

STAFF REPORT

REPORT TO: D.W. HOLMES, ASSISTANT CITY MANAGER AND
GENERAL MANAGER OF CORPORATE SERVICES

FROM: B.E. CLEMENS, DIRECTOR OF FINANCE

RE: 2012 - 2016 FINANCIAL PLAN

STAFF'S RECOMMENDATION:

That Council:

1. receive this report for information; and
2. review the 2012-2016 Financial Plan at upcoming Finance/Policy Committee of the Whole meetings.

EXECUTIVE SUMMARY

The 2012-2016 Financial Plan being presented by staff includes property tax increases as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Blended	3.0%	2.2%	3.0%	3.6%	3.0%
Residential	4.0%	2.8%	3.0%	3.6%	3.0%
Commercial	3.0%	2.2%	3.0%	3.6%	3.0%
Industrial	-20.0%	-16.4%	3.0%	3.6%	3.0%

There is also an annual increase of 5% to water fees and 6.14% to garbage/recycling fees, but no increases to sewer rates are proposed.

Council has an opportunity to receive input from the public and make changes to the Financial Plan before adopting it in February. There will be additional opportunities to discuss and amend the Plan in March and April before the final budget and tax rates bylaws are required to be adopted in mid-May.

The total impact of the proposed budget on a typical single-family home (assessed at \$350,000 in 2012) is \$94.24 or about a 4.1% increase over 2011. This is only for the City of Nanaimo portion of the tax bill. This does not include any other taxing agency (school, hospital, Regional District of Nanaimo), as these increases are not known at this time.

DISCUSSION:

The 2012-2016 Financial Plan (also known as “the Budget”) is being presented tonight for Council’s information. The current timetable for adoption is as follows:

- January 23 Regular Council meeting (first three readings of bylaw)
- February 13 Regular Council meeting (adoption of bylaw)

Time will be set aside at every Council and Committee of the Whole meeting between now and adoption for members of the public to address Council with their concerns about the budget. Staff will advertise in the local papers in order to solicit public input at these meetings. Additional meetings may be scheduled if so directed by Council.

Council’s review of the budget can be conducted at any level of detail as desired by Council. Various levels of detail have been tried in previous years, ranging from very high level to line-by-line. Staff is suggesting that this year’s review be conducted during open meetings of the Finance/Policy Committee of the Whole.

There is flexibility in the schedule, but staff recommends that Council pass the Financial Plan Bylaw as soon as possible in the new year. At the latest, Council must adopt the new Financial Plan before the annual Tax Rates Bylaw is approved in May. This year, staff proposes to introduce the 2012-2016 Financial Plan Bylaw at the Regular Meeting of Council to be held January 23rd. Until the new plan is adopted, City expenditures will be governed by the plan adopted by Council last May. The new financial plan has changes from the previous year and adopting it as soon as possible will authorize these changes. As part of the budget bylaw, Council will also be adopting policies related to sources of revenues. These will be outlined in a future report to Council.

The community will have additional opportunities to address Council in April and May, and Council will be able to review and amend the Plan before the Tax Rates Bylaw is finally approved in May.

Complete budget packages, including information on current and recommended higher service levels, as well as the 2012-2016 capital budget, have been provided to Council and are available to the public at City Hall. Draft budget information will also be available on the City’s website. In the past, staff set up a question and answer forum on the City’s website, and this will be done again this year.

Highlights of the proposed 2012 Budget are as follows:

- Estimated \$1,200,000 in tax revenue from new growth (compared to \$1,425,000 in 2011)
- Average property tax increase of 3.0% for all assessment classes in 2012
 - 4.0% residential
 - 3.0% commercial and other classes
 - 2.0% decrease in light industry
 - 20.0% decrease in major industry
- User fees:
 - no change proposed for sewer rates

- 5% increase in water rates to fund costs of water supply infrastructure
- 6.14% increase in garbage and recycling fees

As noted above, there are different increases for some of the property tax classes. This is the fourth year of a multi-year initiative by Council to reduce the major industry tax rate to be at the same level as the commercial rate. For many years, Council's policy was to keep the industrial tax rate at the average of all BC municipalities. Major industry has been a large taxpayer in this community for a long time. This is changing as two sawmills closed in 2006 and one of the City's largest taxpayers was under protection from creditors for part of 2008. Reducing tax levels for the major industry class will serve two purposes: it provides some relief to the remaining industrial taxpayers; and it helps to reduce the City's dependence on this revenue source. In 2011, the City's industrial tax rate was at 79% of all BC municipalities that have industrial assessment.

The previous (2011-2015) Financial Plan anticipated that there would be a 3.2% blended property tax increase in 2011 (4.3% for residential). While preparing this budget, staff made a number of changes but the final result was very close to the original plan.

The 2012 budget is largely a status quo budget. With a few notable exceptions, the budget has been prepared with the assumption that the City will provide its citizens with the same level of service that was delivered in the previous year.

The exceptions are:

- Five additional RCMP officers and 2 Police Services support staff (\$839,000) previously approved by Council;
- Strategic planning (\$100,000) as previously directed by Council;
- Recommended Higher Service Levels – detail below (\$240,000)

There are numerous items that vary from year to year. However, we can generally quantify the increase in taxation as follows:

• Five additional RCMP officers and 2 Police Services support staff	\$839,000
• Decrease in Casino Revenue	200,000
• Decrease in Building Revenue	177,000
• Higher Service Levels	240,000
• Strategic Planning	100,000
• Payment on 5-year debt for Annex Replacement	<u>920,000</u>
Total of these increases:	\$2,476,000

1% of taxes equates to \$835,000 for 2012.

The projected growth in Nanaimo's assessment base is projected to cover increases in costs for existing services.

Higher Service Level Requests

In recognition of current economic conditions, staff submitted very few requests for higher services this year. There are ten requests totalling \$1,630,000, the majority of which are for increased police staffing. The City Manager has recommended that only two requests be

included in the budget package for Council's review. One is for an Internal Auditor. This position would be an excluded position reporting to the Assistant City Manager/General Manager, Corporate Services (or higher). Internal Audit is an independent, objective assurance activity designed to add value and improve municipal operations. An Internal Auditor can assist a municipality to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the risk management, control and governance processes by carrying out financial control audits, compliance audits and performance audits focused on effectiveness and efficiency of processes, programs and departments.

The second recommendation is to hire a consultant to provide a seismic screening of 45 of the City's inventory of 170 buildings. This assessment will assist the City to ensure that Occupational Health and Safety responsibilities are being met and will provide data for developing an asset management plan.

Council may add or delete items as desired. Any change will have an impact on property taxation.

Budget Priorities

At the Regular Finance/Policy Committee of the Whole meeting held on 2010-Aug-30, Council adopted a number of budget priorities.

Within a context of fiscal responsibility and sustainable property tax increases and reflecting the community's Pride of Place, the City of Nanaimo's budget priorities are:

1. maintain high standard of protective services;
2. maintain civic infrastructure at current or better levels;
3. Improve water supply system to ensure adequate supply of high quality drinking water;
4. work with employee groups to continuously improve City services;
5. transition to more sustainable operations;
6. responsible growth management;
7. partner with the Province and non-profit associations to reduce homelessness in Nanaimo; and
8. support Economic Development Commission in developing and implementing an updated economic development strategy.

In addition, the 2012-2016 Financial Plan was prepared with an emphasis on maintaining existing physical assets, and giving a lower priority to the development of new facilities.

It is recognized that the new Council will be developing its own strategic priorities and that the above Budget Priorities will likely be amended.

SUMMARY:

For the sake of illustration, staff has used \$350,000 as a typical assessed value for a single family home in 2012. The impact of the property tax increase for this home in 2012 is estimated at \$71.41, plus an additional \$15.83 for the increase in water rates and \$7.00 for

garbage rates. That makes the total impact of the proposed budget \$94.24 or 4.1%. This does not include any other taxing agency (school, hospital, Regional District of Nanaimo), as these increases are not known at this time.

Respectfully submitted,

B.E. Clemens
Director of Finance

D.W. Holmes
Assistant City Manager and
General Manager of Corporate Services

BEC/hp
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