



COMMITTEE OF THE WHOLE

For the **COMMITTEE OF THE WHOLE MEETING** of Council to be held on Monday, July 21, 2025, at 7:00 pm in the Council Chambers of City Hall, 424 – 3rd Avenue West, Prince Rupert, B.C.

1. CALL TO ORDER

2. ADOPTION OF THE AGENDA

Recommendation:

THAT the Agenda for the Committee of the Whole Meeting of Monday, July 21, 2025, be adopted as circulated.

3. REPORTS

a) Report from the Chief Financial Officer: GOV-30-2025 Financial Stability & Resiliency Policy

Recommendation:

THAT Council approves the Financial Stability & Resiliency Policy GOV-30-2025;

AND THAT Council's Committee of the Whole resolution be recommended to the Regular Meeting of Council July 21, 2025.

3. QUESTIONS AND INQUIRIES FROM MEMBERS OF COUNCIL

4. ADJOURNMENT to Regular Council Meeting



REPORT TO COUNCIL

Committee of the Whole

DATE: July 21, 2025
TO: Richard Pucci, Chief Administrative Officer
FROM: Corinne Bomben, Chief Financial Officer

SUBJECT: GOV-30-2025 FINANCIAL STABILITY & RESILIENCY POLICY

RECOMMENDATION:

THAT Council approves the Financial Stability & Resiliency Policy GOV-30-2025;

AND THAT Council's Committee of the Whole resolution be recommended to the Regular Meeting of Council July 21, 2025.

REASON FOR REPORT:

The attached policy has been developed to provide guidance to the City in meeting financial obligations with respect to funding City services.

BACKGROUND:

The City has experienced cyclical periods of boom and bust resulting in one-time investments in community assets not available in other communities our size during good times. Meanwhile, in bad times, financial constraints led to hard decisions and significantly reduced services. The attached finance policy has been prepared in an effort to mitigate the risk of financial shock occurring again and creating a stable financial environment to ensure assets are maintained through good times and bad.

ANALYSIS:

The policy provides guidance for decision making to meet the ongoing operational needs of the City on an annual basis. The same principles are used to guide the financial management in the City's utility funds as well.

The policy is only guidance for staff in developing the Budget that is proposed annually to Council. Council retains the discretion to determine the levels of service provided to action the strategic plans of Council and similarly the budget necessary to do so.

Within the proposed policy, growth related income from positive non-market change is addressed with a clear direction on the most appropriate use of new Major Industrial assessment class taxes received as described below. Non-market change associated with the remaining assessment classes will be allocated to the baseline general operating budget with any shortfall presented as a recommended increase. Alternatively, in the event of a budgeted surplus, the allocation of the remaining taxes collected can be placed in capital reserves or into an operating reserve designated for a specific purpose.

Guidance related to funds obtained through debt retirement is identified as well as the inclusion of the Council approved asset management component of user fees (2%) already established by bylaw in 2016 to systematically raise funds for capital replacement and renewal. These funds are transferred to their respective utility reserves, also established by bylaw. Including the bylaw fees simply articulates their existence within the policy.

Benefits of allocating Major Industrial Non-Market Change

Our community is one of a very limited number of local governments that has a major industrial taxpaying group. Signs are that there will continue to be growth in this rate paying class. Establishing a strategy to harness the benefits of increases in industrial taxes in the most impactful way possible is included in the policy by allocating any new taxation from newly created assessment properties associated with major industrial growth to capital reserves. These benefits are outlined as follows:

1. Mitigating Industry Life Cycle Risk

The City entered a local recessionary period when the City's largest employer and single taxpayer, Skeena Cellulose, closed its operations. The loss of this taxpayer had a significant impact on the City's budget due to the loss in major industry revenues. The unintended consequences of these decisions from the past are being felt today. The City should protect itself from the potential of again becoming economically dependent on a single taxpayer such that serious financial curtailment in the reinvestment of City infrastructure is the outcome if that industry is lost. Although the City has a more diversified major industrial taxpayer pool, the reality is that all of the current major industrial taxpayers are involved in the import/export industry. To mitigate the risk of a significant shift in global trade impacting the City's operating budget any further than it would already, it is recommended that any future taxation as a result of positive non-market change from new major industrial properties be allocated to capital reserves which can be used for one-time projects, service debt for large projects and/or accumulated for the maintenance and renewal of existing assets. The allocation of these new funds will be a consistent source of revenues for as long as the major industrial property exists. By structuring the use of new funds in this manner, Council will minimize any over-reliance of the City's

operational budgets on industrial sources of funding and mitigate the risks associated with a large single source loss.

2. Alleviates burden on Homeowners and Small business

The cost of replacing infrastructure is escalating rapidly. The City is supporting a community infrastructure capable of accommodating a population double the existing size and this infrastructure is in or near end of life. Council is well versed on the infrastructure gap and the City has been advocating for significant grants to help minimize the financial burden otherwise paid by users for capital renewal. Much of the infrastructure gap is for utilities infrastructure which not all property owners are connected to, particularly major industrial terminals. This, combined with the depreciating impacts on revenues associated with the Port Property Tax Act, results in much of the capital renewal burden falling on homeowners and small business. Allocating the future non-market change from new major industrial growth to capital reserves will enable Council to direct funds across all the infrastructure replacement needs thereby lessening the overwhelming burden (see Table 1) otherwise shouldered by the residential and small business ratepayer. The amounts in capital reserves can then be used to fund the expenditures outright or, for larger projects, fund the debt payments necessary should debt be required.

Table 1 - Impact of policy on upcoming project (in absence of grants, tbd)		
Example Project: \$45,000,000 Water Treatment Plant at a Debt Term of 30 years		
Debt Amount	Annual Repayment Amount	Debt Repayment Impact
<i>If funded by Water Fees</i>		
\$45,000,000	\$2,700,000 Annual Debt Payment	<u>77% Water Fee increase needed in year of first payment</u> (1% Water Fee increase (above 2025 rates) = \$35,000 in additional revenues)
<i>If funded by New Taxes from New Major Industry (<i>hypothetical</i> - \$3,000,000 placed into Capital Reserves)</i>		
\$45,000,000	\$2,700,000 Annual Debt Payment	<u>No impact to rate payers;</u> \$300,000 balance in Capital Reserves remaining from new taxes, which can be used for other capital projects or invested as part of asset management for replacement of another asset in future.

Real example of policy proposed

To illustrate the impact of this approach to major industrial growth on city capital renewal, in 2019 and 2020 Council agreed to the allocation of non-market change from the LPG development on Ridley Island to service the debt for the new RCMP detachment. Depending on interest rates when the 30-year debt is taken this Fall, it is expected that the non-market change allocation will pay **all** the debt servicing costs resulting in no increase in taxes paid by homeowners and small businesses resulting from this project. The loan expected to be taken for the project was \$25M. Given Council had allocated the non-market change up to 6 years before the project was completed, there were funds accumulated in the dedicated reserve which resulted in only \$17M in necessary debt.

Also included in the allocation at that time was a doubling of the City's paving budget. Again, there was no increase to taxpayers for the continued funding of paving to this level.

To summarize, allocating future non-market change from major industrial growth to capital reserves will:

- mitigate over reliance on major industrial taxes in the general fund;
- ensure relatively stable funding from new major industrial growth for the life of the major industrial property taxpayer;
- enable the taxes associated from industrial growth to be allocated to upcoming projects across the City's general and utilities funds;
- provide asset management contributions for future renewal; and,
- remove, either wholly or in part, the capital cost of renewal helping to control cost of service increases which can't be shared amongst all the property taxpayers.

LINK TO STRATEGIC PLAN:

Approving the Financial Stability & Resiliency Policy helps to achieve Council's priorities of improving the City's fiscal health, replacing and renewing infrastructure and undertaking community renewal.

CONCLUSION:

Approving the Financial Stability & Resiliency policy will provide guidance and equitable financial stability to support maintaining service delivery in a transparent way.

Report Prepared By:

Corinne Bomben
Chief Financial Officer

Report Reviewed By:

Richard Pucci,
Chief Administrative Officer

Originally signed available upon request



CITY OF PRINCE RUPERT CORPORATE POLICIES

POLICY NAME	Financial Stability and Resiliency	POLICY NO.	GOV-30-2025
EFFECTIVE DATE	1-Aug-25	REVISION DATE	
DEPARTMENT	Finance	NOTIFY UNION	
APPLIES TO			
<input type="checkbox"/> STAFF	<input checked="" type="checkbox"/> MANAGEMENT	<input type="checkbox"/> VISITORS	<input type="checkbox"/> CONTRACTORS
			<input checked="" type="checkbox"/> COUNCIL

PURPOSE:

The purpose of the Financial Stability & Resiliency Policy is to guide the City's financial planning to meet financial obligations while providing high quality services.

OBJECTIVES:

To develop principles that guide the City so that taxpayers can expect to rely on predictable, stable, equitable and accountable property taxation.

To support and guide decision-making, providing continuity and assurance to the City's financial management.

POLICIES:

1.0 FINANCIAL PLAN BYLAW ADOPTION

- a. The City's Financial Plan Bylaw for the fiscal year will be approved prior to the legislated deadline.
- b. For City administration and operational guidance and taxpayer information and predictability, the Financial Plan Bylaw will be introduced and given two readings at minimum by the end of the previous fiscal year with direction to proceed with expenditures as outlined in the bylaw for the period January 1 until the Financial Plan Bylaw is adopted.

2.0 LONG-TERM BUDGETING

At a minimum, the City will produce a Five-year financial plan.

3.0 BASELINE BUDGET INCREASES

The baseline operating budget aggregates the inventory of service costs required to provide City services at the level identified. Funding services to meet the level of service costs will be considered baseline budget funding. Any increases to baseline general operating budgets outside of contractual obligations or energy increases will be considered a new ongoing service level increase and will be evaluated during financial planning proceedings against other priorities.

4.0 NON-MARKET CHANGE

Revenues from positive non-market change will be adjusted from the general taxation levy calculations. To alleviate pressure to increase taxes, non-market change, other than positive non-market change from new assessment folios in the Major Industrial class (MI), will first be applied to maintain the baseline budget. Any residual above the minimum required to balance the budget from the allocation of non-market change will be placed in Reserves which can be used for the purposes the Reserves were established across the General Operations and Utilities Funds.

All taxation revenue resulting from positive non-market change due to new assessment folios in the Major Industrial Class (MI) after the effective date of this policy will be placed in Capital Reserves.

5.0 ASSET MANAGEMENT

The City will invest in asset management to keep infrastructure in a proper state of repair to avoid costly failures. Asset management ensures assets are maintained in a state of good repair while optimizing capital investment to maintain service levels and ensure best value for taxpayer's dollars.

5.1 Investment in Infrastructure

Continued investment in infrastructure is critical for community well-being and economic growth. To address asset management targets and minimize reliance on long-term debt:

- a. To alleviate taxation and fee spikes during periods of renewal, the positive non-market change taxation resulting from the new Major Industrial class (MI) assessment folios (noted at 4.0 above) will be contributed to capital reserves and invested in the City's capital program to support ongoing investment in infrastructure. Any residual will be invested according to permitted legislation and applicable City investment policy for the purpose of supporting the City's asset management plan.
- b. Debt servicing from newly retired debt will be allocated towards capital reserves.

6.0 BUSINESS CASE DECISION MAKING AND CAPITAL PROJECT PLANNING

All requests for staffing and significant operating projects or new services require a business case for Administration review. New capital projects require a project plan and are to include evaluation through a Climate and Equity lens.

7.0 PROPERTY TAX INCREASE

Each budget cycle, Council will consider the property tax increase required by:

- a. covering the projected cost increase for existing services at current service levels and then,
- b. consider other enhancements.

7.1 The City's tax increase will be calculated based on additional revenue required to balance the budget as required by the *Community Charter* and communicated as a percent increase over the prior year's adjusted mill rates.

7.2 The City will phase in tax increases when upcoming changes influencing City finances are known, to promote stability for taxpayers.

8.0 SELF-FINANCED (FUNDED) PROGRAMS

The City's self-financed programs include the Water Utility, Wastewater (Sewer) Utility, and Solid Waste Utility.

8.1 The operating costs for self-financed programs are to be fully funded by user fees.

8.2 The capital component of these programs are to be funded in combination through user fees, capital reserves, grants, debt, municipal enterprise dividends, accumulated surplus and asset management reserves established for each program.

The operating funding parameter to meet the minimum increase will be based on the City's contractual obligations, increases to the cost of energy, and debt-servicing requirements, the calculation of which will be updated yearly and evaluated and compared to the user fees adopted by bylaw.

The asset management component of user fees is set at 2% and will increase in proportion to the baseline component. These fees will be transferred to their respective reserve accounts.