

Date: 09/01/2020

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_Jan15_2020

File: 1700-01

Short Summary:

2020 -2024 Provisional Five-Year Financial Plan Review

Voting:

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Memorandum:

Following the November 13th, 2019 meeting of the Finance-Budget Committee, it was determined that the 2020-2024 Five-Year Financial plan should receive further discussion regarding items seeing significant tax increases and events in future years that may have significant impact to service budgets and the tax payers of those services.

Since the initial report in November, budgets have been further refined and the Completed Roll has been made available by BC Assessment. While the roll does not have an impact on the amount of taxes required, it does impact the tax rates charged to rate payers.

Overall assessments in the Cariboo Regional District have gone up by approximately 6.8%. In general, except for those services seeing significant tax increases, the rate per \$100,000 of residential assessed value has gone down.

As reported in November, the CRD is seeing an increase in the requisition over 2019. The total requisition is \$26,136,745 which is an increase of \$1,118,992 from 2019 representing a year over year increase of 4.5%. Most services are only experiencing an inflationary increase with amounts ranging from 1% to 5%; however, there are services where the needed increase exceeds inflationary growth.

Services with Significant Tax Increases in 2020:

Administration:

Electoral Area Admin is seeing a 15% increase of \$271,774.

General Administration is seeing a 15% increase of \$ \$100,158

Governance is seeing a 60% increase of \$104,083

The increase in the Administration Services is the result of unforeseen, unplanned, and unbudgeted expenses arising in the year, cost overruns on capital projects, the addition of an extra staff member, the impact of the removal of the 1/3 exemption on Director expenses, and the imposition of the Employer Health Tax.

The Governance function is also being impacted by an accounting change that moved costs from Electoral Area Administration and General Administration without a corresponding budget amendment.

Contribution Services:

Central Cariboo Victims Services is increasing 11.5% or \$3,000 to prepare for future contracting arrangements should the Red Cross not be available.

Central Cariboo HandyDart is increasing 15% or \$1,500 to accommodate increasing costs of the service provider.

Protective Services:

Forest Grove Fire is up 8.7% for an increase in requisition of \$18,893. The increase is to accommodate the purchase of Breathing Apparatus and Personal Protective Gear necessary for the operation of the firehall.

Lac La Hache Fire Service is seeing a 25% increase in the requisition for an additional \$28,505 over the 2019 amount. The increase is in anticipation of the purchase of a new fire engine in 2021. With no reserves, the requisition increase will allow the service to absorb the impact of debt financing the purchase of the new engine on their operating budget.

10 Mile Lake Fire Service requisition is increasing 25% or \$28,505 over the 2019 requisition. The increase is to accommodate the purchase of a new engine in 2021. The service has some reserves but without an increase the annual requisition is not sufficient to accommodate the impact debt financing will have on its budget.

Central Cariboo Search and Rescue is seeing a 25% increase over 2019 for an increase in requisition of \$38,495. The increase is for the purchase of PPE for the auto extract team, increased training so that the members can maintain their certifications and the replacement of equipment that has become obsolete.

Emergency Planning is seeing a 50% increase in the requisition for an increase of \$43,563 over the 2019 amount. The increase is for the creation of a full-time Emergency Planning position as identified in the 2019 and 2020 Business Plans.

Recreation Services:

McLeese Lake Recreation is seeing a 66.7% increase of \$10,000. The increase is to build up reserves that will be used to pay for needed repairs that have been identified at the complex.

2021 – 2024 Services with Pending and Potential Issues:

EA Administration and General Administration:

Currently budgeted in these services is the renovation and expansion of the Quesnel Office in 2021 and the purchase of a building in 100 Mile House in 2024. Budgeted is \$600,000 for the Quesnel renovation and \$850,000 for the building purchase. These services have no reserves so money for the projects will require borrowing. Cost escalation and changes in the interest rates pose a real potential for impacting these services budgets.

Forest Grove Fire Service:

This hall will need to replace two water tenders in the very near future and will require debt financing to pay for the purchases. As things exist by 2025 this service will need another significant increase to avoid running deficits.

Bouchie Lake Fire:

This service will need to replace its primary engine in 2022. It does not have enough reserves to cover the purchase and thus will have to borrow. An increase in the requisition will be needed to offset the impact debt repayment will have on the operating budget.

West Fraser Fire:

This service is scheduled to purchase a new engine in 2021. While the service has significant reserves, they are not enough to cover the whole purchase. The requisition will need to increase to cover the extra expense incurred from debt financing.

Miocene Fire:

The Miocene Fire Department purchased a new tender in 2019. The purchase was made using reserves and operating surplus. They will need to replace their primary engine in 2024 which will require the use of debt financing. To accommodate the debt repayment cost a requisition increase will be necessary in future years.

150 Mile Fire:

There have been discussions with the Sugar Cane Indian Band regarding the establishment of a second firehall on the Sugarcane reserve. To date, costs have been minimal. This item has come back for more discussion and is continuing to be investigated in greater detail. There is potential for a significant impact on the requisition rate of this service.

Sewer Services:

The CRD operates five sewer services. Currently, Lac La Hache and Red Bluff's rates are at a sufficient level to maintain service; however, Pine Valley, Wildwood, and Alexis Creek are all operating at levels that eat into surplus and will require a rate reset in 2022, 2023.

Water Services:

Lac La Hache Water has been charging a user fee that does not cover its costs of operation. Without an increase of about 27% in 2021, it will go into deficit.

Alexis Creek Water/Central Alexis Creek Water:

Alexis Creek Water has been undercharging and is on the verge of running into deficit. The solution will be to raise the user fee in 2021 and merge the service with Central Alexis Creek. The merger will provide a reduction in the user fee to those residents in the Central Alexis Creek Water service area. The combined reserves of the two services will allow the investigation of well and pumphouse replacement as these items are aging out and approaching end of life.

103 Water:

The parcel tax and user fees charged to residents are currently not covering the service's operating costs. A 10.5% increase in 2021 will be required to prevent this service from running into deficit.

All Utilities:

It has been past practice to increase utilities rates by a significant amount and then hold them constant until inflationary pressures mandate a reset. It is proposed that, going forward, rates be adjusted for inflation on a yearly basis to avoid rate shock on the utility users.

Attachments:

2020 Year over Year Assessment Change
2019 – 2020 Requisition Change
2019-2020 Tax Requisition Rate Details
2020-2024 Five Year Financial Plan Summary
2020 – 2024 Five Year Plan by Service and Category

Financial Implications:

As outlined in the memorandum.

Policy Implications:

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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.

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CAO Comments:

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Options:

- 1) Receipt
- 2) Receipt and further action

Recommendation:

That the agenda item summary from Kevin Erickson, Chief Financial Officer, dated January 9, 2020, regarding a review of the 2020-2024 Provisional Five-Year Financial Plan, be received.