



Date: 08/11/2019

To: Chair and Directors, Finance/Budget Committee

And To: John MacLean, Chief Administrative Officer

From: Kevin Erickson, Chief Financial Officer

Date of Meeting: Finance-Budget Committee_Nov13_2019

File: 1700-01

Short Summary:

2020 – 2024 Provisional Five Year Financial Plan Discussion and Review

Voting:

Corporate Vote - Unweighted

Memorandum:

The 2020 Provisional Five Year Financial Plan calls for a tax increase of 4.0% over the 2019 requisition amount. Lesser increases, in the range of 2.25 to 3.0% are anticipated over the remaining years of the five-year plan. There are no increases in utility fees anticipated for 2020 and most utility rates at present appear sufficient to remain where they are for the next five years.

Cost pressures impacting service delivery, and their impact on the annual tax requisitions can vary significantly between the CRD's operating departments. A review of the CRD's operating departments is provided below showing the change in tax requisition amounts from 2019, along with a brief discussion regarding some of the reasons behind the year over year changes.

Administrative Services: 17.9%, increase of \$476,014

Tax requisitions for Administrative Services and Electoral Area Administration Service are both increasing by 15%. The CRD's Williams Lake office building has undergone a series of improvements that have used up the reserves. Over the course of the year the building required more service and maintenance than was budgeted for and there were also unanticipated operational expenses. As these were not budgeted items they had a negative impact on the operating results. It has been the practice over the last few budgeting cycles to use surplus to avoid any substantial requisition increase, these services are now at the point that, without a significant increase, they will be running into deficit in the very near future.

Two areas that make up a significant amount of the Administration budgets are IT and Communications. The Communications budget for 2020 is \$111,700 which is a reduction of 38% from the 2019 budget of \$179,944. The IT budget for 2020 is \$480,600. This represents an increase of 29% (\$108,700) from the 2019 budget of \$371,900. Most costs identified in this budget are for annual software maintenance costs with two significant items being additional Laserfiche licenses (\$30,000) and upgrades for Cityview (\$55,000).

The Governance Service is looking at an increase of 60%. While this seems large when stated as a percentage increase, in dollar figures it is an increase of \$104,083 to a service that covers the entire Regional District. Two factors have created this situation. The first was a decision to process Director expenses through this function. Previously Director expenses were split amongst the three administrative services. With the use of Concur for expense processing, it simplified matters by only having one expense center. The increase to this function was approximately \$30,000 which was offset equally by reductions in the General Administration and EA Administration Services. The remainder of the increase is due to an overrun in Director remuneration. It appears that the increase in remuneration, meant to offset changes to the tax status of Director pay, was greater than expected.

Airport Services: -1.2%, decrease of \$5,121

The decline in tax requisitions in this department is entirely due to a reduction in the requisition for the North Cariboo Regional Airport Service in 2020. In 2019, the requisition was set to recover the feasibility funds used in establishing this service. As those fees have been repaid, the requisition has been reduced by \$6,159. The Anahim Airstrip Service requisition has increased by 1% (\$514) and the South Cariboo Regional Airport Service requisition has increased by 2% (\$523). There is no change to the Likely and Area Community Services requisition.

Contribution Services: 6.8%, increase of \$26,904

Contribution Services is comprised of several small functions that contribute funds to third parties that provide services relating to economic development, transit, cemeteries and the like. The main factor resulting in the increase was the creation of an Economic Development function for Area E and then the subsequent merger of Areas D, E, F, J, and K's economic development functions into one service. The increase from Area E was \$20,000. Other increases were in the contribution made to South Cariboo Transit (\$2,307), Central Cariboo Victims Services (\$3,000) and Central Cariboo Handi-Dart (\$1,500).

Development Services: 2.6%, increase of \$24,637

All three services are looking at inflationary increases. Planning and Bylaw Enforcement require a 2.5% increase where Building Inspection requires a 3% increase. The extra amount required by Building Inspection is to accommodate the expectation that three of the Building Inspectors will attain new certification levels and thus will move up to a higher pay grade.

Directors EA Administration: Unknown Currently

Tax requisition amounts for Directors EA Administration have not yet been set. It is expected that 2020 amounts will not be much different from 2019 amounts.

Environmental Services: 1.9%, increase of \$92,049

For 2020, the South Cariboo Solid Waste service has been merged with the Rural Refuse service. No significant cost increases are expected for 2020 and an inflationary increase of 1.9% (\$86,041) is planned. There is no increase to the requisition for Solid Waste Management. Invasive Species is increasing by 2.5% (\$6,008).

Grants for Assistance: Unknown currently

Tax requisition amounts for Grants for Assistance have not yet been set. It is expected that 2020 amounts will not be much different from 2019 amounts.

Library, Heritage, Arts & Culture Services: 2.8%, increase of \$72,813

The increase is largely the result of increased service delivery costs in the CRD Libraries. The Library Service tax requisition is up 3% (\$70,767) over 2019. Central Cariboo Arts and Culture Service tax requisition is increased by 1% (\$2,046) over 2019 amount and there is no change in the Heritage Service requisition amount.

Protective Services: 4.7%, increase of \$207,641

The Volunteer Fire Departments budgets have been facing significant pressure from Capital Asset replacement costs and increased operating costs relating to compliance with regulations. Most can accommodate the short to mid-term requirements with only inflationary requisition increases ranging from 2% to 4.4%.

Three Departments however require requisition increases of 25%:

Lac La Hache requires a 25% (\$35,604) increase to overcome an operating deficit and cover the debt payments that will arise from the purchase of a new engine in 2021.

10 Mile Lake needs to purchase a new engine in 2021 and will have to take on debt to do so. The 25% increase (\$28,505) in the 2020 requisition is to get ahead of the coming debt payments and restore surplus.

Central Cariboo Search and Rescue requires a 25% increase (\$38,495) to cover the increased training they are looking to accomplish, \$40,000 in 2020. They are also looking to spend \$15,000 on PPE (pants and jackets) for the auto extract team. Lastly, the hydraulic hoses for their auto-extract equipment have been discontinued. The switchover to the new hose configuration is budgeted at \$15,000 for 2020 and \$15,000 for 2021.

Recreation Services: 1.3%, increase of \$105,776

Tax requisition amounts for South Cariboo Recreation and Kersley Arena Services have been increased by 1%, (\$7,333 and \$ 1,208 respectively). North Cariboo Recreation has been increased by 2.5% (\$97,235). There is no increase planned for Central Cariboo Recreation Service or the other contribution services included in the recreation services department.

Sewer Services: No Change

There are three services where tax is collected by requisition: Lac La Hache, Wildwood and Red Bluff. No increase in the current requisition is anticipated over the current five-year plan as current amounts are believed to be sufficient at this time.

Water Services: No change

All taxes collected for Water Services are by way of parcel tax. Operations are covered by user fees. There are no budgeted increases in the parcel taxes or user fees as current amounts are believed to be sufficient over the duration of the current five-year plan. The exception is Lac La Hache Water. While the user rate is sufficient for the coming year, indications are the user fee will need to be increased about \$65 per user in 2021.

Streetlighting: No change

Tax requisitions for Streetlighting Services are tied to the electrical costs of providing the services. At this time, no increase in tax rates are planned as the current amounts are sufficient to maintain the services through the current five-year plan.

Attachments:

2020 vs 2019 Tax Requisition Changes Summary
2020 vs 2019 Tax Requisition Rate Details
2020 vs 2019 Utility User Fees Summary
2020 – 2024 Financial Plan Community Works Fund Allocations

Financial Implications:

As outlined above and in the supporting attachments

Policy Implications:

[Click here to enter text.](#)

Alignment with Strategic Plan:

- ☐ **Communication:** Facilitate communication strategies throughout the entire Cariboo Regional District that meet the needs of residents, community stakeholders, and other levels of government.
- ☐ **Planning:** Intentionally plan services and activities of the CRD to prepare for future needs of residents and community stakeholders.
- ☒ **Economic Sustainability:** Foster an environment to ensure the economic sustainability of CRD communities and the region.
- ☐ **Governance:** Ensure that CRD governance policy and practices are intentional, transparent, and respectful.

[Click here to enter text.](#)

CAO Comments:

[Click here to enter text.](#)

Options:

Receipt

Recommendation:

That the agenda item from Kevin Erickson, Chief Financial Officer, dated November 7, 2019, with attached Provisional 2020 – 2024 Five Year Financial Plan reports, be received.