



Date: 28/02/2020

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_Mar05_2020

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Short Summary:

Final Review of the 2020 -2024 Provisional Five-Year Financial Plan

Voting:

-

Memorandum:

At the January 15, 2020 meeting of the Finance-Budget Committee, there were some changes requested to amounts budgeted in the 2020 Provisional five-year plan. Changes requested, along with some others arising from new information and/or changes to operational plans, have now been incorporated and are being brought forward for discussion before the Financial Plan is put forward at the March 27th Board meeting for adoption.

As reported in November, the CRD is seeing an increase from what was requisitioned in 2019. In November, the 2020 requisition was reported being \$26,136,745, an increase of \$1,118,992 from 2019 representing a year over year increase of 4.5%. However, with the changes made, the requisition is now \$26,200,005 an increase of \$1,182,251 or 4.7% increase over 2019.

Changes made since January 15th, and Services with Significant increases are presented for further consideration.

Services with Significant Tax Increases in 2020 and changes from January 15th, 2020:

Electoral Area Admin

Previously reported an increase of 15% or \$271,774. The requisition has been increased an extra \$40,000 for a total increase of \$311,773. The increase of \$40,000 is to cover unforeseen requests made of the Board. At the February 13th meeting, the Board granted a request made by Charge North in the amount of \$4,000. As there was no budget for this item it has been factored in here. Thus, there will be \$36,000 available for requests such as this after the financial plan is adopted.

General Administration

As previously reported, General Administration is seeing a 15% increase of \$100,158. Although it does not affect the requisition, an additional \$30,000.00 of Community Works funds was added to the contract costs for CRD Building assessments. The extra \$30,000 is to cover the cost of evaluating the cost of renovating the North Cariboo Office at the same time the building condition assessment is being performed.

Bouchie Lake Fire Department

Bouchie Lake's requisition was increased to 10% in 2020 to raise an additional \$8,451. Further tax increase of 7.5% in 2021 and 2022 and 4% in 2023 and 2024 are planned to restore surpluses and save up for future equipment purchases.

Deka Lake VFD

The budget was amended to reflect the actual purchase price of the new engine received from Fort Garry – an increase of \$14,000. To prevent the service from going into deficit the transfer from reserves was increased by \$10,000.

Barlow Creek VFD

The budget was amended to reflect the difference between the actual cost of the new engine and what was previously budgeted – an increase of \$8,000. To cover the difference the ad valorem requisition was increased by 1% (\$1,097) along with an increase in the transfer from reserve of \$8,000.

Emergency Planning

Previously, Emergency Planning was reported as needing a 50% increase in the requisition for an increase of \$43,563 over the 2019 amount. The increase has now been increased to 60% or \$52,275 over the 2019 requisition. The additional \$8,712 is to correct for the anticipated starting rate of a fulltime Emergency Planning position as previously identified. Further to this, the service is not currently taxing enough to cover its costs of operations. It is anticipated that the requisition will need to increase 35% in 2021 and 15% in 2022 to satisfactorily cover operations and contribute to operating surplus.

Heritage

At the request of the committee, the Heritage requisition was increased by \$5,000 for an increase of 100% over 2019.

Central Cariboo Recreation

At the February 26th meeting of the Central Cariboo Joint Committee, substantial changes were made to the capital plan. The changes greatly reduced capital spending which increased budgeted surplus and reserve balances for 2020 and future years. However, there is no change to the 2020 requisition amount.

Previously Reported Services with Significant Tax Increases in 2020:

Administration:

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 agreements 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 increasing 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 increase of \$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 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 the cost of 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.

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 near future using debt to pay for the purchase. 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 will have to borrow. An increase in the requisition will be needed to offset the impact debt repayment will have on the 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 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.

Sewer Services:

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

Water Services:

Lac La Hache

Lac La Hache Water has been charging a user fee that does not cover its cost of operation. Without an increase, 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 also allow the investigation of well and pumphouse replacement as these items are aging out and need replacement.

103 Water

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

Attachments:

2019 – 2020 Requisition Change
2020 Tax Requisition Rate Details
2019-2020 Comparative Tax Requisition Rate Details
2020-2024 Five Year Financial Plan Summary

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:

Receipt

Recommendation:

That the agenda item summary from Kevin Erickson, Chief Financial Officer, dated February 28, 2020, regarding a final review of the 2020 -2024 Provisional Five-Year Financial Plan, be received.