



Date: 14/10/2021

To: Chair and Directors, Finance/Budget Committee

And To: John MacLean, Chief Administrative Officer

From: Kevin Erickson, Chief Financial Officer

Date of Meeting: Cariboo Regional District Board_Oct22_2021

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Short Summary:

2022 – 2026 Provisional Five Year Financial Plan Discussion and Review

Voting:

Document Description

Memorandum:

The 2022 Provisional Five Year plan calls for a tax increase of 5.2% over the 2021 requisition amount. Given current inflationary pressures, increases in the range of 5.0% to 7.5% are anticipated for those services where Operating Surpluses are below the 50% of requisition threshold over the remaining years of the 5-year plan. Annual increases to utility fees have been built into the 5 year plan. Past practice was to do a large increase to the fees and then hold them steady until inflationary creep eliminated any surplus over expenses. Resistance to increasing the user fees has created the situation where in certain services the utility rates being charged are not covering operating costs.

Cost pressures impacting service delivery, and their impact on the annual tax requisitions can vary significantly between the CRD's operating departments. Common to all the services, however, are increases in fuel, utilities, and insurance. Guidance provided on our insurance renewal is, that while the market has softened from last year, we can still expect an increase of 10%. This has been captured in the financial plan for all services that pay into the policy, Similarly, adjustments have been made across the services for increased fuel and utility costs.

A review of the CRD's operating departments is provided below showing the change to tax requisition amounts from 2021, along with a brief discussion regarding some of the reasons behind the year over year changes.

Administrative Services: 7.5%, increase of \$ 255,012

Tax requisitions for Administrative Services and Electoral Area Administration Service are increasing by 8.5% and 7.5% respectively. The increases are due in part to ongoing recovery from cost overruns of capital projects in prior years and the need to reestablish healthy

operating surpluses. While these services have benefited from lower travel, meeting, and training costs due to COVID restrictions, they have also experienced significant cost increases from upgrading of software and increases to support and annual licensing agreements. These agreements are crucial to the security of our operating environment and the cost, unfortunately, cannot be avoided. Many of these have seen increases of 5%. Utilities, building maintenance contracts, insurance and office supplies are significant items in these services budget. As such, when their costs increase in any meaningful way the budget will be impacted.

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. That increase has stabilized this function and the requisition remains unchanged from 2021.

Airport Services: 0.1%, Increase of \$ 534

There is a small increase (2%) to the Likely & Area Community Services function to account for increases to operating costs but, otherwise, requisitions for these services remain unchanged from 2021.

Contribution Services: 0.8%, increase of \$ 3,667

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 increases this year are all in transit related services and are based on cost projections provided by BC Transit.

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 2022 amounts will not be much different from 2021 amounts.

Development Services: 1.8%, increase of \$ 10,000

In 2021 Bylaw Enforcement was moved to the Protective Services Department. The 2 remaining services, Planning and Building Inspection, are budgeting an inflationary increase. Towards this, Planning is requesting an additional \$ 10,000. The requisition for Building Inspection is not increasing. This department has experienced a significant increase in permit revenues over 2021. It is expected that permit revenues will remain elevated in 2022 and be more than enough to offset any inflationary cost increases.

Environmental Services: 2.0%, increase of \$ 98,476

For 2022 no significant cost increases are expected in Solid Waste Management Service and an inflationary increase of 1.9% (\$ 89,553) is planned. There is no increase to the requisition for Solid Waste Management Plan and Invasive Species is increasing by 3.5% (\$ 8,923).

Library, Culture, and Heritage Services: 2.9%, increase of \$ 79,415

The increase is largely the result of increased service delivery costs in the CRD Libraries. The Library Service tax requisition is up 3% (\$ 75,075) over 2021. Central Cariboo Arts and Culture Service tax requisition is increased by 2% (\$4,339) over the 2021 amount for maintenance of existing service agreement commitments and there is no change to the Heritage Service requisition.

Protective Services: 11.7%, increase of \$ 615,465

The Volunteer Fire Departments budgets have been facing significant pressure from Capital Asset replacement costs and increased operating costs relating to compliance with regulations and inflationary pressure in fuel costs, utilities, and rising insurance rates. To accommodate these inflationary pressures requisition increases ranging from 3.5% to 7.5% have been budgeted for.

There is a large increase in in Electoral Area Emergency Planning where an additional three staff positions have been budgeted for. \$ 216,500 plus benefits at 30% has been budgeted for these positions. The remainder of the increase is an anticipated increase to operating expenses and to set the requisition at a level where tax revenues cover the cost of operation.

Five Departments have significant budget items worth mentioning:

Lac La Hache has budgeted for an increase of 15.8% (29,463). The Department replaced its primary engine in 2021. The increase is necessary to accommodate the borrowing costs for the new apparatus

The Quesnel Fringe Fire Service requisition is increased by 10.25% (\$28,617). The Quesnel Fire Department has suggested that significant renovations are needed to the fire hall which is owned by the CRD. The increase in requisition is to build up surplus to accommodate borrowing costs that will arise from a renovation of the premises.

The West Fraser Fire Department replaced its Engine in 2021. The increase of 15% (\$ 15,939) is to cover the debt repayment of the loan taken to fund this apparatus.

Interlakes is looking at a 14.9% (\$48,953) increase in overall taxation. With three halls and related equipment this service is more susceptible to inflationary increases than most. They are seeing significant increases to operating costs arising from increases to fuel, utilities, and insurance. That said, the increase is primarily to fund the purchase of replacement turnout gear for members and breathing apparatus frames to provide the necessary equipment for attending calls and build up surplus for an apparatus purchase in the near future. The tender in Hall 2 will require replacing in 2024 and will require debt financing. The increase in requisition will provide room in the budget to accommodate the additional debt servicing.

Central Cariboo Search and Rescue requires a 10% increase (\$ 22,134). They replaced 2 vehicles in 2021, the Auto Extract unit and the Land Search and Rescue unit. \$ 190,000

was borrowed to replace the Auto Extract unit and is financed over 5 years. This year's increase was planned in the 2021 Financial Plan to absorb the additional cost from financing the truck purchase. Other items of significance in 2022 are the purchase of waterproof jackets and pants for the Land SAR members and replacing all ropes, webbing and harnesses for Land SAR and Auto Extract as they have reached end of life.

Recreation Services: 2.9%, increase of \$ 246,131

North Cariboo Recreation has been increased by 4.0% (\$ 165,835). South Cariboo Recreation has been increased by 1% (\$ 7,541.72 and Kersley Recreation has been increased 7.6% (\$ 10,000) to build up reserves. Central Cariboo Recreation Service has been increased by 2% (\$ 62,744.78) and no change for the remaining contribution services included in the Recreation Services Department.

Sewer Services: 0.8% increase of \$ 869.20

There are three services where tax is collected by parcel tax: Lac La Hache, Wildwood and Red Bluff. The Wildwood Parcel Tax is being increased by 5% to help offset capital costs budgeted for 2022.

Water Services:

All taxes collected for Water Services are by way of parcel tax with no increases budgeted for 2022. Operations are covered by user fees. Increases to the user fees are anticipated for six of the eleven services and are identified in the 2021 vs 2022 User Fee comparison. Central Alexis Creek Water will see a small reduction in the parcel tax as it will be reduced to the annual debt payment on its MFA loan and the operations portion transferred to be part of Alexis Creek Water. The loan will be paid off in 2025 and at that time the Central Alexis Creek Water service will cease to exist.

Streetlighting: 1.3% increase (\$1,003)

Tax requisitions for Streetlighting Services are tied to the electrical costs of providing the services. We were informed by BC Hydro that they intend to replace existing lighting with LED lights and the work is currently underway. In 2021, small changes to accommodate the extra costs were budgeted for. Services that were operating at a surplus are not experiencing any impact to the requisition. Of the 16 Streetlighting services 2 are seeing a reduction in their requisitions because of prior years requisitions significantly exceeding costs and generating a substantial surplus. The current requisitions have been adjusted to reflect historical operating rates and provide a suitable surplus to absorb any unanticipated costs. Maple Drive Streetlighting saw its first year of operation. The requisition was increased by \$ 4,300 to cover the costs of operation.

In summary the total Requisition increase for 2022 contained in the 2022 – 2026 Five Year Provisional Financial Plan is \$ 1,408,679 for a total Tax Requisition increase of 5.2%.

The CRD will receive \$ 1,780,566 in Community Works Funds in 2022. The 2022 – 2026 Five Year Financial Plan includes an allocation of \$3,288,000 thus resulting in an over subscription to this year’s allotment. Unused and unallocated amounts from prior years are more than adequate to cover the over subscription.

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

Attachments:

- 2022 Tax Requisition Summary of Changes
- 2021 vs 2022 Tax Requisition Rate Details
- 2022 vs 2021 Utility User Fees Summary
- 2022 Budgeted Community Works Funds Allocations
- 2022 – 2026 Detailed 5 year Financial Plan
- Budgeted Surplus to Revenues Comparison

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 15th, 2021, with attached Provisional 2022 – 2026 Five Year Financial Plan reports be received.