



## Committee of the Whole Report For the Meeting of May 3, 2018

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**To:** Committee of the Whole **Date:** April 23, 2018  
**From:** Susanne Thompson, Director of Finance  
**Subject:** Direction for 2019 Financial Plan

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### RECOMMENDATION

That Council direct staff to:

1. Prepare a draft 2019 Financial Plan for Council's consideration that:
  - a. maintains existing services and service levels
  - b. continues the in-progress initiatives within the 2015-2018 Strategic Plan
  - c. provides for the tax increase to maintain existing services and service levels, plus the impact of the new health tax to be imposed by the Province of BC
  - d. factors in \$200,000 in savings from the reduction in 2018 Medical Services Plan premiums to fund a portion of the premiums in 2019
2. Bring forward the draft 2019 Financial Plan in the late fall 2018 to accommodate Council's orientation and strategic planning sessions

### EXECUTIVE SUMMARY

Council sets objectives for the City through the Strategic Plan and aligns service levels and allocates funding through the annual financial planning process to achieve those objectives and to provide a wide range of services throughout the City. The current Strategic Plan ends in 2018 in alignment with Council's term in office. As a result, direction for financial planning for 2019, which for the last four years has been given through the current Strategic Plan, has yet to be provided. This report seeks that direction recognizing that the general local election in October 2018 will result in a new strategic planning process as well as a likely delay to the standard timelines established for the financial planning process.

As Council is aware, the Province of BC will be introducing a new health tax starting in 2019. This new tax will eventually replace Medical Services Plan (MSP) premiums in 2020. The Province has yet to announce the details of how the tax will be applied (for example definition of taxable earnings and maximum taxable amounts have not been specified.) The tax will apply to all employers whose payroll exceeds \$500,000 annually. For the City, whose payroll exceeds \$1.5 million, the tax rate will be 1.95%. The estimated impact to the City is \$2.3 million, including an estimated \$400,000 for the MSP premiums that will remain in effect for 2019. This equates to an approximate tax increase of 2%.

Through the 2015-2018 Strategic Plan, Council provided direction for a maximum tax increase of inflation plus 1%. Should Council provide the same direction for 2019, the cost of the new health

tax cannot be accommodated without impacting service levels. Staff could prepare a draft budget to maintain existing services and increase property taxes to fund the impact of the new health tax (estimated overall tax increase ranging 4.5-5%). Bringing forward a draft financial plan on this basis does not prevent Council's consideration of using new assessment property tax revenue from new construction to lessen the tax impact. Alternatively, staff could bring forward options for service level reductions to accommodate the new health tax. In order to develop budgets that meet Council's expectations, staff are requesting Council's direction for 2019.

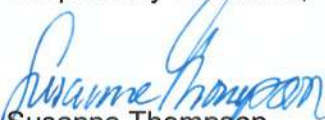
MSP premiums will remain in effect in 2019 resulting in additional one-time costs for that year. The Province did reduce the premiums by 50% starting in 2018 (approximately \$400,000 in savings compared to 2017.) However, the 2018 budget was prepared based on estimates for cost changes to all benefits and employer costs, including the reduction in MSP. Council had previously inquired whether any savings could be used to offset the additional cost that will be incurred in 2019. Now that actual rates are known, staff have re-calculated the net impact and confirm that approximately \$200,000 of savings are included in the 2018 budget and could be used to fund a portion of the 2019 MSP costs.

For Council's consideration, staff propose to prepare a draft financial plan that continues to provide current services at current service levels, as well as incorporates all incomplete Strategic Plan initiatives and capital projects that are underway.


One of the objectives of the new financial planning process introduced in 2015 was shifting the timeline. Now, draft budgets are introduced to Council and the community in the fall to enable deliberations and consultation, and ultimately approval by Council, before the fiscal year starts in January. This timeline enables staff to start implementing the direction of Council early each year. To continue to achieve that objective while accommodating Council's orientation and strategic planning sessions, it is proposed that the draft financial plan be introduced in late November or early December.

Staff recognize that, after the fall election, the newly elected Council will provide additional direction for 2019 and beyond through its strategic planning sessions. This timeline provides the opportunity for Council to first familiarize itself with the already established services as well as initiatives underway (through Council orientation and the introduction of the draft financial plan), and to provide further direction before the financial plan is finalized in early 2019.

Respectfully submitted,

  
Susanne Thompson  
Director of Finance

Report accepted and recommended by the City Manager:

  
Date: April 24, 2018