

THE CORPORATION OF THE CITY OF NELSON REQUEST FOR COUNCIL DECISION

DATE: April 23, 2024 Special
TOPIC: **Five-Year Financial Plan 2024 - 2028**
PROPOSAL: Five Year Financial Plan (2024-2028) Bylaw No. 3602, 2024 for first three readings
PROPOSED BY: Staff

ANALYSIS SUMMARY:

The Five-Year Financial Plan Bylaw No. 3602, 2024 for the period 2024-2028 is being presented for Council's consideration. The plan includes the revenues and expenditures planned for 2024-2028 that have been presented to both Council and the public. All proposed expenditures, funding sources and transfers, to or between funds, must be included in the plan. Both the operating budget and the capital budget information are attached in Schedule A of the bylaw. The Five-Year Financial Plan (2024-2028) Bylaw No. 3602, 2024 is presented for first three readings.

BACKGROUND:

The 2024-2028 Financial Plan process included Council and Staff having a variety of internal, external and public meetings over the past eight months to review current financial performance, budgetary pressures and forecasted departmental budgets.

In January of this year Council approved an increase of 2.5% to water & a 2% increase to sewer rates for all connected properties.

At that same meeting Council approved a 25% increase to the annual rate for residential resource recovery, increasing to \$125 for 2024. There was no increase to the \$1.75 bag tag fee.

Staff are recommending a 5.3% tax increase for 2024.

LEGISLATIVE IMPACTS, PRECEDENTS, POLICIES:

Section 165 of the *Community Charter* requires that a financial plan be adopted annually, by bylaw, before the Annual Tax Rate Bylaw is adopted. All proposed expenditures, funding sources and transfers, to or, between funds must be included in the plan. Legislation implemented in 2008 requires Council to make explicit statements about each of the following:

- The proportions of revenue proposed to come from various funding sources;
- The distribution of property taxes among property classes; and
- The use of permissive tax exemptions.

COSTS AND BUDGET IMPACT - REVENUE GENERATION:

This document is the Five-Year Financial Plan and includes the estimated revenues and planned expenditures for all functions of the City.

COMMUNICATION:

The proposed financial plan has been available to the public since February 9, 2024 through the City's website.

OPTIONS AND ALTERNATIVES:

1. Proceed with 1st, 2nd and 3rd reading of the Five-Year Financial Plan Bylaw
2. Refer the matter back to staff for further review and recommendations

ATTACHMENTS:

- Five Year Financial Plan (2024-2028) Bylaw No. 3602, 2024
- Schedule A & B 2024-2028 Five-Year Financial Plan
- 2024 – 2028 Financial Plan & 2024 Tax Rate Presentation

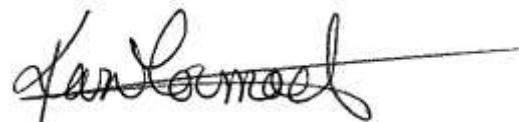
RECOMMENDATIONS:

The Council passes the following resolutions:

1. That the “Five Year Financial Plan (2024-2028) Bylaw No. 3602, 2024” be introduced and read a first and second time by title only.
2. That the “Five Year Financial Plan (2024-2028) Bylaw No. 3602, 2024” be read a third time by title only.

AUTHOR:

CHIEF FINANCIAL OFFICER

REVIEWED BY:

CITY MANAGER

THE CORPORATION OF THE CITY OF NELSON

BYLAW NO. 3602

BEING A BYLAW TO ADOPT A FIVE-YEAR FINANCIAL PLAN FOR THE YEARS 2024-2028

WHEREAS Section 165 of the *Community Charter* requires Municipal Councils to annually prepare and adopt, by bylaw, a five-year financial plan;

AND WHEREAS the Council of the Corporation of the City of Nelson has reviewed, prepared and solicited public input on the attached five-year financial plan;

NOW THEREFORE the Council of The Corporation of the City of Nelson in open meeting assembled enacts as follows:

1. Schedule "A" attached to and forming part of this bylaw is hereby adopted as the Financial Plan for the City of Nelson for the five-year period starting January 1, 2024.
2. Schedule "B" attached to and forming part of this bylaw is hereby adopted as the Revenue Policy Disclosure Requirement for the five-year period starting January 1, 2024.
3. This bylaw may be cited as "The Corporation of the City of Nelson **Five Year Financial Plan (2024-2028) Bylaw No. 3602, 2024**".

READ A FIRST TIME the day of 2024
READ A SECOND TIME the day of 2024
READ A THIRD TIME the day of 2024

FINALLY PASSED AND ADOPTED the _____ day of _____ 2024.

Mayor

Corporate Officer

2024-2028 CITY OF NELSON FIVE YEAR FINANCIAL PLAN



SCHEDULE A

	2024	2025	2026	2027	2028
Revenues					
Property Taxes	(13,080,608)	(13,801,226)	(14,473,625)	(15,570,947)	(16,198,871)
Sales of Services	(4,812,651)	(4,696,445)	(4,400,146)	(4,468,814)	(4,690,986)
Other Revenue From Own Sources	(5,496,409)	(5,255,644)	(5,445,351)	(5,637,591)	(5,732,326)
Investment Income	(1,593,200)	(1,394,720)	(1,355,714)	(1,211,987)	(1,196,040)
Grants - Unconditional	(801,258)	(811,803)	(817,514)	(823,396)	(829,455)
Grants - Conditional	(15,569,299)	(7,358,947)	(12,443,708)	(10,197,788)	(20,287,705)
General Revenue	(41,353,425)	(33,318,785)	(38,936,058)	(37,910,523)	(48,935,383)
Water: User Fees	(2,738,522)	(2,834,370)	(2,933,573)	(3,036,248)	(4,409,543)
Sewer User Fees	(5,122,952)	(5,276,640)	(5,434,939)	(5,597,987)	(4,439,764)
Transit User Fees	(275,612)	(281,124)	(286,747)	(292,482)	(298,332)
Nelson Hydro: Sales	(22,950,010)	(23,523,760)	(24,111,854)	(24,714,650)	(25,332,517)
	(31,087,096)	(31,915,894)	(32,767,113)	(33,641,367)	(34,480,156)
Total Revenue	(72,440,521)	(65,234,679)	(71,703,171)	(71,551,890)	(83,415,539)
Expenses					
General Government	6,280,622	5,490,628	5,382,042	5,538,078	5,546,301
Protective Services	9,445,192	9,583,320	9,860,881	10,142,869	10,433,368
Transportation Services	4,824,821	4,702,699	4,839,663	4,980,785	5,126,197
Environmental Health Services	629,291	605,032	619,764	634,936	650,564
Public Health and Welfare	288,384	297,035	305,947	315,125	324,579
Recreation and Cultural Services	3,821,341	3,789,444	3,715,937	3,766,915	4,202,420
Interest and Other Debt Charges	467,193	544,030	634,242	921,043	1,458,510
Amortization	6,661,844	6,728,462	6,795,747	6,863,704	6,932,341
General Expenses	32,418,688	31,740,650	32,154,223	33,163,455	34,674,280
Water Operations	1,647,315	1,688,497	1,722,267	1,756,713	1,791,847
Sewer Operations	2,234,239	2,290,094	2,335,896	2,382,614	2,430,266
Transit Operations	4,015,945	4,726,832	4,845,878	4,968,039	5,093,402
Nelson Hydro Operations	15,061,553	15,424,817	15,233,437	15,773,175	16,032,772
	22,959,052	24,130,240	24,137,478	24,880,541	25,348,287
Total Expenses	55,377,740	55,870,890	56,291,701	58,043,996	60,022,567
Annual Surplus	(17,062,781)	(9,363,789)	(15,411,470)	(13,507,894)	(23,392,972)
Amortization	(6,661,844)	(6,728,462)	(6,795,747)	(6,863,704)	(6,932,341)
Proceeds from Borrowing	(1,500,000)	-	(6,000,000)	(5,750,000)	(5,815,000)
Principal Payments on Municipal Debt	507,086	559,585	584,306	792,148	1,158,878
Capital Expenditures	-				
General	20,335,039	5,086,121	20,818,844	7,954,297	14,919,793
Water	4,350,000	978,630	889,895	4,964,618	5,374,365
Sewer	1,390,000	535,368	2,224,739	9,130,053	13,590,348
Transit	115,863	-	-	-	-
Nelson Hydro	4,759,239	3,742,802	5,664,800	4,985,700	3,613,800
	23,295,383	4,174,044	17,386,837	15,213,112	25,909,843
Balance, before Reserve Transfers	6,232,602	(5,189,745)	1,975,367	1,705,218	2,516,871
Transfer to (from) General Reserves	(3,372,405)	1,431,504	(3,126,259)	185,452	1,166,452
Transfer to (from) Utility Reserves	59,964	3,444,687	217,158	(2,153,841)	(3,980,041)
Transfers to (from) Surplus and Non-Statutory Reserve	(2,920,161)	313,554	933,734	263,171	296,718
	(6,232,602)	5,189,745	(1,975,367)	(1,705,218)	(2,516,871)
Financial Plan Balance	-	-	-	-	-

2024-2028 CITY OF NELSON FIVE YEAR FINANCIAL PLAN

CAPITAL FUNDS

	2023	2024	2025	2026	2027
Sources of Funds					
Government Grants	(9,762,896)	(1,302,521)	(6,535,000)	(4,209,142)	(14,181,360)
Other Revenue/Donations	(694,750)	(42,000)	-	-	-
Borrowing	(1,500,000)	-	(6,000,000)	(5,750,000)	(5,815,000)
Surplus / Non-Satutory Reserves	(3,201,740)	(1,061,600)	(666,584)	(1,473,647)	(1,455,793)
General Reserves	(6,900,516)	(2,789,000)	(7,602,260)	(4,430,650)	(3,414,000)
Water Operating Fund	(1,401,445)	(978,630)	(889,895)	(1,374,576)	(2,275,576)
Sewer Operating Fund	(1,225,000)	(370,368)	(2,189,739)	(3,254,083)	(2,049,958)
Nelson Hydro Operating Fund	(3,259,239)	(3,742,802)	(4,079,086)	(3,735,700)	(2,863,800)
Utility Reserves	(3,004,555)	(56,000)	(1,635,714)	(2,806,870)	(5,442,819)
Total Sources	(30,950,141)	(10,342,921)	(29,598,278)	(27,034,668)	(37,498,306)
Capital Expenditures					
General	20,335,039	5,086,121	20,818,844	7,954,297	14,919,793
Water	4,350,000	978,630	889,895	4,964,618	5,374,365
Sewer	1,390,000	535,368	2,224,739	9,130,053	13,590,348
Transit	115,863	-	-	-	-
Nelson Hydro	4,759,239	3,742,802	5,664,800	4,985,700	3,613,800
Total Expenditures	30,950,141	10,342,921	29,598,278	27,034,668	37,498,306

2024-2028 CITY OF NELSON FIVE YEAR FINANCIAL PLAN

SCHEDULE B

REVENUE POLICY:

The revenue policy will provide direction on how Council chooses to fund the expenditures of the City, distribute property taxes among the property taxes, and use permissive tax exemptions.

Property Taxes	The existing proportionate share has been established through years of public process and the City will strive to keep the proportions at a similar ratio to past years.
	The City will encourage the use of alternate revenue sources in conjunction with property taxes.
Parcel Tax	Parcel taxes will be used whenever Council determines that they are more appropriate than property taxes.
Fees and Charges	<p>The City will review fees/charges annually to ensure that they keep pace with changes in the cost of living as well as changes in the methods of levels of service delivery.</p> <p>City utilities (water, sewer, garbage and electrical) will be operated on a self-funded basis through equitable user fees.</p> <p>The City will consider market rates and charges levied by other public and private organizations for similar services in establishing rates, fees and charges.</p> <p>The City will establish cost recovery policies for fee-supported services. The policies will consider whether the benefits received from the service are public and/or private.</p> <p>The City will establish cost recovery policies for services provided for other levels of government.</p> <p>The City will develop and pursue new and creative partnerships with government, community institutions (churches, schools), and community groups as well as private and non-profit organizations to reduce costs and enhance service to the community.</p> <p>Fees may differentiate between a resident and a visitor when appropriate.</p>
Debt Financing	<p>Debt financing of capital improvements and equipment will be considered when the project will provide benefits to taxpayers over a long period of time (e.g. 15+years).</p> <p>The City may consider borrowing when significant cost savings can be obtained by pursuing the capital project prior to raising the required funds.</p> <p>The City may consider borrowing when it can be determined that future users will receive a benefit from the improvements.</p> <p>The City will only consider borrowing when the total cost of the debt does not constitute an unreasonable burden to the taxpayers and when there is adequate room in the liability servicing limit to proceed with the borrowing.</p>
Surplus Funds	<p>The Community Charter does not allow municipalities to plan an operating deficit (i.e. where expenditures exceed revenues). To ensure this situation does not occur, revenue projections are conservative and authorized expenditures are closely monitored. The combination of conservative revenue projections and controlled expenditures should produce a modest annual operating surplus.</p> <p>Council will review options and provide direction to staff regarding the allocation of any operating surplus prior to completion of the budget process for the following year. Staff will facilitate Council's review of the amount of Accumulated Surplus funds available on an annual basis</p>

Reserve Funds

Reserve funds shall be set aside to:

1. Provide sources of funds for future capital expenditures;
2. Provide a source of funding for expenditures that fluctuate significantly from year to year;
3. Protect the City from uncontrollable or unexpected increases in expenditures or unforeseen reductions in revenue (eg. unexpected high snowfall);
4. Provide for working capital to ensure sufficient cash flow to meet the City's needs throughout the year.

Alternate Revenue Sources

The City will continue to seek other sources of revenue in order to reduce reliance on property taxes.

Revenue Sources for 2024

<u>Revenue Sources</u>	<u>% of Total</u>
Property Tax Values	16%
User Fees and Charges	37%
Grants	19%
Other Sources	14%
Reserves	12%
Proceeds from Borrowing	2%
Total	100%

It is Council's goal to ensure that there is a fair and equitable apportionment of taxes to each property class.

Proportion of Taxes Allocated to Classes The apportionment to each class is calculated using the multipliers determined by Council prior to preparing the annual tax rate bylaw. The tax multipliers will be reviewed and set by Council annually.

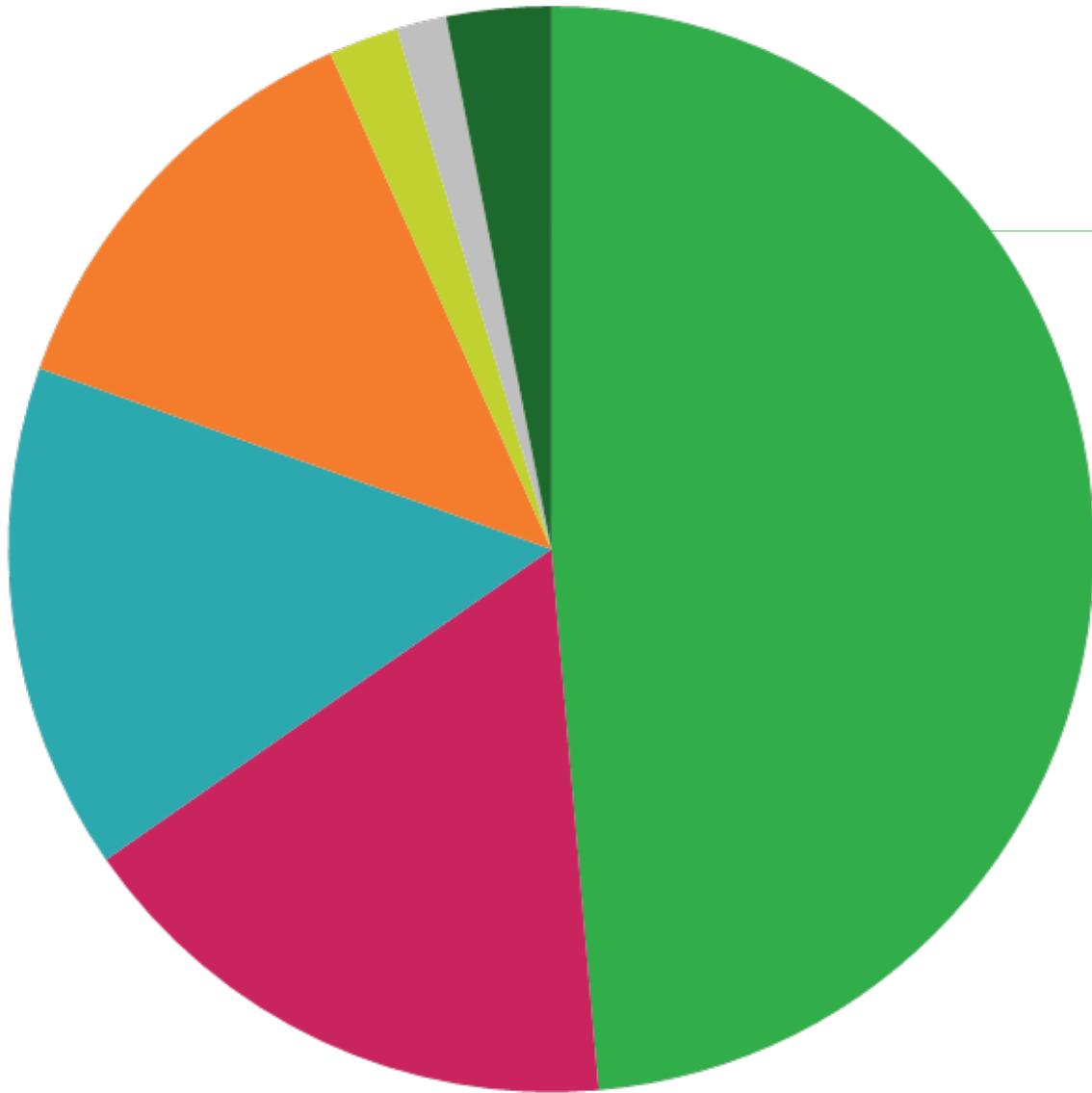
Council's objective is to maintain the current tax distribution of property tax value among the property classes.

Permissive Tax Exemptions

Permissive Tax Exemptions are approved on a schedule and for the number of years that are appropriate as determined by Council. All applications for permissive tax exemptions will be considered in accordance with the Permissive Tax Exemption Policy.

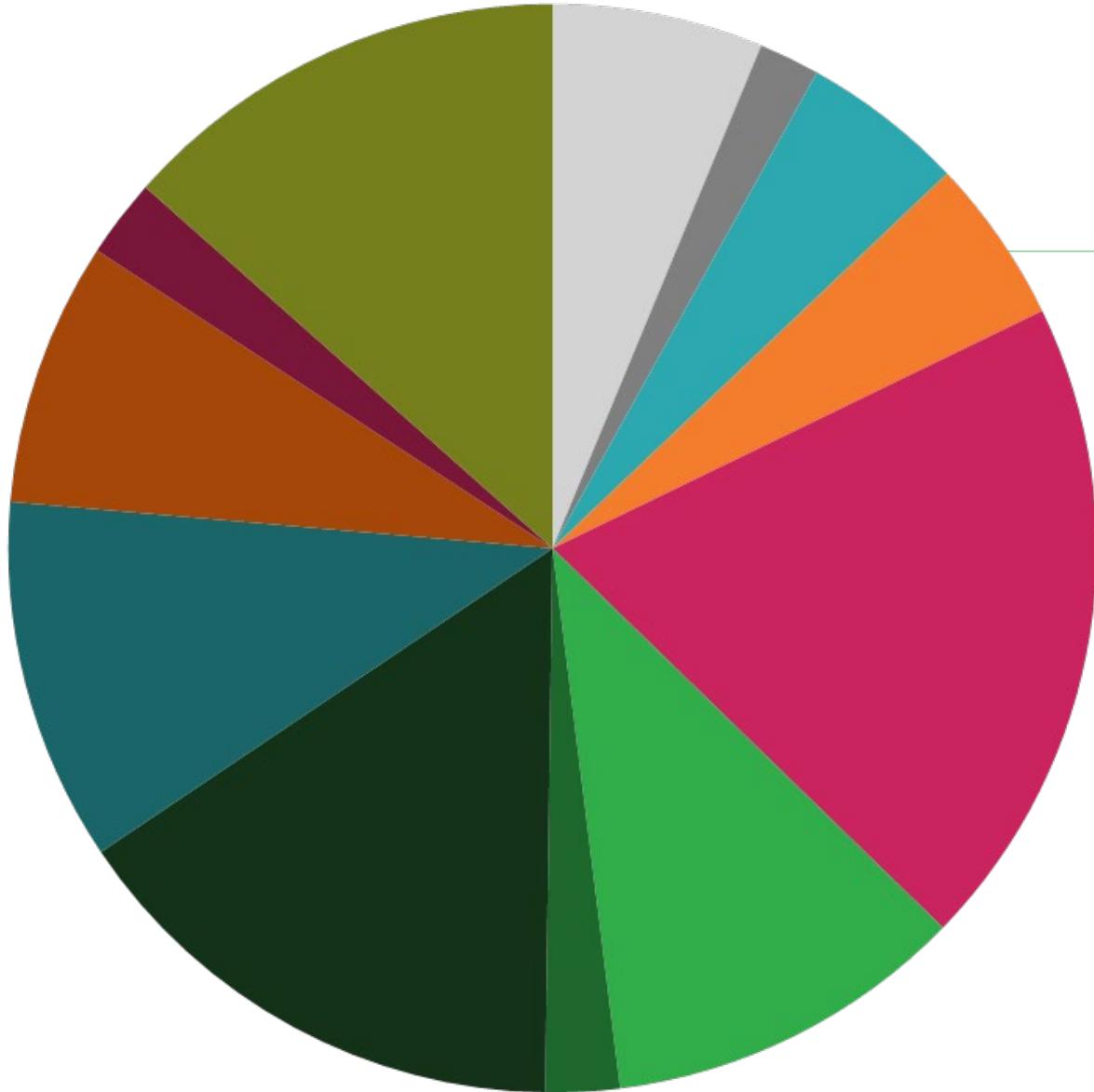
2024-2028 Financial Plan & 2024 Tax Rate

APRIL 23, 2024



Revenue Sources

- Taxes - 49%
- Sales of Service - 17%
- Other Revenue - 15%
- Grants - Conditional - 13%
- Grants - Unconditional - 2%
- Interest Income - 1%
- Grant in Lieu of Taxes - 3%



Expenses

- General Government - 6%
- Human Resources - 2%
- Finance, Purchasing, and IT - 5%
- Development Services - 5%
- Police - 19%
- Fire Services - 11%
- Other Protective Services - 2%
- Public Works - 15%
- Parks, Rec., and Cultural - 11%
- Transit - 8%
- Library - 3%
- Allocation to Reserves - 14%

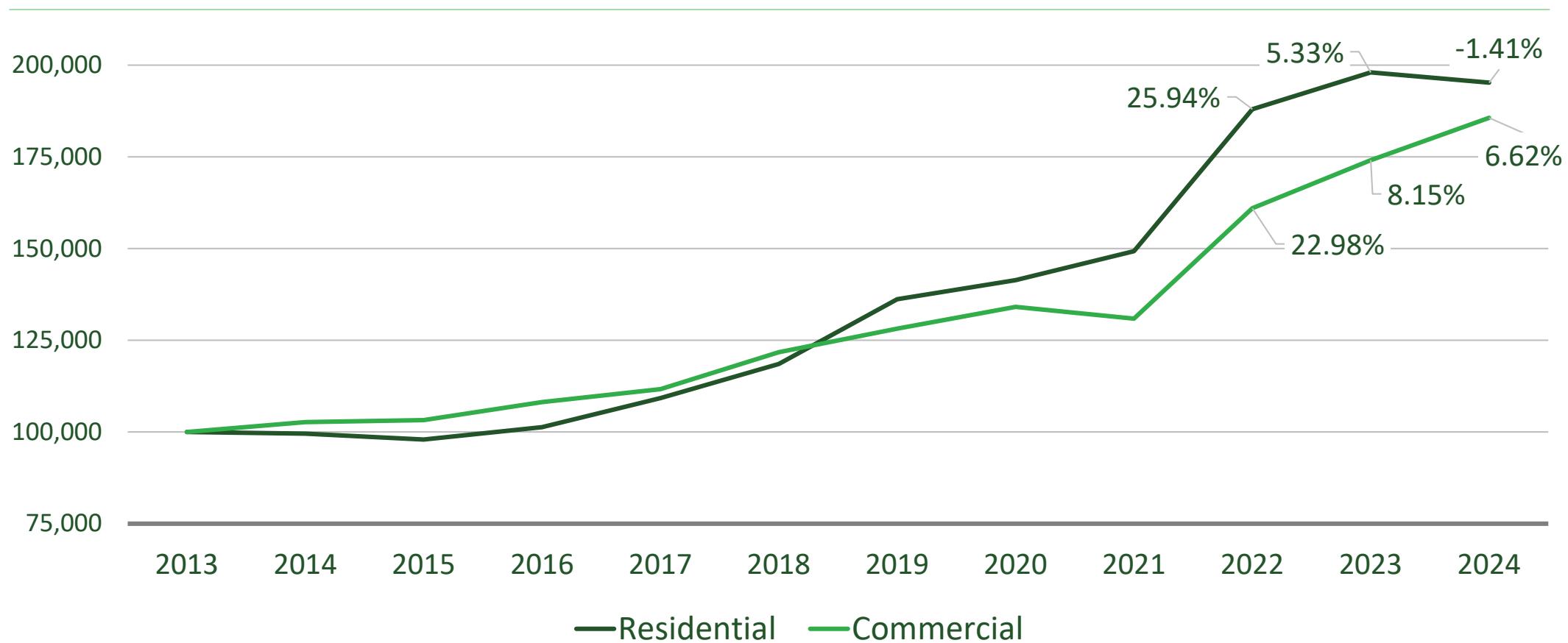
Taxation - Assessment

January 2024 Assessment Notices - Value as of July 1 2023

	Property Value Change	Property Tax Impact
	Lower than average change	Lower than average tax increase
	Average change	Average tax increase
	Higher than average change	Higher than average tax increase

BC Assessment – Nelson

Historical year over year market change



2024 Proposed Budget – City Only

Average Home
\$665,000 (2023: \$674K = 1.4% decrease)

	2023	2024	Net Change	Net Monthly Change
Property Tax (municipal only)	\$1,933	\$2,036	\$103	\$8.58
Water Rates (after discount)	386	396	10	0.83
Sewer Rates (after discount)	725	739	14	1.17
Resource Recovery Rates	100	125	25	2.08
Overall	\$3,144	\$3,296	\$152	\$12.66

4.8%
Increase

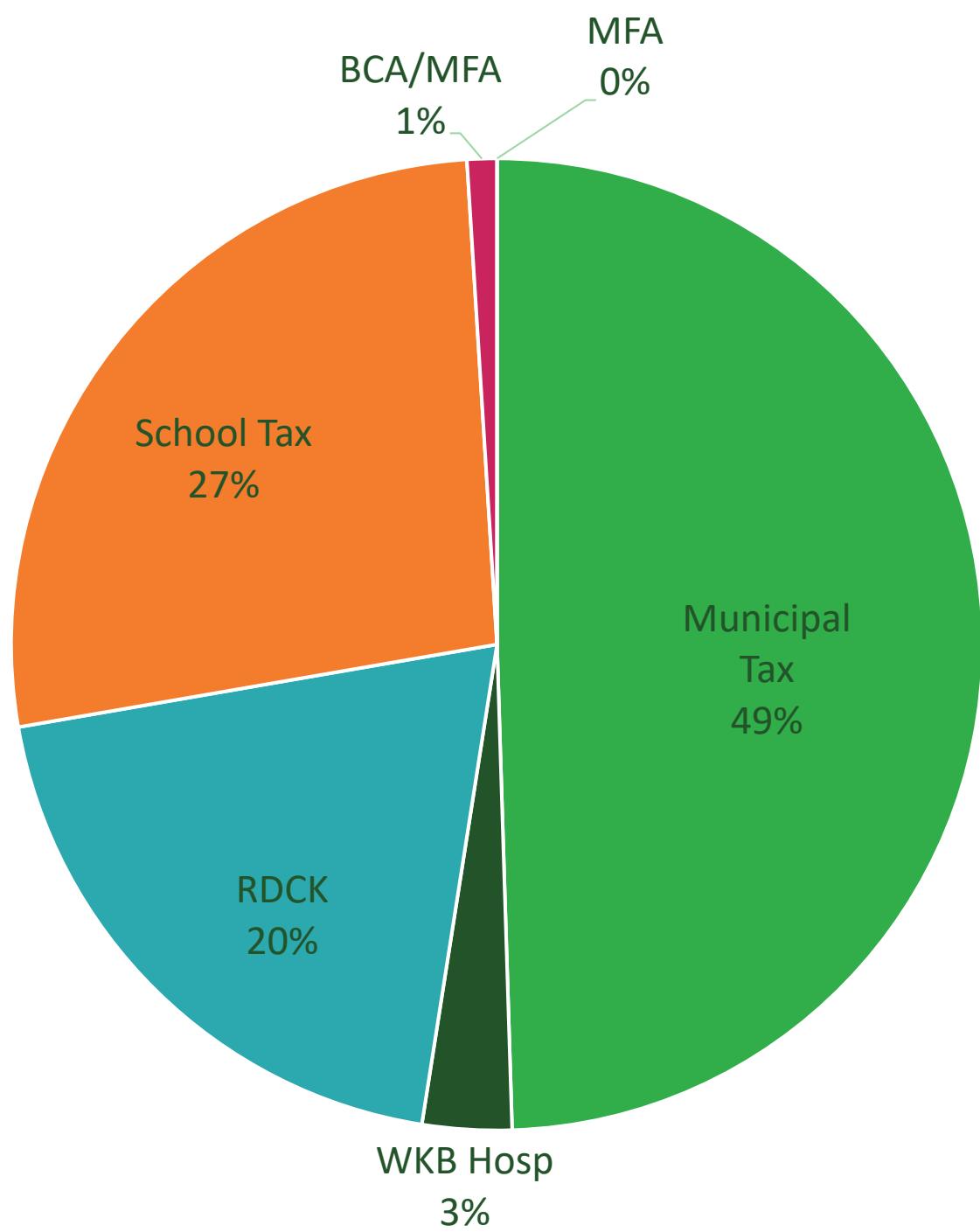
2024 Proposed Budget – City Only

Average Commercial Building
\$1,066,000 (2023: \$1M = 6.6% increase)

	2023	2024	Net Change	Net Monthly Change
Property Tax (municipal only)	\$7,070	\$7,440	\$370	\$30.83
Water Rates (after discount)	1,138	1,166	28	2.33
Sewer Rates (after discount)	2,131	2,174	43	3.58
Overall	\$10,331	\$10,331	\$441	\$37.58

4.27%
Increase

Property Tax Bills



Questions

