



Date: 16/10/2020

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_Oct22_2020

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Short Summary:

2021 – 2025 Provisional Five Year Financial Plan Discussion and Review

Voting:

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Memorandum:

The 2021 Provisional Five Year plan calls for a tax increase of 4.6% over the 2020 requisition amount while lesser increases, in the range of 2.5 to 5.0% are anticipated over the remaining years of the five-year plan. There are increases in utility fees anticipated for 2021 and subsequent years as some utility rates do not appear sufficient to remain where they are.

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 to tax requisition amounts from 2020, along with a brief discussion regarding some of the reasons behind the year over year changes.

Administrative Services: 10.6%, increase of \$335,867

Tax requisitions for Administrative Services and Electoral Area Administration Service are both increasing by 10 and 15% respectively. The increases are due in part to recovering from cost overruns of capital projects in prior years and the need to reestablish healthy operating surpluses as was identified in the 2020 Five-year Financial Plan. Significant cost increases were experienced through the upgrading of software and in reacting to COVID-19. While much of the costs to confront COVID-19 were eligible to be covered by Community Works Funds, not everything was, and these were all unanticipated at the start of the year. Similarly, the purchase of software additions and upgrades can be covered by Community Works Funds but the ongoing support and annual licensing to maintain the products has put pressure on these budgets. As in prior years there are always unanticipated operational expenses that these services must absorb. While not large in and of themselves, together they do add up and impact the bottom line in a negative way.

In 2020 The Governance Service was increased by 60% due to changes in accounting practices and to account for the loss of Directors 1/3 tax exemption. The increase has stabilized this function and the 2021 requisition is only increasing 3% for an increase of \$8,326.62.

Airport Services: 35.4%, Increase of \$147,515

The increase in this department is entirely due to a tax increase for the South Cariboo Airport Service. The runway at the 108 Airport is failing and needs replacement. The increase is to build up reserves in anticipation of resurfacing the runway in the near future.

Contribution Services: 9.4%, increase of \$40,453

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 an increase to Contribution Agreement commitments within the Central Cariboo Economic Development function (\$30,000) An \$8,000 increase in the North Cariboo Economic Development function to support increased economic development activities and a \$2,400 increase to the South Cariboo Transit Service.

Grants for Assistance, Director's EA Administration: Unknown at this time

Tax requisition amounts for Grants for Assistance and Directors EA Administration have not yet been set. It is expected that 2021 amounts will not be much different from 2020 amounts.

Development Services: 2.2%, increase of \$20,931

All three services are looking at inflationary increases. Planning is requesting a 2.5% increase where Building Inspection is requesting a 3% increase. The extra amount required by Building Inspection is to accommodate the expectation of the Building Inspectors attaining new certification levels and the possibility of hiring a contract building inspector in the construction season to reduce the current inspector's workload and cut down on overtime.

Environmental Services: 2.0%, increase of \$96,256

In 2020 the South Cariboo Solid Waste service was merged with the Rural Refuse service. For 2021 no significant cost increases are expected and an inflationary increase of 1.9% (\$87,635) is planned. There is no increase to the requisition for Solid Waste Management and Invasive Species is increasing by 3.5% (\$8,621).

Library, Culture, and Heritage Services: 3.1%, increase of \$83,221

The increase is largely the result of increased service delivery costs in the CRD Libraries. The Library Service tax requisition is up 3% (\$72,889) over 2020. Central Cariboo Arts and Culture Service tax requisition is increased by 5% (\$10,332) over the 2020 amount due to an increase in the service delivery and Arts Centre management agreements with the Central Cariboo Arts and Culture Society. There is no change to the Heritage Service requisition amount.

Protective Services: 8.1%, increase of \$381,682

The Volunteer Fire Departments budgets have been facing significant pressure from Capital Asset replacement costs and increased operating costs relating to compliance with regulations. An extra staff position in the Protective Services department has also increased the requisition amount for the fire departments as the cost of this position will be shared amongst them. This position is currently budgeted for a salary of \$76,000 and associated benefit cost of 28.5%. Most departments are able to accommodate the short to mid-term requirements with only inflationary requisition increases averaging 4.8%. The largest increase in this department is in Electoral Area Emergency Planning. Another staff add has been budgeted for this service. \$76,000 plus benefits at 28.5% has been budgeted for this position. The remainder of the increase is due to increases in operating expenses and to raise the requisition to where tax revenues cover the cost of operation.

Three Departments however have significant budget items worth mention:

Deka Lake is projecting an increase of 15% (\$30,354). Due to a failing water tender, replacement of the existing unit was moved ahead two years to keep primary equipment operational. Also budgeted (\$75,000) is the acquisition of a new pickup to serve as a first responder vehicle and is to be financed over five years.

Interlakes is looking at a 5% (\$13,295) increase in overall taxation. The acquisition of a new pickup for first responder duties has been budgeted for 2021. The unit has been budgeted at \$75,000 and to be financed over five years.

Central Cariboo Search and Rescue requires a 15% increase (\$28,870). The increase is primarily to cover the increased training and purchase of PPE. They are also needing to replace two vehicles in 2021, the Auto Extract unit and the Land Search and Rescue unit. The service has deferred grant revenue of \$95,000 and is expecting another grant of \$35,000 for 2021. This money has been budgeted for the replacement of the Land SAR unit. \$190,000 has been budgeted to replace the Auto Extract unit and is to be financed over five years.

Recreation Services: 2.2%, increase of \$176,993

North Cariboo Recreation has been increased by 4.0% (\$159,466). South Cariboo Recreation has been increased by 1% (\$7,467.05) and Kersley Recreation has been increased 8.2% (\$10,000) to build up reserve of the service for future years. 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 parcel tax: Lac La Hache, Wildwood and Red Bluff. No increase in the current requisition is anticipated over the current five-year plan as any increases required will be collected through increases to their user fees.

Water Services:

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. Increases to the user fees are anticipated for Lac La Hache for 2021. Other systems user fees are currently being reviewed to determine if adjustments will be necessary in the future.

Streetlighting: 2.5% increase (\$1,866)

Tax requisitions for Streetlighting Services are tied to the electrical costs of providing the services. We were recently informed by BC Hydro that they intend to replace existing lighting with LED lights. The cost to the services was quoted at \$1.57 per light per month. For 2021 small changes to accommodate the extra costs have been budgeted in. Services that were operating at a surplus are not experiencing any impact to the requisition. Of the fifteen Streetlighting Services, six require an increase to their requisition.

In summary, the total requisition increase for 2021 contained in the 2021 – 2025 Five Year Provisional Financial Plan is \$1,197,994 for a total Tax Requisition increase of 4.6%.

The CRD will receive \$1,780,566 in Community Works Funds in 2021. The 2021 – 2025 Five Year Financial Plan includes an allocation of \$1,634,000.

Additional detail is available in the attachments to this agenda item.

Attachments:

- 2021 vs 2020 Tax Requisition Changes Summary
- 2021 vs 2020 Tax Requisition Rate Details
- 2021 vs 2020 Utility User Fees Summary
- 2021 – 2025 Financial Plan Community Works Fund Allocations
- 2020-2025 Provisional Requisition Year over Year Change by Department and Service
- Provisional Five Year Plan – Budget by Department and Service

Financial Implications:

As outlined above and in the supporting attachments

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 from Kevin Erickson, Chief Financial Officer, dated October 16, 2020, with attached Provisional 2021 – 2025 Five Year Financial Plan reports, be received.