



Committee of the Whole Report For the Meeting of January 10, 2020

To: Committee of the Whole **Date:** December 18, 2019
From: Susanne Thompson, Deputy City Manager and Chief Financial Officer
Subject: Consolidated Supplementary Request Prioritization

RECOMMENDATION

That Council receive this report for information.

EXECUTIVE SUMMARY

At the December 5, 2019 Committee of the Whole meeting staff provided a report summarizing all items with a budget impact that had been discussed during the financial planning process. The purpose of that report was to provide a consolidated listing to assist Council's decision making in January.

Supplemental budget requests are any requests in addition to what has been included in the draft Financial Plan. Staff bring forward requests in support of areas that are experiencing pressure in delivering current service levels, or for services where the budget allocations have previously been provided on a one-time basis only. These are outlined in Appendix A as the additional priorities brought forward by staff. There are a number of other additional funding considerations that have resulted from the budget deliberations to this point that are Council initiated either through motion or the Strategic Plan. At the December 5th meeting, Council members expressed a desire for staff to prioritize the consolidated listing of proposed budget items.

Council provides overarching direction for financial planning through the Financial Sustainability Policy, as well as specific direction on a maximum tax increase through the Strategic Plan. Staff bring forward a draft Financial Plan adhering to that direction. Included within the draft Financial Plan are resource allocations to maintain current services at current service levels.

The Financial Sustainability Policy guides decision-making for funding existing services (Policy 2), and new or enhanced services (Policy 3), as well as use of new tax revenue from new development (Policy 1) as follows:

2. Property Tax Increase

Rising costs of existing services at existing service levels must be recognized. One-time revenues or non-renewable reserves should not be used to fund on-going operating expenses.

Policy 2.0

Each budget cycle, Council will consider the property tax increase required by first covering the projected cost increase for existing services at existing service levels and then considering other enhancements. (Also see Policy 3.)

3. New Services and Major Enhancements to Existing Services

The property tax increase established under Policy 2 allows the City to provide the same level of service to the existing tax base. It is not designed to provide for new services or major enhancements to existing services.

Policy 3.0

New services or enhancements to existing services will be funded by one or a combination of the following:

1. A reduction in the cost of existing services. This may include a reallocation of resources from one area to another.
2. An increase in non-tax revenues.
3. A further increase in property taxes.

1. Growth in Property Tax Base

The City is surrounded by other municipalities and has no ability to expand. However, re-development is occurring that brings in new property tax revenue. This new revenue must be estimated using the best available data. The City recognizes that any new developments or re-developments increase demand on existing infrastructure and may result in the need to expand that existing infrastructure.

Policy 1.0

Conservative estimates of non-market change assessment revenue will be included in the budget based on information provided by BC Assessment, the Planning and Development Department and the Finance Department.

Policy 1.1

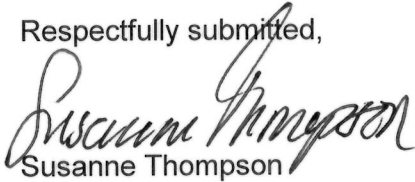
To balance infrastructure upgrade needs with ongoing operating funding requirements, the first \$500,000 of assessment growth (non-market change) property tax revenue will be transferred to infrastructure reserves and the remaining balance allocated as determined by Council.

Council has not established overarching criteria for prioritization of additional services. There are numerous competing interests and objectives to be assessed and balanced in order to establish priorities. Therefore, responding to Council's indication of interest for staff to prioritize the Council initiated supplemental requests is not considered appropriate as staff have no guiding principles to follow. These would be more appropriately assessed from a political perspective. In the report backs on these items, staff have indicated the financial implications required to enable proper consideration in the full context of the financial planning process. The funding for these items would either be new tax revenue from new development, a tax increase or a reduction in some other service area. For certainty, staff have prioritized the staff initiated supplemental budget requests that were submitted with the draft financial plan initially. From a staff perspective, these supplemental requests are considered to be the priority items based on service demands being experienced at this time.

As such, staff's recommendation for prioritization is to first fund all items included within the draft Financial Plan and then consider the items listed in Appendix A, which is consistent with the policy

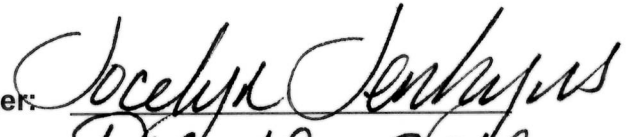
direction established through the Financial Sustainability Policy. The prioritization of expanding services or adding projects are completely within Council's purview for the reasons noted above.

Respectfully submitted,



Susanne Thompson
Deputy City Manager and Chief Financial Officer

Report accepted and recommended by the City Manager:


Date: Dec 19, 2019

List of Attachments

Appendix A – Budget Requests Related to Pressures in Delivering Current Services