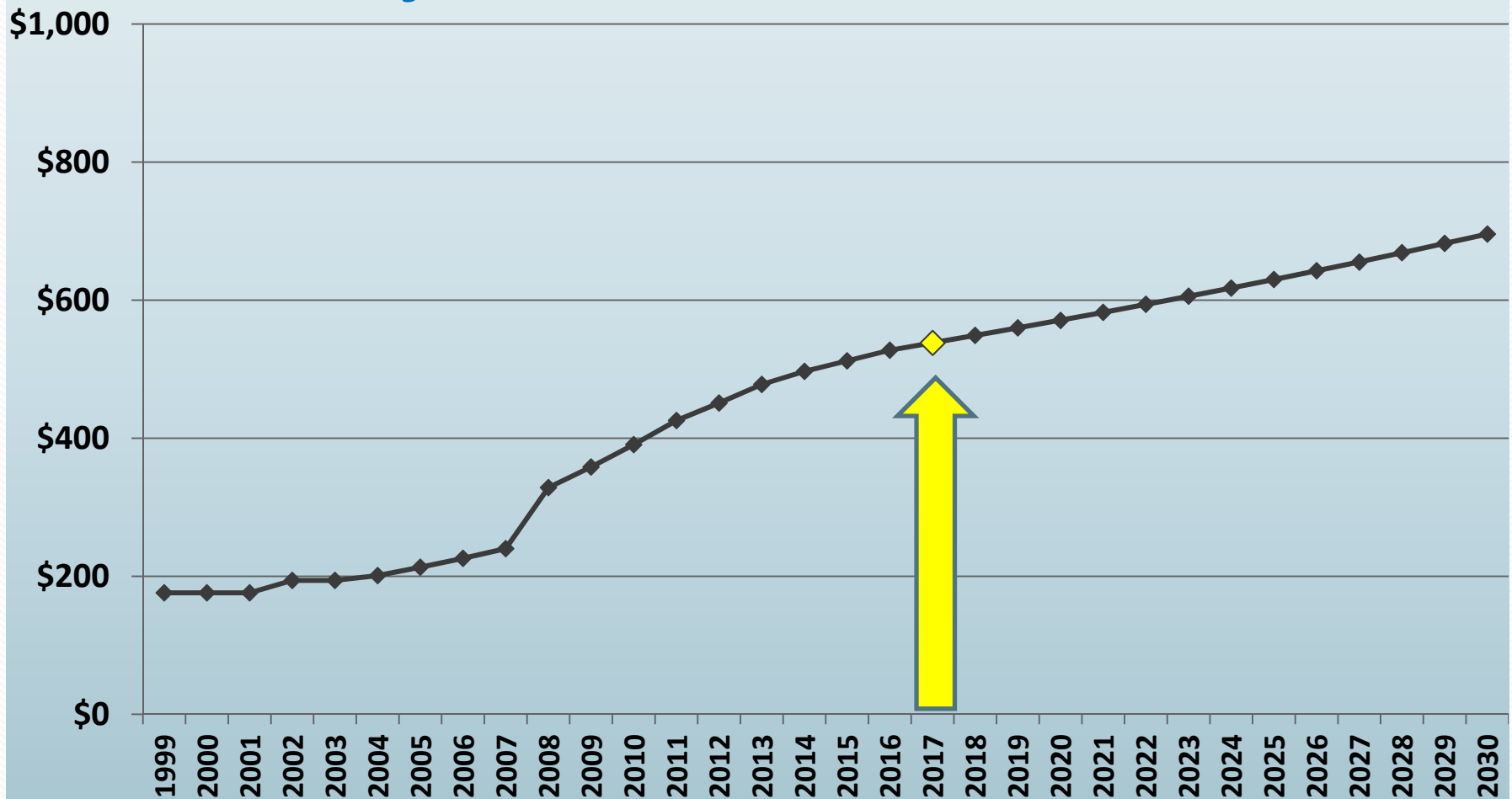
Nelson Hydro

Overview – Water Utility



- **Strategic Direction:**
 - Long term planning critical to maintain safe and accessible water and fire flow protection
 - Water conservation, secondary water sources (i.e. Grohman Creek), emergency supply
 - Continuation of watermain replacement and data gathering for water metering plan
- **Rates:**
 - Council approved 2% or \$11 annual increase in rates for 2017 (after discount).
 - Rates proposed to increase 2% per year for the next 10 years

Projected Water Rates - SFD





Overview – Water Utility 2017

Operating Highlights

- Revenue:
 - User fees \$3.5M
 - Other \$165,000
- Operating costs:
 - Approx. \$1.3M
- Debt Service:
 - \$106,000 per year
 - No new debt planned until 2020

Capital Highlights

- 2017 Budget \$4.4M
 - Infrastructure upgrades and replacement:
 - ❖ Watermain \$3.1M (incl. Hall St Phase 2)
 - ❖ PRV Upgrades - \$400,000
 - Other infrastructure:
 - ❖ Emerg. Source - \$700,000
 - ❖ Other sources - \$200,000
- 2017-2021 Capital
 - funded through User Fees, Gov't grants, and borrowing (2020)



Overview – Sewer Utility

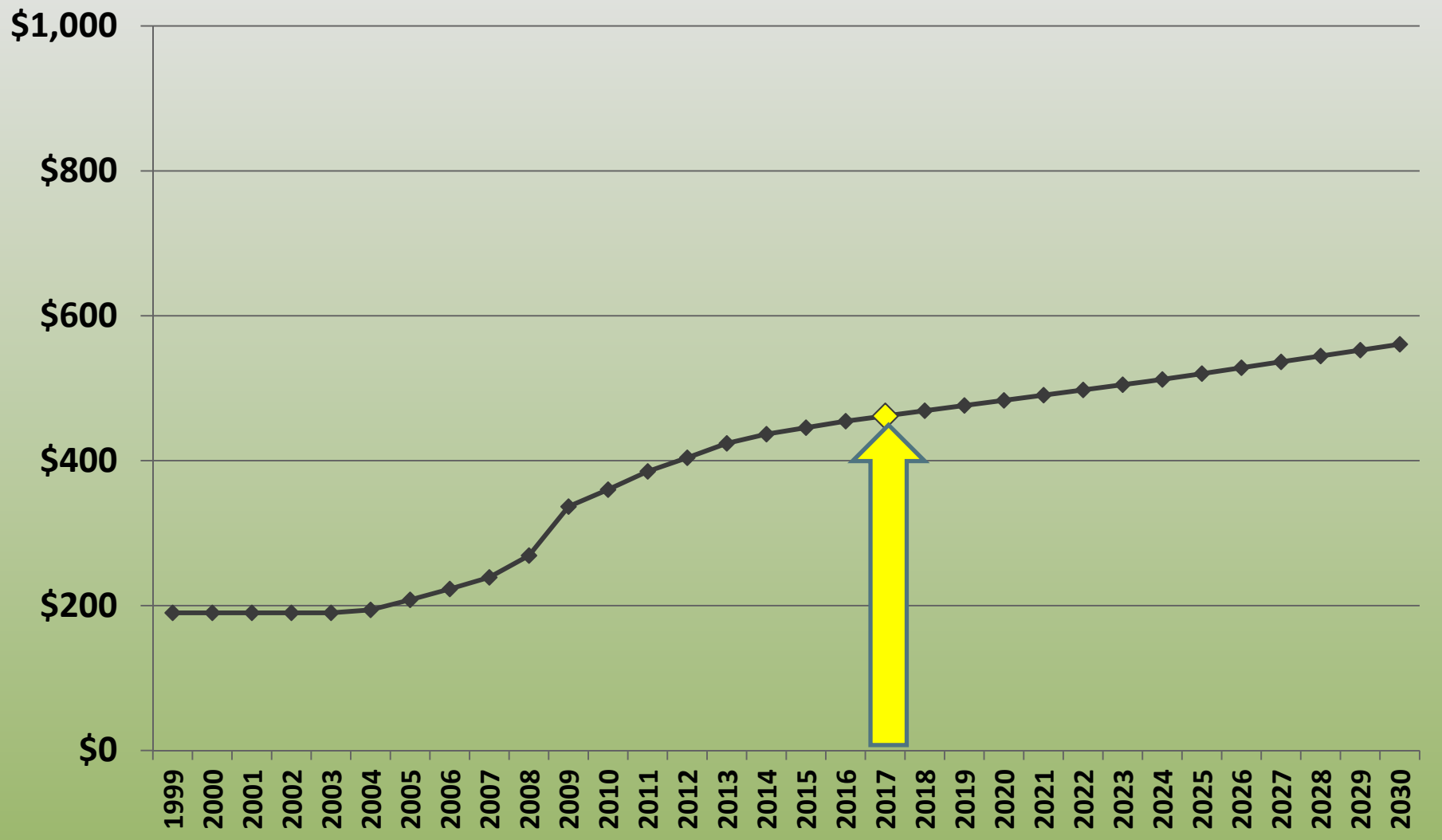
- **Strategic Direction:**

- Sewer Masterplan – 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% or \$7 increase in 2017 sewer rates
- Rates proposed to increase 1.5% per year for the next 10 years

Projected Sewer Rates - SFD



Overview – Sewer Utility



Operating

- Revenue:
 - User fees \$3.0M
 - Other \$104,000
- Operating costs:
 - Approx. \$1.8M
- Debt Service:
 - \$93,000 in 2017

Capital

- 2017 Budget \$2.5M
 - Infrastructure expansion and replacement:
 - CIPP Relining \$600,000
 - Sewer Main \$1.35M (incl. Hall St. Phase 2)
 - Lift Stations, Grit Chamber & Surge Tank \$525,000
- 2017-2021 Capital
 - funded through User Fees & grants



Overview – Resource Recovery Utility

- The waste function is based on a fee for service model
- The yearly charge per household pays for the collection
- 2017:
 - No increases proposed
 - Monitoring the increase in transportation costs to truck garbage to new RDCK transfer station
 - The City is receiving \$140K annually from MMBC to collect recycling – this revenue is currently being used to fund operations



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

► 2017 Infrastructure Priorities:

- Uphill Voltage Conversion
 - Reliability and economy of modern distribution system
 - Allows decommissioning of Victoria Street Substation
 - More options for routing power in emergency events
 - Completes the long term plan for voltage conversion in the city
- Power Plant
 - 2016 New controls on G5 replaced original 20 year old controls
 - 2017 Head gate upgrade
- Substations
 - Bonnington Substation new protection and controls to replace 25 year old systems



Overview – Hydro Utility

► 2017 Budget:

- Status quo in most areas with
- A decrease in Operating costs as a result of infrastructure upgrades over the last several years
- Decrease in capital budget - largest capital upgrades to the power plant, substations, and transmission lines are behind us now.

► Nelson Hydro 2017 Contributions:

- \$2,700,000 to City of Nelson operations
- \$658,266 Water Licence Reserve
- \$90,000 to the Nelson District Community Complex
- Utility pays a share of admin costs

Budget Revisions 2016 to 2017

<u>Component</u>	<u>2016</u>	<u>2017</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Debt Service	\$499,364	\$499,364	\$0	0.00%
Operating Expenses	\$4,628,976	\$4,622,552	(\$6,424)	-0.14%
Power Purchase	\$6,774,683	\$6,756,716	(\$17,967)	-0.27%
Transfers to City General	\$3,358,867	\$3,448,266	\$89,399	2.66%
Operating--DES	\$7,803	\$7,959	\$156	2.00%
Transfer to Capital Reserve	\$2,269,904	\$2,293,193	\$23,289	1.03%
Expenses Total	\$17,539,597	\$17,628,050	\$88,453	0.50%
Energy Exports				
Revenue Other	(\$445,753)	(\$468,475)	(\$28,842)	5.10%
Revenue – Rates	(\$17,085,000)	(\$17,150,555)	(\$65,555)	0.38%
Revenue --DES	(\$8,843)	(\$9,020)	(\$177)	2.00%
Revenue Total	(\$17,539,596)	(\$17,628,050)	(\$88,454)	0.50%
Other				
Expense		204,000		
Regional Energy Efficiency Program				
Revenue		(\$204,000)		
Regional Energy Efficiency Program				
Other Total		\$0	\$0	0.00%

Overview – Hydro Utility

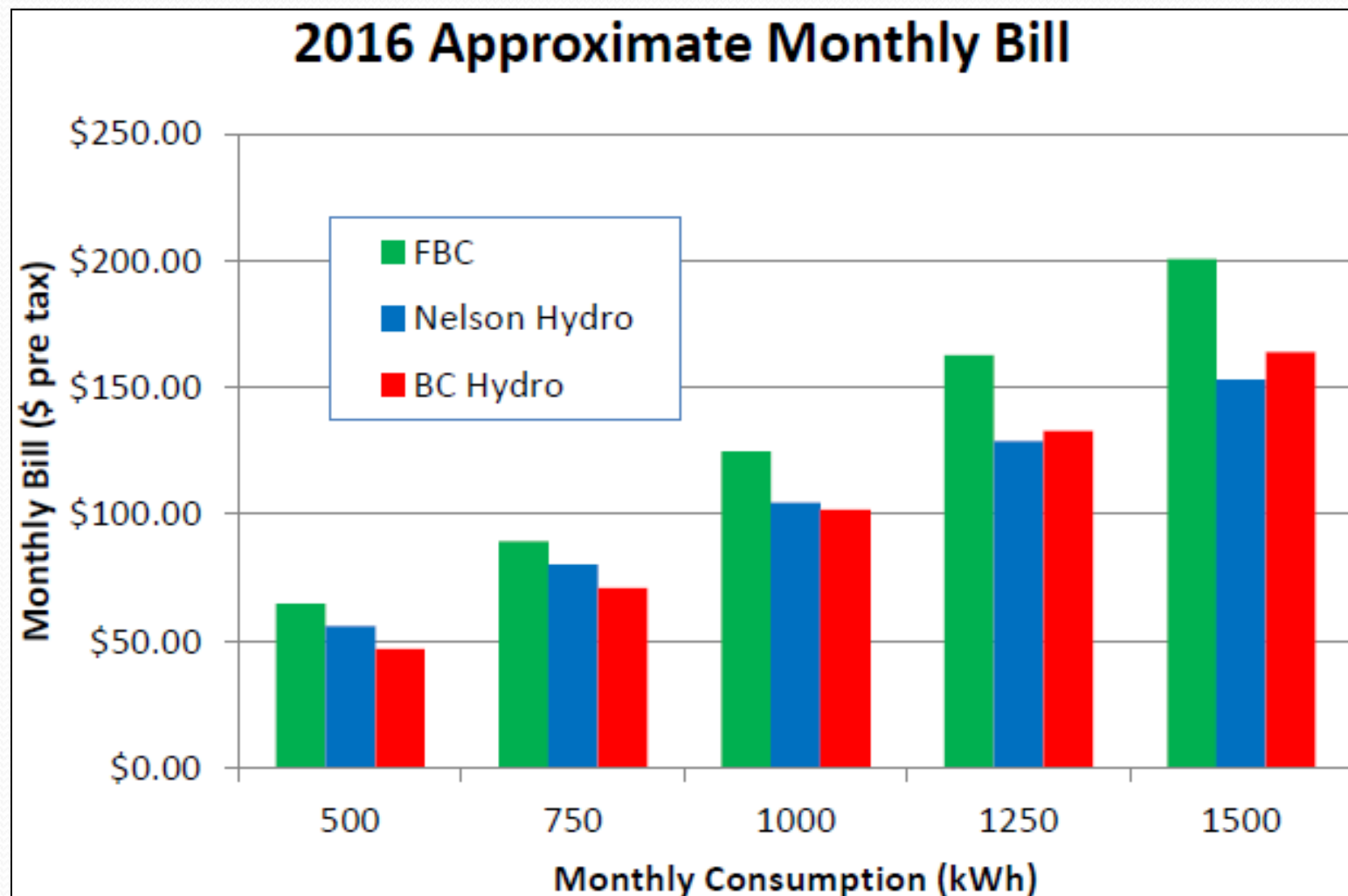
2017 General Rate Changes (prelim. data)

Nelson Hydro *	Apr 01	4.28%
FortisBC	Jan 01	2.76%
Municipal Utilities	various	3.19 – 5.0%
BC Hydro	Apr 01	3.5%

(* 4.28% Apr 1st - equivalent to 2.96% annual)

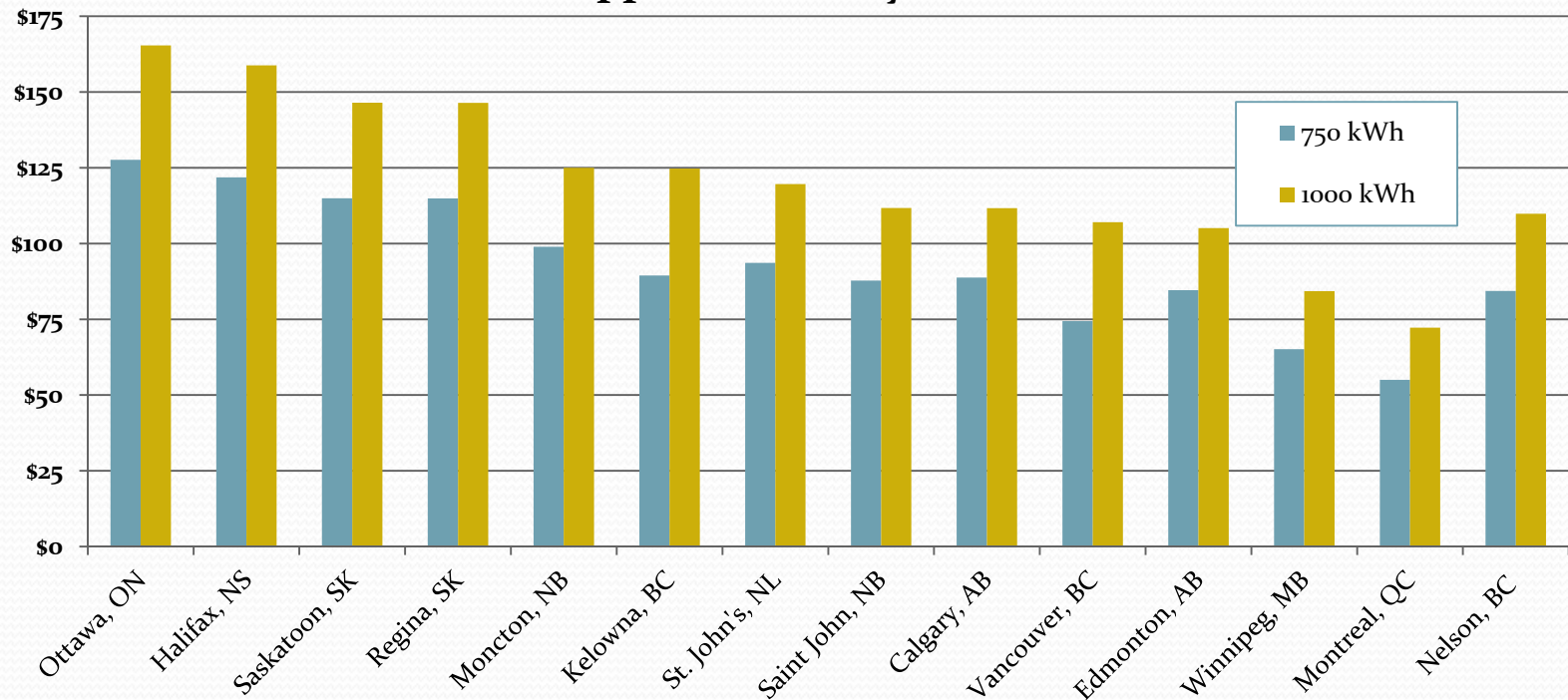
2017 Nelson Hydro Residential bill:

- approximately \$100.72 / month
- an increase of \$4.18 / month from 2016



- Chart shows billing comparisons for 500 – 1500 kWh consumption
- Many utilities bill bi-monthly
- Differing rate structures makes comparison difficult

2016 Residential Approx. Monthly Electrical Bill



Data Source: Manitoba Hydro and Nelson Hydro
Tax 5% included

- Billing comparisons for 750 and 1,000 kWh / month consumption
- Many utilities bill bi-monthly
- Differing rate structures makes comparison difficult

Overview – Hydro Utility

Operating

- Revenue:
 - Energy Sales \$17.1M
 - Other Revenues \$477k
- Operating costs:
 - Est. \$4.8M
- Power Purchase:
 - Est. \$6.8M
- Debt Service:
 - Debt payments of \$499k
- Transfers
 - To City Funds \$3.4 M
 - To Capital Reserve \$2.3 M

Capital

- 2017 Budget \$2.7 M
 - Infrastructure Renewal:
 - Voltage Conversion
 - Bonnington Falls & Substation Upgrades
 - Distribution Upgrades (pole, cutout & arrestor replacements, 25F71 Re-conductor)
- 2017-2021 Capital funded through Energy Sales



Comments and Questions?

Email: budget@nelson.ca