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CITY OF PRINCE RUPERT  
REPORT TO COUNCIL

**DATE:** February 26<sup>th</sup>, 2018  
**TO:** Robert Long, City Manager  
**FROM:** Corinne Bomben, Chief Financial Officer  
**SUBJECT:** 2018 BUDGET PRESENTATION

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**RECOMMENDATION:**

**THAT Council receive this report for information purposes and delay any direction to Staff until after public consultation and final BC Assessment values are released.**

**BACKGROUND:**

Each year the City of Prince Rupert must prepare a Five Year Financial Plan. The information required in the plan is defined in the *Community Charter*. The Five Year Financial Plan Bylaw and an accompanying Annual Property Tax Bylaw must both be passed before May 14<sup>th</sup> of the current year.

**DISCUSSION:**

**Financial Plan Process:**

The Financial Plan Process began in October, 2017 with Department Head discussions. Department Heads were asked to estimate the cost of operating their department for the 2018 year based on their operating experience in 2017 and their knowledge of anticipated cost changes. They were advised to be prudent and plan a Status Quo Budget - expenditures should be budgeted at levels that would provide the same level of service as in 2017.

In December 2017, Council approved schedules of Capital Works and Capital Purchases. These schedules were approved so that staff could begin implementing the processes that are required to execute these plans. Council also approved the 2018 Community Enhancement Grants.

As final 2017 financial information becomes available and our expectations for 2018 become clearer, our preliminary estimates have allowed us to prepare this budget for the 2018 year.

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**Financial Plan Assumptions:**

The Financial Plan has been prepared with conservative assumptions regarding anticipated revenues and expenditures. The following assumptions and criteria have also been incorporated into the budget. Many are 'self-evident' or basic to any budget, but adhering to them does cost money:

Statutory financial payments – Provision has been made in the budget to ensure that the City will be able to pay its statutory financial obligations.

Contractual requirements – Provision has been made in the budget to ensure that the City will be able to pay its contractual requirements for wages, services and supplies.

Community Charter – The proposed Financial Plan adheres to the requirements defined in the Community Charter.

Status Quo – Senior staff were advised that there would not be budget for new initiatives beyond what was deemed necessary. This has been the practice for many years and staff are well aware that 'nice-to-haves' are still not an option. Rather, 'must-be-done' is the driving force behind the City's service provision.

Grants & Permissive Exemptions – Provision for financial assistance to other organizations has been included in the budget at Council approved levels.

Energy costs – For 2018, it is assumed that annual total energy needs will not change significantly compared to last year.

Cash Flow – The City will have sufficient cash on hand to meet our obligations as they become due.

**Property Tax Revenue:**

The City has now received the first draft of the 2018 BC Assessment Property Tax Assessment Roll. Although assessments have increased, we must adjust the mill rate to that which would achieve the same level of taxation revenue as in 2017.

**2018 – 2022 Financial Plan Budget Information (Attachment A)**

The 2018 Budget has been attached to this report which includes

- the 2017 Unaudited Actuals to date, the 2017 Budget, the Budget for 2018, the Variance between the two; and,
- the projected 2019 through 2022 Budgets making up the remainder of the 5 Year Financial Plan.

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**Highlights of the 2018 budget:**

Notable differences between the 2017 and 2018 budgets are:

- All capital purchases and works are to be funded through grants, reserves, dividends, operations, short term and long term debt and operating surplus carried forward from 2017;
- Contractual wage increases and benefit rate increases result in an additional cost of \$360,000 (2% of payroll costs);
- The RCMP ratified federal contract has resulted in an additional cost of \$200,000 for the municipal members staffed at the local detachment;
- The interim agreement reached between Prince Rupert and the District of Port Edward regarding the Ridley Island Tax Sharing Agreement has expired, and Port Edward doesn't want to enter into another interim agreement. Pending further developments the City has budgeted paying all of the amount calculated under the Ridley Island tax sharing agreement. This results in an additional \$300,000 to be paid to Port Edward above last year. The total payment expected is \$900,000;
- Prince Rupert Legacy Inc. will be providing a dividend of \$600 thousand to wind down planning for major projects initiatives, as well as \$900 thousand for Capital Works (of which \$550 thousand is for Phase 1 of the Water Project). This dividend results in no impact to taxpayers for one-time costs of an operational and capital nature;
- City West has advised that it expects to be able to provide a dividend to the City in the amount of \$400,000;
- The Prince Rupert Port Authority has confirmed a targeted Payment in Lieu of Tax at full BC Assessment values;
- Non-Market change in assessments has resulted in an increase in Property Taxation revenue of approximately \$560,000;
- Utilities funds are self-funding. Increases in Utilities rates have covered the projected operational costs. Phase 2 of the Water Project is expected to cost \$7 million more, requiring debt in 2018 or 2019; and,
- Experience savings have been reflected in the budget.

After taking into consideration the expected revenues and expenditures for normal service operations, the City is anticipating no tax increase for 2018.

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### Homeowner Calculation

This draft mill rate doesn't necessarily mean a freeze to the amount paid to the City for every taxpayer. It depends on the change in the assessed value of a taxpayer's property. For instance, if a homeowner's assessed value increased more than the average (4.68%), then the property taxes due would be higher compared to the previous year. The opposite is true as well for those who saw their assessed value decrease more than the average. This is why it is important for each property owner to calculate the impact of the proposed recommendation to help them understand the actual financial implications to themselves. To do this calculation for a residential homeowner, one needs to take the value of their home divided by 1000, then multiplied by the proposed residential mill rate. This equals the value in municipal property tax that will be levied.

The proposed 2018 municipal residential mill rate is expected to be:  
(see Attachment B for all classes)

Residential Mill Rate	6.19184
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For a homeowner with an average assessed value, the change is as follows:

2017 Average Assessment (rounded) \$260,000	\$1,685
2018 Average Assessment (rounded) \$272,000	<u>\$1,685</u>
Increase to average homeowner	\$ 0

### Payment Options

Property owners are encouraged to make payments toward their annual property taxes through monthly pre-authorized withdrawals. This method removes the hardship of a single payment and instead smooths it out over the calendar year. This is also offered within mortgaging options with financial institutions.

Another option for specified homeowners is the deferral programs offered by the Province of British Columbia. Under these programs, the Province pays the property taxes and when the home is sold, recoups the taxes from the sales proceeds.

### Summary

Contractual wage and benefit increases, RCMP contract increases, loan obligations for the RCMP cell block and the replacement Public Works building and the impacts resulting from the change in the Port Edward tax sharing arrangement for this year, have been offset by non-market change and experience savings. Given this, staff have been able to balance the draft budget with no increase to the mill rate. Staff recommend each property owner utilize the proposed mill rates provided in Attachment B to calculate the impact to them and are reminded that even without an increase, the impact to them may be an increase in total taxes paid compared to the previous year given the change in their assessment. Tax payers are reminded that the tax notice includes taxes on behalf of other taxing authorities. *The only rate this budget relates to is the General rate on all property tax bills.*

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Property owners are encouraged to contact the finance department to learn of ways to lessen the financial impact of property taxes on owners.

**CONCLUSION:**

**Council, by receiving this report for information purposes, will provide the 2018 Financial Plan Budget Information to the community for the purposes of public consultation during the upcoming Financial Planning Process.**

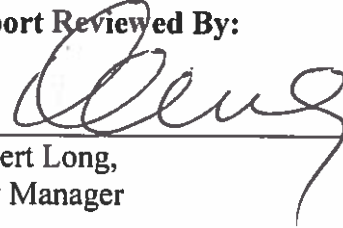
**Report Prepared By:**



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Corinne Bomben,  
Chief Financial Officer

**Report Reviewed By:**



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Robert Long,  
City Manager

- Attachment A: 2018 – 2022 Financial Plan; and
- Attachment B: Proposed 2018 Municipal Mill Rate.

GENERAL OPERATING FUND	Unaudited Actual YTD December	Budget 2017	Variance (2017 Budget Compared to Actual)	Budget 2018	Variance (2018 Budget compared to 2017 Actual)	Budget 2019	Budget 2020	Budget 2021	Budget 2022
<u>Revenues by Department</u>									
Airport Ferry	1,410,883	1,539,000	(128,117)	1,435,000	24,117	1,435,000	1,435,000	1,435,000	1,435,000
Cemetary	74,881	72,000	2,881	72,000	(2,881)	75,000	78,000	81,000	85,000
Corporate Administration	70	-	70	-	(70)	-	-	-	-
Cow Bay Marina	253,157	281,000	(27,843)	255,000	1,843	261,000	267,000	273,000	279,000
Development Services	508,268	536,000	(27,732)	523,000	14,732	549,000	551,000	552,000	553,000
Economic Development	76,792	68,000	8,792	50,000	(26,792)	50,000	50,000	50,000	50,000
Finance	18,466	15,000	3,466	12,000	(6,466)	12,000	12,000	12,000	12,000
FD Fire Protective Services	5,143	2,000	3,143	2,000	(3,143)	2,000	2,000	2,000	2,000
FD 911	111,899	130,000	(18,101)	102,000	(9,899)	100,000	98,000	96,000	94,000
Fire Emergency Services	-	142,500	(142,500)	385,000	385,000	65,000	-	-	-
Fiscal Revenues	9,039,736	6,804,000	2,235,736	7,789,000	(1,250,736)	7,169,000	7,180,000	7,191,000	7,202,000
Information Technology	1,200	1,000	200	1,000	(200)	1,000	1,000	1,000	1,000
PW Engineering	5,633	3,000	2,633	63,000	57,367	65,000	67,000	69,000	71,000
Parks	10,900	-	10,900	-	(10,900)	5,000	5,000	5,000	5,000
PW Common Revenues	66,388	14,000	52,388	15,000	(51,388)	15,000	15,000	15,000	15,000
Roads	-	-	-	-	-	-	-	-	-
RCMP	90,577	74,000	16,577	90,000	(577)	93,000	93,000	93,000	93,000
Rec. Centre Arena	176,907	182,000	(5,093)	184,000	7,093	169,000	172,000	175,000	175,000
Rec. Centre Civic Centre	264,018	273,000	(8,982)	257,000	(7,018)	263,000	268,000	273,000	273,000
Rec. Centre Community Services	20,396	20,000	396	52,000	31,604	21,000	21,000	21,000	21,000
Rec. Centre Pool	416,435	463,000	(46,565)	419,000	(46,565)	426,000	432,000	439,000	446,000
Transit	350,229	329,000	21,229	376,000	25,771	376,000	376,000	376,000	376,000
Victim Services	54,283	55,000	(717)	62,000	7,717	62,000	62,000	62,000	62,000
Watson Island	-	400,000	(400,000)	400,000	400,000	-	-	-	-
Property Taxes (existing)	12,956,261	11,403,500	1,552,761	12,544,000	(412,261)	11,214,000	11,185,000	11,221,000	11,250,000
Property Tax Increase - Non-market change	15,862,528	15,617,000	245,528	15,863,000	472	16,427,000	16,427,000	16,427,000	16,427,000
Property Tax Increase - 0%	-	160,000	(160,000)	584,000	564,000	1,331,000	1,134,000	1,518,000	1,935,000
PR Legacy- Injection for Economic Growth Project	582,080	1,300,000	(717,920)	600,000	17,920	20,000	-	-	-
PR Legacy- Capital Works	1,065,420	1,750,000	(684,580)	-	(1,065,420)	-	-	-	-
PR Legacy- Capital Purchases	250,000	289,000	(39,000)	150,000	(100,000)	-	-	-	-
Conditional Project Grants- Capital Works	490,446	520,000	(29,554)	55,000	(435,446)	-	-	-	-
Conditional Project Grants- Capital Purchases	594,239	902,000	(307,761)	2,055,000	1,460,761	-	-	-	-
Appropriated Reserves Capital Works	331,833	330,000	1,833	100,000	(231,833)	-	-	-	-
Appropriated Reserves Capital Purchases	203,172	750,000	(546,828)	1,495,000	1,291,828	-	-	-	-
Appropriated Surplus For Capital Works	1,331,290	1,390,000	(58,710)	200,000	(1,321,290)	-	-	-	-
Long Term Loan MFA	-	150,000	(150,000)	200,000	200,000	-	-	-	-
	934,047	990,000	(55,953)	1,358,000	421,953	-	-	-	-
<b>Total Operating Fund Revenues</b>	<b>34,601,316</b>	<b>35,551,500</b>	<b>(950,184)</b>	<b>34,992,000</b>	<b>390,684</b>	<b>28,992,000</b>	<b>28,746,000</b>	<b>29,166,000</b>	<b>29,612,000</b>

2018 -2022 Financial Plan

By Fund

February 14, 2018

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GENERAL OPERATING FUND	Unaudited Actual YTD December	Budget 2017	Variance (2017 Budget Compared to Forecast)	Budget 2018	Variance (2018 Budget compared to 2017 Forecast)	Budget 2019	Budget 2020	Budget 2021	Budget 2022
<b>Expenditures by Department</b>									
Airport Ferry	2,550,118	2,680,000	129,882	2,588,000	(37,882)	2,486,000	2,561,000	2,638,000	2,725,000
Cemetery	240,837	234,000	(6,837)	238,000	2,837	244,000	250,000	255,000	260,000
Civic Properties	330,979	385,000	54,021	356,000	(25,021)	364,000	368,000	373,000	377,000
Corporate Administration	929,285	1,000,000	70,735	1,000,000	(70,735)	1,073,000	1,091,000	1,110,000	1,129,000
Cow Bay Marina	197,166	181,000	(16,166)	207,000	(9,834)	204,000	208,000	212,000	216,000
Economic Development	140,166	143,000	1,537	130,000	(10,166)	150,000	153,000	155,000	158,000
Development Services	922,523	1,129,000	206,477	1,065,000	(142,477)	1,084,000	1,102,000	1,122,000	1,142,000
FD 911	505,990	530,000	24,010	535,000	(29,010)	545,000	556,000	566,000	578,000
FD Fire Protective Services	2,963,673	2,927,000	(36,673)	2,950,000	13,673	2,958,000	2,962,000	2,966,000	2,970,000
FD Emergency Measures	30,567	175,500	144,933	418,000	(387,433)	98,000	33,000	33,000	33,000
Finance	779,408	773,000	(6,408)	794,000	(14,592)	808,000	822,000	837,000	852,000
Finance Cost Allocation	(359,000)	(359,000)	-	(359,000)	-	(359,000)	(359,000)	(359,000)	(359,000)
Fiscal Expenditures	1,893,178	2,281,000	391,300	2,875,000	(981,822)	3,549,000	2,830,000	2,794,000	2,764,000
Governance	298,008	326,000	27,992	305,000	(6,992)	306,000	309,000	311,000	314,000
Grants to Support Other Organizations	1,380,307	1,380,000	(307)	1,410,000	(29,693)	1,390,000	1,393,000	1,396,000	1,399,000
Information Technology	461,193	502,000	40,807	530,000	(68,807)	538,000	547,000	555,000	563,000
Parks	830,628	921,000	90,372	967,000	(136,372)	985,000	1,002,000	1,021,000	1,040,000
PW Engineering	424,230	447,000	22,770	441,000	(16,770)	452,000	464,000	476,000	488,000
PW Common Costs	3,492,067	3,733,000	240,933	3,708,000	(215,933)	4,019,000	4,090,000	4,165,000	4,240,000
Allocation of PW Common Cost	(3,651,057)	(3,733,000)	(40,463)	(3,708,000)	(56,943)	(4,019,000)	(4,090,000)	(4,165,000)	(4,240,000)
PW Vehicles	1,354,012	1,266,000	(88,012)	1,274,000	80,012	1,260,000	1,285,000	1,310,000	1,343,000
Allocation of PW Vehicles	(1,354,298)	(1,266,000)	88,298	(1,274,000)	(80,298)	(1,293,000)	(1,313,000)	(1,334,000)	(1,354,000)
RCMP	5,139,569	5,077,000	(62,569)	5,336,000	(196,431)	5,442,000	5,551,000	5,663,000	5,776,000
Rec. Centre Arena	366,681	340,000	(26,681)	394,000	(27,319)	405,000	413,000	420,000	426,000
Rec. Centre Civic Centre	1,892,092	1,829,000	(63,092)	1,851,000	(27,319)	1,914,000	1,950,000	1,986,000	2,015,000
Rec. Centre Community Services	9,244	20,000	10,756	52,000	(42,756)	37,000	37,000	37,000	37,000
Rec. Centre Pool	1,273,411	1,314,000	40,589	1,256,000	(17,411)	1,291,000	1,316,000	1,341,000	1,368,000
Roads	2,026,564	1,994,000	(32,564)	2,017,000	9,564	2,054,000	2,091,000	2,128,000	2,167,000
Transit	817,863	874,000	56,117	873,000	(55,117)	887,000	1,003,000	1,032,000	1,062,000
Victim Services	112,340	112,000	(340)	119,000	(6,660)	120,000	121,000	122,000	123,000
Watson Island	835,999	400,000	(435,999)	400,000	435,999	-	-	-	-
Transfer to Reserves (Interest & Care Fund)	234,145	95,000	(139,145)	95,000	139,145	-	-	-	-
Provision for Capital Purchases	3,561,714	4,641,000	1,079,286	5,284,000	(1,702,286)	-	-	-	-
Provision for Capital Works	2,110,954	3,200,000	1,089,046	885,000	(1,225,954)	-	-	-	-
<b>Total Operating Fund Expenditures</b>	<b>32,740,555</b>	<b>35,551,500</b>	<b>2,854,605</b>	<b>34,892,000</b>	<b>(2,251,445)</b>	<b>28,992,000</b>	<b>28,746,000</b>	<b>29,166,000</b>	<b>29,612,000</b>
<b>Surplus(Deficit)</b>	<b>1,860,760</b>	<b>-</b>	<b>1,904,421</b>	<b>-</b>	<b>(1,860,760)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

UTILITY OPERATING FUNDS	Unaudited Actual YTD December	Budget 2017	Variance (2017 Budget Compared to Forecast)	Budget 2018	Variance (2018 Budget compared to 2017 Forecast)	Budget 2019	Budget 2020	Budget 2021	Budget 2022
<b>Sewer</b>									
Revenues	2,390,217	2,480,000	(89,783)	2,504,000	113,783	2,628,000	2,759,000	2,932,000	3,039,000
Grants-CWF	94,154	317,500	-	6,000	(88,154)	-	-	-	-
Appropriated Surplus- Cap Works	182,513	117,500	(23,346)	-	(182,513)	-	-	-	-
Capital works	(718,913)	(980,000)	261,087	(951,000)	(232,087)	(1,227,000)	(1,332,000)	(1,479,000)	(1,560,000)
Revenue for operations	1,947,971	1,935,000	147,958	1,559,000	(388,971)	1,401,000	1,427,000	1,453,000	1,479,000
Expenditures	1,050,852	1,935,000	884,148	1,559,000	(508,148)	1,401,000	1,427,000	1,453,000	1,479,000
Surplus (Deficit)	897,119	-	1,032,106	-	(897,119)	-	-	-	-
<b>Water</b>									
Revenues	2,679,062	2,781,000	(101,938)	2,808,000	128,936	3,090,000	3,152,000	3,216,000	3,281,000
Grants	4,250,143	13,607,500	(9,357,357)	7,385,000	3,114,857	-	-	-	-
PR Legacy	3,256,500	4,050,000	(793,500)	550,000	(2,706,500)	-	-	-	-
Appropriated Surplus- Cap Works	200,000	250,000	(50,000)	-	(200,000)	-	-	-	-
Long Term Loan MFA	-	-	-	8,613,000	8,613,000	-	-	-	-
Reserves	-	-	-	30,000	30,000	-	-	-	-
Joint	-	42,500	(42,500)	-	-	-	-	-	-
Capital works	(7,967,202)	(18,450,000)	10,482,798	(17,258,000)	(9,290,798)	(681,000)	(711,000)	(741,000)	(771,000)
Revenue for operations	2,418,503	2,281,000	137,503	2,108,000	(310,503)	2,409,000	2,441,000	2,475,000	2,510,000
Expenditures	1,808,976	2,281,000	472,024	2,108,000	(299,024)	2,409,000	2,441,000	2,475,000	2,510,000
Surplus (Deficit)	609,527	-	609,527	-	(609,527)	-	-	-	-
<b>Solid Waste</b>									
Revenues	2,991,230	2,960,000	31,230	3,140,000	148,770	3,296,000	3,461,000	3,635,000	3,819,000
Appropriated surplus	-	-	-	150,000	150,000	-	-	-	-
Accruals	-	-	-	1,030,000	1,030,000	-	-	-	-
Grants	-	-	-	7,500	7,500	-	-	-	-
Gas tax	329,636	1,000,000	670,364	2,486,000	2,136,364	-	-	-	-
Capital works	(829,636)	(1,500,000)	(670,364)	(4,386,500)	(3,536,864)	(826,000)	(488,000)	(1,094,000)	(1,241,000)
Revenue for operations	2,491,230	2,460,000	31,230	2,427,000	(64,230)	2,470,000	2,973,000	2,541,000	2,578,000
Expenditures	1,944,793	2,460,000	515,217	2,427,000	(482,217)	2,470,000	2,973,000	2,541,000	2,578,000
Surplus (Deficit)	546,447	-	546,447	-	(546,447)	-	-	-	-



**Proposed 2018 Municipal Mill Rate**

<b>Property Class</b>	<b>2017 Municipal Mill Rate</b>	<b>Proposed 2018 Municipal Mill Rate</b>
Residential	6.48162	6.19184
Utility - Capped 40.0	40.0	40.00
Major Industrial	52.72733	53.10972
Major Industrial - Capped 27.50	27.50	27.50
Major Industrial - Capped 22.50	22.50	22.50
Light Industry	27.24454	26.92148
Business	25.74272	25.28009
Non-Profit/Recreation	4.98387	4.95168