

THE CORPORATION OF THE CITY OF NELSON REQUEST FOR COUNCIL DECISION

DATE: April 25, 2023 Regular
TOPIC: **Five-Year Financial Plan 2023 - 2027**
PROPOSAL: Five Year Financial Plan (2023-2027) Bylaw No. 3571, 2023 for first three readings
PROPOSED BY: Staff

ANALYSIS SUMMARY:

The Five-Year Financial Plan Bylaw No. 3571, 2023 for the period 2023-2027 is being presented for Council's consideration. The plan includes the revenues and expenditures planned for 2023-2027 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 (2023-2027) Bylaw No. 3571, 2023 is presented for first three readings.

BACKGROUND:

The 2023-2027 Financial Plan process included Council and Staff having a variety of internal, external and public meetings over the past six months to review current financial performance, budgetary pressures and forecasted departmental budgets.

The Budget Open House was held March 30, 2023 at City Hall, with the presentation being streamed online for the fourth year. There was public present as well, with 5 non-staff or Council participants.

Council should be aware that, other than the few questions that were asked at the presentation, the Finance department did not receive any more questions or communications from the public regarding the budget or the budget presentation.

In January of this year Council approved a combined increase of 2% to water & sanitary rates for all connected properties. This equates to \$22 for a single-family home and \$64 for a 50-seat restaurant over and above the 2022 rates.

At that same meeting Council approved a 0% increase to the annual rate for residential resource recovery, remaining at \$100 for 2023. There was no increase to the \$1.75 bag tag fee.

As noted at the budget open house, Staff are recommending a 5.8% tax increase for 2023.

In considering the proposed larger tax increase this year, a key fact to keep in mind is that over the past 5 years Council has been able to keep overall tax and fee increases below, or at, yearly inflation rates provided by Statistics Canada.

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 was presented to the public from City Hall Council Chambers on March 30, 2023 as well as through live streaming. The YouTube link to the 2023 budget presentation video and a pdf of the presentation is available 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 (2023-2027) Bylaw No. 3571, 2023
- Schedule A & B 2023-2027 Five-Year Financial Plan
- 2023 Budget Open House excerpts:
 - Budget impact on average SFD in Nelson
 - Overall tax and fee increases, 2019-2023
 - Budget impact on average commercial building in Nelson

RECOMMENDATIONS:

The Council passes the following resolutions:

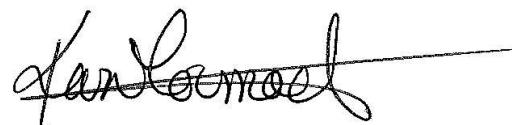
1. That the "Five Year Financial Plan (2023-2027) Bylaw No. 3571, 2023" be introduced and read a first and second time by title only.
2. That the "Five Year Financial Plan (2023-2027) Bylaw No. 3571, 2023" be read a third time by title only.

AUTHOR:



CHIEF FINANCIAL OFFICER

REVIEWED BY:



CITY MANAGER

THE CORPORATION OF THE CITY OF NELSON

BYLAW NO. 3571

BEING A BYLAW TO ADOPT A FIVE-YEAR FINANCIAL PLAN FOR THE YEARS 2023-2027

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, 2023.
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, 2023.
3. This bylaw may be cited as "The Corporation of the City of Nelson **Five Year Financial Plan (2023-2027) Bylaw No. 3571, 2023**".

READ A FIRST TIME the day of 2023
READ A SECOND TIME the day of 2023
READ A THIRD TIME the day of 2023

FINALLY PASSED AND ADOPTED the _____ day of _____ 2023.

Mayor

Corporate Officer

2023-2027 CITY OF NELSON FIVE YEAR FINANCIAL PLAN



SCHEDULE A

	2023	2024	2025	2026	2027
Revenues					
Property Taxes	(12,209,231)	(12,763,962)	(13,197,547)	(13,582,199)	(13,978,390)
Sales of Services	(4,315,924)	(4,882,026)	(4,563,436)	(4,690,624)	(4,859,331)
Other Revenue From Own Sources	(4,649,474)	(4,530,144)	(4,709,504)	(4,881,824)	(5,056,109)
Investment Income	(899,800)	(839,840)	(845,769)	(902,388)	(946,900)
Grants - Unconditional	(816,652)	(820,229)	(823,877)	(827,598)	(831,393)
Grants - Conditional	(6,815,644)	(7,366,661)	(6,582,209)	(9,788,854)	(11,520,458)
General Revenue	(29,706,725)	(31,202,862)	(30,722,342)	(34,673,487)	(37,192,581)
Water: User Fees	(2,640,392)	(2,698,200)	(2,757,164)	(2,817,307)	(2,878,653)
Sewer User Fees	(4,959,160)	(5,062,667)	(5,168,244)	(5,275,933)	(5,385,776)
Transit User Fees	(209,845)	(211,943)	(214,063)	(216,203)	(218,365)
Nelson Hydro: Sales	(22,020,000)	(22,788,537)	(23,584,055)	(24,407,475)	(25,259,781)
	(29,829,397)	(30,761,347)	(31,723,526)	(32,716,918)	(33,742,575)
Total Revenue	(59,536,122)	(61,964,209)	(62,445,868)	(67,390,405)	(70,935,156)
Expenses					
General Government	5,473,011	5,083,368	4,880,486	4,964,673	5,033,799
Protective Services	8,740,339	9,206,054	9,557,739	9,795,482	10,071,684
Transportation Services	4,944,950	4,445,105	4,429,774	4,556,385	4,676,226
Environmental Health Services	583,974	608,585	602,485	616,787	631,503
Public Health and Welfare	279,396	285,395	293,745	302,341	311,189
Recreation and Cultural Services	3,701,162	3,396,008	3,423,268	3,492,308	3,563,177
Interest and Other Debt Charges	637,737	850,299	1,236,773	1,738,108	1,875,369
Amortization	6,290,426	6,353,331	6,416,864	6,481,033	6,545,843
General Expenses	30,650,995	30,228,145	30,841,134	31,947,117	32,708,790
Water Operations	1,599,123	1,639,101	1,680,078	1,722,080	1,765,132
Sewer Operations	2,140,132	2,193,635	2,248,476	2,253,437	2,384,774
Transit Operations	1,882,543	1,917,730	1,953,574	1,990,097	1,990,096
Nelson Hydro Operations	14,238,877	14,425,447	14,815,291	15,213,973	15,659,706
	19,860,675	20,175,913	20,697,419	21,179,587	21,799,708
Total Expenses	50,511,670	50,404,058	51,538,553	53,126,704	54,508,498
Annual Surplus	(9,024,452)	(11,560,151)	(10,907,315)	(14,263,701)	(16,426,658)
Amortization	(6,290,426)	(6,353,331)	(6,416,864)	(6,481,033)	(6,545,843)
Proceeds from Borrowing	(791,500)	(5,711,000)	(7,938,570)	(7,386,760)	(3,908,500)
Principal Payments on Municipal Debt	501,767	501,767	501,767	646,767	834,767
Capital Expenditures	-	-	-	-	-
General	16,216,904	14,249,035	8,770,094	15,822,711	11,879,010
Water	2,444,000	2,106,079	801,773	811,824	4,526,731
Sewer	1,205,000	988,237	336,744	1,829,310	8,435,177
Nelson Hydro	6,122,745	6,234,365	5,455,600	8,505,800	4,621,700
	19,408,490	12,015,152	1,510,544	13,748,619	19,843,042
Balance, before Reserve Transfers	10,384,038	455,001	(9,396,771)	(515,082)	3,416,384
Transfer to (from) General Reserves	(6,254,219)	(152,857)	5,451,680	(435,436)	(358,691)
Transfer to (from) Utility Reserves	(745,378)	607,290	3,578,787	2,080,664	(1,925,847)
Transfers to (from) Surplus and Non-Statutory Reserve	(3,384,441)	(909,434)	366,304	(1,130,146)	(1,131,846)
	(10,384,038)	(455,001)	9,396,771	515,082	(3,416,384)
Financial Plan Balance	-	-	-	-	-

2023-2027 CITY OF NELSON FIVE YEAR FINANCIAL PLAN



CAPITAL FUNDS

	2023	2024	2025	2026	2027
Sources of Funds					
Government Grants	(3,806,153)	(4,453,811)	(3,682,510)	(6,872,070)	(8,586,350)
Other Revenue/Donations	(140,103)	(345,000)	-	-	-
Borrowing	(791,500)	(5,711,000)	(7,938,570)	(7,386,760)	(3,908,500)
Surplus / Non-Satutory Reserves	(2,801,546)	(1,891,578)	-	(2,511,438)	(2,586,150)
General Reserves	(9,634,102)	(3,523,646)	1,204,086	(3,618,443)	(3,478,510)
Water Operating Fund	(1,334,027)	(1,212,397)	(801,773)	(811,824)	(1,026,731)
Sewer Operating Fund	(1,040,000)	(823,237)	(171,744)	(1,829,310)	(3,382,412)
Nelson Hydro Operating Fund	(3,603,253)	(3,956,133)	(3,973,700)	(3,939,800)	(4,213,200)
Utility Reserves	(2,837,965)	(1,660,914)	-	-	(2,280,765)
Total Sources	(25,988,649)	(23,577,716)	(15,364,211)	(26,969,645)	(29,462,618)
Capital Expenditures					
General	16,216,904	14,249,035	8,770,094	15,822,711	11,879,010
Water	2,444,000	2,106,079	801,773	811,824	4,526,731
Sewer	1,205,000	988,237	336,744	1,829,310	8,435,177
Nelson Hydro	6,122,745	6,234,365	5,455,600	8,505,800	4,621,700
Total Expenditures	25,988,649	23,577,716	15,364,211	26,969,645	29,462,618

2023-2027 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 2023

<u>Revenue Sources</u>	<u>% of Total</u>
Property Tax Values	17%
User Fees and Charges	41%
Grants	10%
Other Sources	14%
Reserves	17%
Proceeds from Borrowing	1%
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.

2023 Proposed Budget – City Only

Average Single Family Dwelling
\$674,000 (2022: \$640K) (5.3% increase)

	2022	2023	Net Change	Net Monthly Change
Property Tax (municipal only)	\$1,830	\$1,936	\$106	\$8.85
Water Rates (after discount)	379	386	7	0.58
Sewer Rates (after discount)	710	725	15	1.25
Resource Recovery Rates	100	100	0	0.00
Overall	\$3,019	\$3,147	\$128	\$10.68

4.2%
Increase

Overall Tax & Fee Increases

2019	2020	2021	2022	2023
1.9%	1.8%	1.6%	3.9%	4.2%

Stats Canada
Yearly Inflation

1.9%

0.7%

3.4%

6.8%

5.2%

as of Feb 2023

2023 Proposed Budget – City Only

Average Commercial Building
\$1,000,000 (2021: \$925K = 8.15% increase)

	2022	2023	Net Change	Net Monthly Change
Property Tax (municipal only)	\$6,678	\$7,065	\$387	\$32.25
Water Rates (after discount)	1,113	1,135	22	1.83
Sewer Rates (after discount)	2,089	2,131	42	3.50
Overall	\$9,880	\$10,331	\$451	\$37.58

4.6%
Increase