



Date: 06/01/2023

To: Chair and Directors, Finance/Budget Committee

And To: Brian Carruthers, Interim Chief Administrative Officer

From: Kevin Erickson, Chief Financial Officer

Date of Meeting: Finance-Budget Committee_Jan12_2023

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Short Summary:

Revised 2023 – 2027 Provisional Five Year Financial Plan Discussion and Review

Voting:

-

Memorandum:

Following the December 8th, 2022, Finance/Budget Committee meeting, a review of Service Budgets has been carried out. The Revised 2023 Provisional Five Year plan now calls for an overall increase to taxation of 3.9% over the 2022 requisition for an increase of \$1,119,744, down from \$1,167,372 as reported in December.

Given current inflationary pressures, increases in the range of 4.0% to 7.5% are anticipated over the remaining years of the 5-year plan. Increases to utility fees have also been built into the 5-year plan as inflationary pressures and resistance to increasing the user fees have created the situation where, in some services, the utility fees 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. A review of the CRD's operating departments is provided below showing the change to tax requisition amounts from 2023, along with a brief discussion regarding some of the reasons behind the year over year changes. Changes made since the December 8th meeting are highlighted in red.

Administrative Services: **10.9%, increase of \$ 372,623**

Previously budgeted for an 11% increase of \$405, 436, the requisitions for Administrative Services have found reductions amounting to \$32,813 reducing the requisition increase for Administrative Services from 15% to 12.5 and a 0% increase in the Governance function. There is no change in the requisition for Electoral Area Administration.

As mentioned at the December review, increases in these services are due in large part to increased cost in office supplies, utilities, building maintenance and janitorial costs. These costs are only expected to keep increasing and the budgets have been increased to accommodate this. Legal expenses have seen significant increase in the last few years and are expected to continue.

Labour makes up a big portion of the budget in these services and Human Resources issues have the potential to significantly impact the cost of these services.

Significant cost increases are budgeted in the IT department as major pieces of hardware have reached end of life and require replacing. Also, capital renovations for assets in these functions were identified to be carried out in 2023. Without adequate reserves to pay for these renovations and repairs the funds must come through taxation.

Capital Works Identified for 2023:

| | |
|---------------------------------------|----------|
| Renovations to the CRD Committee Room | \$27,500 |
| CRD Parking Lot Rehab | 8,500 |
| Awning by the Bean Counter | 12,000 |
| Retrofit of CRD Highway Signs | 140,000 |
| Scale Computing Replacement | 120,000 |

Capital purchases and asset upgrades are paid through Administrative Service. Reductions to the requisition have been realized through reducing the scope of work on some assets in the coming year and deferring some work to future years.

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. The previously planned increase to the requisition in 2023 has been removed and the anticipated increase in costs will be covered through accumulated operating surplus.

Airport Services: No change: 0.1%, Increase of \$ 544

There is a small increase to the Likely & Area Community Services function but otherwise requisitions for these services remain unchanged from 2022.

Contribution Services: No Change: 3.5%, increase of \$ 16,503

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

Grants for Assistance: -9.7% decrease of \$ 6,056

Grants for assistance have now been updated for Grants approved. The total for all Electoral areas is \$56,365 down from \$62,241 in 2022.

Development Services: No Change: 2.1%, increase of \$ 17,159

Development Services comprises the Planning Department and Building Inspection Department. Both services are looking at inflationary increases. Planning is requesting a 1.5% increase amounting to an additional \$ 8,686 to compensate rising prices. The requisition for Building Inspection is increasing by 3.5%, \$ 8473.00 to cover the cost of additional part time staff to assist during the busy season.

Director's EA Administration: Increase of \$ 23,027

Yearend balances have been adjusted and tax requisition set so that each Electoral Area Director will have access to \$ 5,000.00 of discretionary funds.

Emergency Planning: No Change: 2.6%, increase \$ 25,347

Increases in Emergency planning are coming from a 4% increase to the requisition for Central Cariboo Search and Rescue to cover the costs of increases in fuel, utilities, telephone, and overall repair costs to their facility and rolling stock. An increase of 4% to the Emergency planning requisition of \$ 25,176 is also budgeted to cover the increased costs of the operation of the Emergency Planning department from additional training, increases to their portion of the shared building expenses and increases to general operating expenses anticipated from increased community outreach activities.

Environmental Services: No Change: 2.0%, increase of \$ 101,614

For 2023 no significant cost increases are expected in Solid Waste Management and an inflationary increase of 1.9% (\$ 89,553) is planned. There is a 3% increase to the requisition for Solid Waste Management(\$ 380) and Invasive Species is increasing by 3.5% (\$ 9,236) to offset inflationary pressures.

Library, Culture, and Heritage Services: No Change: 3.4%, increase of \$ 94,642

The increase is the result of increased service delivery costs in the CRD Libraries. The Library Service tax requisition is up 3.5% (\$ 90,216) over 2022. Central Cariboo Arts and Culture Service tax requisition is increased by 2% (\$4,426) over the 2022 amount for maintenance of existing service agreement commitments. There is no change to the Heritage Service requisition.

Protective Services: No Change: 5.7%, increase of \$ 281,643

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. Most departments are not able to accommodate these inflationary pressures and are requiring requisition

increases averaging from 3.5% to 7.5%. The common theme among most of the departments is expired turnout gear, SCBA's and hoses.

Departments that have significant increases:

Bouchie Lake: 10%, increase of \$ 19,333
The increase is to go to the replacement of aging turnout gear, the purchase of additional SCBA bottles and additional training to accommodate new members.

The Quesnel Fringe Fire Service: 15%, increase of \$ 46,277
Major renovations are being planned for the hall. Current estimate is \$ 895,000 and has been budgeted for construction in 2025. This service does not have the reserves to fund the renovation and debt will be used to finance it. The increase to the requisition is to cover repayment of the loan over 15 years.

Miocene: 12.2%, increase of \$ 19,997
Miocene is scheduled to replace their primary engine in 2024. This is the first of two 12.5% increases to the requisition to accommodate the financing costs of purchasing the new apparatus.

Recreation Services: No Change 3.3%, increase of \$ 286,542

North Cariboo Recreation has been increased by 4.0% (\$ 172,478). South Cariboo Recreation has been increased by 2% (\$15,198) and Kersley Recreation has been increased 7% (\$ 10,000) to build up reserve of the service for future years. Central Cariboo Recreation Service has been increased by 2% (\$ 63,999) and Area F Community Hall has been increased 49.6% (\$ 24,867) to offset the increasing costs of insurance and utilities the Halls are experiencing.

Sewer Services: No Change 0% increase

There are three services where tax is collected by parcel tax: Lac La Hache, Wildwood and Red Bluff. The Wildwood Parcel Tax was increased by 5% in 2022. No tax increase is budgeted in 2023; however, increases to user fees are budgeted for all Sewer Services.

Water Services: No Change 22.9% reduction of \$ 103,803

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 budgeted for most services. 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. The loan will be paid off in 2025. At that time, the Central Alexis Creek Water service will cease to exist.

The 108 Water System is seeing a reduction to its parcel tax of 23.9% or \$ 103,500. The reduction is due to the service having a substantial and sustainable operating surplus and sufficient and growing reserves.

Streetlighting: 3.6% increase (\$7,463)

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. Now that the switch to LED has occurred, savings are starting to appear in the monthly operating costs such that the requisitions for five of the services have been reduced. The Gook Road Streetlighting Service was established in 2022, and 2023 will be its first year of operation. The entire increase to Streetlighting Services is due to the \$ 8,000.00 anticipated to be the annual operating cost for this service.

In summary the total Requisition Increase for 2023 contained in the Revised 2023 – 2027 Five Year Provisional Financial Plan is \$ 1,119,744 for an overall Tax Requisition increase of 3.9%.

Utilities:

The sewer and water Services have also been experiencing increasing costs. Labour, Fuel, Utilities and repairs and maintenance for these services have all experienced increases to costs over the last couple of years. Now, for many of the smaller utilities, the fees collected are not covering their operating costs. The budgeted increases to Sewer fees range from 5.1% to 8.2%. For Water, increases range from 0% to 13.5%.

Community Works Funds:

The CRD will receive \$ 1,857,386 in Community Works Funds in 2023. The 2023 – 2027 Five Year Financial Plan includes an allocation of \$ 1,678,000 thus resulting in an under subscription to this year's allotment. \$ 5,184,500 is budgeted in the remaining four years of the financial plan . Unused and unallocated amounts from prior years are more than adequate to cover these projects.

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

Attachments:

- 2022 vs 2023 Comparative Tax Requisition Changes Summary
- 2023 Budget by Service Group Graph
- 2023 CRD Budgeted Revenues and Expenditures Chart
- 2023 Ad Valorem Rate Details
- 2022vs 2023 Comparative Ad Valorem Requisition rate details
- 2022 vs 2023 Utility User Fee Summary
- 2023-2027 Detailed Five Year Financial Plan: By Department and Service
- 2023 – 2027 Financial Plan Community Works Fund Allocations

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:

- 1) Receipt
- 2) Receipt and other action.

Recommendation:

That the agenda item summary from Kevin Erickson, Chief Financial Officer, dated January 6, 2023, with attached Provisional 2023 – 2027 Provisional Five Year Financial Plan reports, be received.