

FIVE YEAR FINANCIAL PLAN SUMMARY (2018-2022)



INCLUDED SCHEDULES

- 2018-2022 Capital Budget
- Project Highlights
- Projected City Utilities and Tax Rates
- Consolidated Five Year Financial Plan (2018 to 2022)

City of Cranbrook
Five Year Financial Plan Summary
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Our Budget

Cranbrook is a diverse community with complete urban services and economy that enjoys high standards of municipal programs. 2017 has proven to be a busy year for the City. The City provided operational excellence and investment in the local economy through projects such as:

- Unprecedented levels of road paving and patching as well as flood mitigation to prolong the lifespan of the roads,
- Sidewalk improvements,
- Snow removal during a record snowfall season,
- Idlewild Park development,
- Baker street and 11th Avenue traffic light replacement,
- 311 real-time reporting application,
- New water and sewer services for over 80 properties,
- Final framework development and plans for Joseph Creek,
- Community vibrancy initiatives such as the “Cranbrook Fall Festival”,
- Staff multidisciplinary development program,
- Intermodal concept plan,
- Wildlife education.

The 2018 budget will be achieved by aligning the priorities of our citizens, Council and Administration to ensure that citizens’ needs are captured and beneficial; maximizing the benefits and values for the dollars we spend by prioritizing that spending to bring the best value for our investments; and to embrace innovation and manage risks by way of delivering better services.

With these guiding principles, this year’s budget aims for operational excellence and building solid foundations for the following goals:

- Accommodating growth in urban-form and local-economy,
- Providing solutions for aging infrastructure such as road, water, storm and sanitary infrastructure,
- Operational improvements based on technology and innovation such as real-time infrastructure maintenance monitoring, and online approval services,
- Better connection between the City and our citizens such as 311 one-call, and the City website improvements,
- Investment in our staff to build capacity to deliver quality services and to provide a great workplace,
- Promotion of community vibrancy and recreational opportunities,
- Western Financial Place upgrades,
- Development of the City-wide cycle network,
- Flood and fire emergency management,
- Water quality.

Thanks to the work of the staff in all of the City Departments and Council, working together in a collaborative and coordinated manner, the priorities for 2018 are ranked based on the guiding principles aimed at maintaining and improving the quality of life for all residents.

David Kim P.Eng.
Chief Administrative Officer

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Message from the CFO

Each year, under Section 165 and 166 of the Community Charter, the City must develop a five year financial plan and undertake a public consultation process before the plan is adopted. On November 15, 2017, the City hosted a full-day budget meeting where department heads presented their proposed operating and capital budgets to Council. The public was invited to attend and to submit comments for Council's consideration.

The *Five Year Financial Plan Summary (2018 – 2022)*, which summarizes the five year financial plan was available for public consideration for two weeks starting on December 4, 2017, and written submissions were accepted until December 15, 2017 at 4:00 pm.

The plan is the accumulation of efforts by Administration to capture Council's objectives and priorities that include maintaining existing service levels, strategic addition of new services, continuing the momentum built around the road program while keeping the tax increase affordable.

Administration uses the prior year's tax levy to calculate the percent increase for the following year. The proposed plan results in an increase to the tax levy of 2.76% in 2018.

Operating budget increases have been maintained at 2%. Some budget areas are experiencing increases greater than this target, particularly utilities. Some of the increases in the unit cost of the commodity, specifically electricity, are being offset by savings in the quantity consumed. These savings were made possible through modifications to operating procedures as well as the completion of a number of capital energy efficiency projects in 2017.

The 1% Road Dedicated Tax continues through each of the five years of the plan. Each year the funds raised are put directly into the City's annual road program. Over the 5 years, this initiative will result in over \$12,500,000 being put towards the City's road infrastructure.

On November 7, 2016, Council adopted 2017 Capital Road Program Loan Authorization Bylaw No. 3862, 2016. The bylaw authorized the borrowing of \$10 million for the 2017 capital road program. The City will secure that financing in the Municipal Finance Authority of BC 2018 Spring Borrowing Session.

The proposed plan makes strategic use of reserves and surplus balances to fund new and necessary projects. In 2018, reserve balances will fund \$6.3 million of capital projects; surplus will fund \$3.3 million.

Charlotte ML Osborne, CPA, CGA
Director, Finance
Chief Financial Officer

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Organizational Structure

There are nine business portfolios within the City, each of which reports to the Chief Administrative Officer. They are:

- ❖ General Government Services
- ❖ Office of Innovation and Collaboration
- ❖ Finance
- ❖ Public Works
- ❖ Community Services
- ❖ Infrastructure Planning and Delivery
- ❖ Fire & Emergency Services
- ❖ Airport
- ❖ RCMP (through a contract)

The nine portfolios deliver a broad group of services, including:

- ❖ Infrastructure Planning, Maintenance, and Delivery
- ❖ Development Approvals and Planning
- ❖ Parks, Recreation and Culture
- ❖ Bylaw Enforcement
- ❖ Environmental Protection
- ❖ Fire Protection
- ❖ Policing
- ❖ Public Transit
- ❖ Financial Planning and Accounting
- ❖ Water and Sanitary Sewer Services
- ❖ Solid Waste Management
- ❖ Cemetery Operations
- ❖ Airport Operation and Maintenance

Financial Plan Process

The 2018 – 2022 Five Year Financial Plan process began in the summer of 2017, with a series of meetings between the CAO, department heads, and City Council. Each Director developed a draft capital and operating plan based on the department's needs. These departmental priorities were then ranked collectively based on importance and alignment with Council's objectives. As a result, a corporate-wide priority list was developed, on which the 2018 to 2022 Five Year Financial Plan was based.

An all-day, public budget meeting was held on November 15, 2017. During the meeting each department made a presentation that included their 2017 highlights, 2018 work plan, and 2018 through 2022 capital projects. Council reviewed the budget information and directed staff to make adjustments where they felt better alignment with their objectives could be achieved.

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The Five Year Financial Plan Summary for 2018 - 2022 was developed to provide the public with an opportunity to examine the results of the budget process.

On December 18, in an open Council meeting, City Council reviewed the results of the Public Consultation, and the 2018 to 2022 Five Year Financial Plan Bylaw was brought forward for three readings. On January 8, 2018, City of Cranbrook Bylaw 3919, 2017 was adopted. A budget amendment bylaw will be presented to Council in the spring of 2018, which will include any changes that may arise after the initial budget was adopted, as well as any projects included in the 2017 budget and not completed prior to year's end. In May, the 2018 Cranbrook Tax Rates Bylaw will be presented to Council for consideration.

Budget

Each year, budget planning starts with a review of current and projected levels of city services. Adjustments are made for inflation or changes to contractual obligations. Departments review actual costs against budgets to determine if there are areas that require additional resources or costs can be reduced or eliminated while providing service levels.

In particular, the budget planning focuses on incremental changes from the previous year's operations. These changes might include increases due to new or expanded programs, decreases resulting from reduced or eliminated services, non-controllable cost increases, salary and employment benefit increases related to Collective Agreements and the removal or addition of one-time or recurring revenues and expenditures from the preceding year.

Property Taxes

Service Levels

The majority of the City's revenue is obtained through property taxes. When preparing the Budget, the City determines the amount of revenue required to provide all the desired municipal services. Staff then determines the amount of revenue the City can expect to receive from non-property tax sources such as fees and charges, federal and provincial government grants, etc. The difference between the budgeted expenditures and the other revenue represents the amount of property tax revenue the City must collect to provide the services to the levels prescribed by Council. When the cost of providing an existing service increases (e.g. through inflation, changes in statutory requirements or product cost increases), the City must either raise more revenue or reduce the level of service.

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The Tax Rate

The City determines the “tax rate” (a charge per \$1,000 of assessed property value) by dividing the sum of the assessed property values in the City by the amount of property tax revenue that must be collected. The “tax rate” is simply a means of determining how much each individual property owner must pay to receive the package of services provided by the City. The rationale for this approach is that owners of larger properties pay more than owners of smaller properties, or that individuals owning larger homes, in general, have an ability to pay more than those in lesser valued properties. Consequently, the City calculates the tax rate each year based on the revenue the City must collect and the assessed values of all the properties in the City at that time. If the amount of property taxes required by the City increases and assessed values don’t change, or they drop, the tax rate will go up. If assessed values go up, property tax rates may stay the same or increase marginally. The increase to the tax rate would depend on how much assessed values went up relative to how much more the City needed to collect in taxation revenue.

Taxation Levels

Taxation revenue will be based on the service delivery levels approved by Council each year during the budget process. The 2018 to 2022 Five Year Financial Plan includes budgeted property tax revenues as follows:

<u>Year</u>	<u>Taxation Revenue (Levy)</u>
2018	\$ 26,110,789
2019	\$ 27,290,427
2020	\$ 28,610,949
2021	\$ 29,680,908
2022	\$ 30,388,749



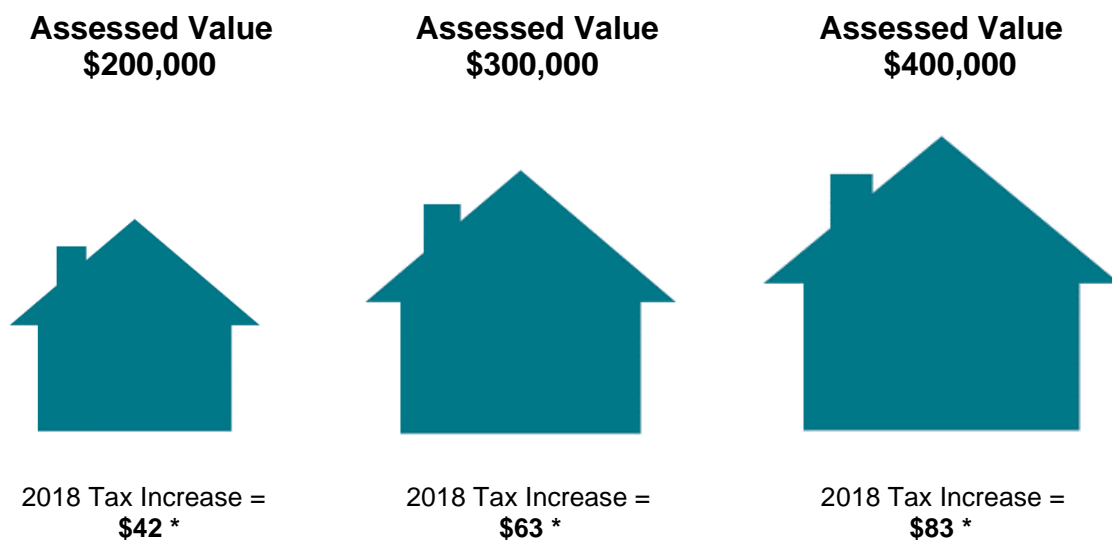
In 2018, the portion of revenue to be raised from taxation is 43% of total revenue. The proposed increase to the property tax levy, after non-market change (new construction) of \$120,000 is 1.76% in 2018 and 3.06% in 2019.

The Dedicated Road Improvement Tax that was introduced in 2010 will continue through all five years of the Financial Plan, meaning that an additional 1% property tax will be assessed annually and set aside for road work only. Thus, the projected general property tax increase for 2018 is 2.76% (4.06% in 2019). The 1% Dedicated Road Improvement Tax will fund over \$12 million of the \$28.7 million in capital road projects planned for 2018 through 2022.

Estimated impact of the 2018 tax increase

The 2018 general municipal property tax increase for an average residential property in Cranbrook (excluding school and other non-City taxes) is projected to be 2.76% or \$56.

In 2017, the average assessed value for a residential property in Cranbrook was \$270,000 (\$269,000 in 2016). The projected municipal taxes for an average home will be about \$2,101 in 2018 before the Provincial Home Owner Grant. By comparison, in 2017 the average tax bill was \$2,045.



* Estimated annual increase

Eligible residential property owners can apply for an annual home owner grant which is deducted from their total tax bill. The grant amounts are \$770 – basic; \$1,045 – senior/disability.

Distribution of Property Taxes

As per Section 165(3.1) of the *Community Charter*, the distribution of general municipal property taxes among the classes is estimated to be (based on the 2017 distribution):

<u>Class</u>	<u>2018</u>
01 Residential	1.00
02 Utilities	6.41
05 Light Industry	2.72
06 Business and other	2.56
08 Rec/Non Profit	2.49
09 Farm	2.81

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Utility and Parcel Tax Rates

The monthly utility fees for water, sewer, and solid waste are projected to be:

<u>Year</u>	<u>Monthly Rate</u>	<u>Revenue</u>
2018	\$ 59.50	\$ 7,274,487
2019	\$ 59.50	\$ 7,296,310
2020	\$ 59.50	\$ 7,318,199
2021	\$ 59.50	\$ 7,340,153
2022	\$ 59.50	\$ 7,362,174

(2017 - \$59.50)

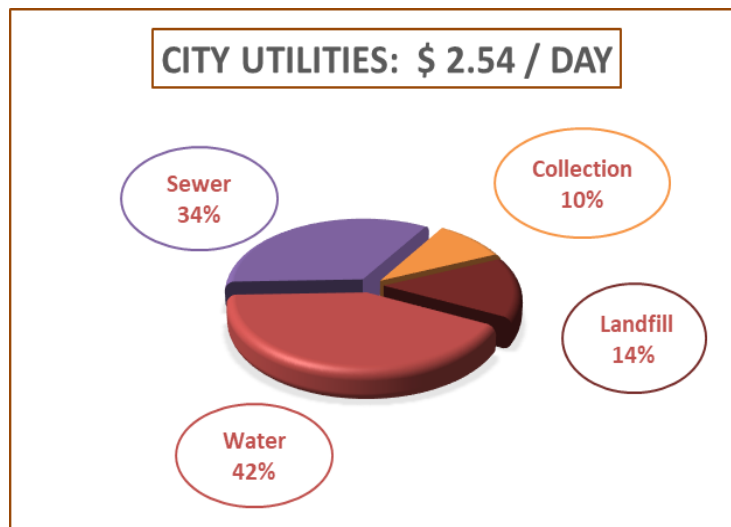
The annual parcel tax charge is projected to be:

<u>Year</u>	<u>Rate per Taxable Meter Frontage</u>	<u>Revenue</u>	<u>Annual charge to average home (based on 15.25 m. lot)</u>
2018	\$ 14.00	\$ 2,474,648	\$ 214
2019	\$ 14.00	\$ 2,479,598	\$ 214
2020	\$ 14.00	\$ 2,484,557	\$ 214
2021	\$ 14.00	\$ 2,489,526	\$ 214
2022	\$ 14.00	\$ 2,494,505	\$ 214

(2017 - \$13.00 per taxable m)

For an average home in Cranbrook, the projected 2018 utility and parcel tax fees will total \$928 (\$2.54 per day).

A 5% discount off the total annual utility bill will be provided to those property owners who pay in full before the end of February each year.



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Capital Projects

The amounts designated for municipal capital expenditures over the next five years are:

By Department:

	2018	2019	2020	2021	2022
General Government Services	651,715	75,000	15,000	15,000	15,000
Protective Services	1,399,750	1,597,000	299,000	262,000	40,000
Infrastructure Planning & Delivery	6,508,446	3,515,821	3,993,584	4,289,550	4,586,212
Public Works	2,026,860	544,500	1,485,333	669,000	833,000
Recreation & Culture	4,281,857	1,236,000	965,000	823,000	2,425,000
Water Fund	2,154,807	700,000	869,334	810,000	29,580,000
Sewer Fund	1,522,867	815,000	6,805,333	560,000	560,000
Solid Waste Fund	-	-	-	1,000,000	280,000
Airport Fund	1,414,461	55,000	615,000	1,435,000	-
Total Capital Budget	19,960,763	8,538,321	15,047,584	9,863,550	38,319,212

By Funding Source:

	2018	2019	2020	2021	2022
Revenue	3,815,352	3,729,821	4,545,584	5,495,050	4,934,212
Surplus	3,327,304	530,000	250,000	-	-
Borrowing	4,998,137	1,400,000	1,964,000	-	11,000,000
Reserves	6,338,970	2,863,616	3,744,000	3,387,488	2,385,000
Grants & Contributions	1,481,000	14,884	4,544,000	981,012	20,000,000
Total Capital Budget	19,960,763	8,538,321	15,047,584	9,863,550	38,319,212

Significant Capital Projects

Significant capital projects being budgeted in 2018 include:

\$ 8,622,989	Capital Roads Program
\$ 3,000,000	Western Financial Place Roof Replacement
\$ 1,380,000	Road Rehabilitation Equipment
\$ 795,453	Idlewild Park Rehabilitation
\$ 690,000	Fire Engine Replacement
\$ 630,918	Local Drainage Repairs
\$ 500,000	Land Acquisition

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Road Program

In 2017, City Council committed to significantly expand the capital roads program by borrowing \$10 million to be used for the replacement of priority road surfaces and underlying water and sewer infrastructure. Extensive road resurfacing and rehabilitation will continue throughout all five years of the plan, with a total budget of \$28,718,156 allocated for capital roads projects.

The funding breakdown for the 2018 capital roads program is:

Taxation and Utility Fees	\$ 1,100,000
1% Road Improvement Tax	\$ 1,969,852
Municipal Infrastructure Reserve	\$ 1,205,000
Recapitalization Reserve	\$ 40,000
Borrowing	<u>\$ 4,308,137</u>
Total 2018 Program	\$ 8,622,989

Details of the 2018 preliminary road improvement program, pending firm construction pricing and other considerations, will be published at a later date.

Transfers to Reserves

Reserves and reserve funds receive annual contributions from the operating budget to assist with creating a solid financial position to support the City's future cash requirements. Budgeted transfers to reserve funds in 2018 amount to \$4,188,816. Some of the larger deposits include:

\$ 1,946,345	Recapitalization reserves for municipal capital assets
\$ 928,753	Federal gas tax transfer to fund eligible projects
\$ 694,973	Airport Improvement Fees
\$ 115,000	Building reserve
\$ 62,500	Carbon Offset Reserve to support carbon emissions reduction

Western Financial Place

The City took over operation of the recreation complex in March, 2007. In 2012, the building was renamed Western Financial Place (WFP), after a naming rights agreement was reached with Western Financial Group. Projected revenues in 2018 from WFP, including pool operations, are \$932,000. Operating expenses, including the curling rink, are estimated to be \$3,075,041 before debt payments of \$1,619,440.

Several capital projects, including conversion of the arena lights to LED, curling club renovations, and a new DDC system at WFP were undertaken in 2017. In 2018 the roof will be replaced and the pool underwater lighting will be upgraded.

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Regional Landfill

The annual payment to the RDEK for the regional landfill fee is budgeted to be \$1,650,000 in the years 2018 through 2022.

Financial Support to Community Organizations

Recognizing the benefits provided by the efforts of not-for-profit organizations and service groups, City Council has approved grant funding and fees for services to 26 organizations in 2018. These organizations include the Cranbrook Public Library, Key City Theatre, Chamber of Commerce, Cranbrook History Centre, Cranbrook Search & Rescue, and Cranbrook Curling Club. In 2018, the funding is budgeted to be \$1,056,721.

In addition, City Council has approved permissive tax exemptions to not-for-profit organizations in 2018 in the estimated amount of \$242,966. Permissive exemptions are at Council's discretion and must be applied for each year.

Public Transit

In partnership with BC Transit, the City provides public transit to the residents of Cranbrook. In 2017, the City welcomed two new thirty foot medium-duty buses to its fleet. The buses are more efficient and provide better access to customers.

The costs associated with conventional and custom transit are shared with the Province. The City's share for 2018 is budgeted at \$747,360 net of revenue.



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RCMP

The City has a contract with the RCMP to provide police services for the City. The 2018 contract for 26 Officers is budgeted at \$4,504,587 (2017 - \$4,393,125). Separate from the policing contract, the City has budgeted over \$472,000 in 2018 for necessary building and security upgrades at the detachment.

Amortization of Capital Assets

Effective in 2009, the Public Sector accounting rules required all local governments to begin amortizing (depreciating) tangible assets over their useful life. The City's amortization charge for 2018 has been budgeted at \$7,000,000 and has been included in the Financial Plan.

Borrowing

Over the five-year period 2018 to 2022, the City plans to borrow approximately \$25,054,000 for various capital projects as follows:

<u>Capital Project:</u>	<u>Year</u>	<u>Amount</u>	*	<u>Term</u>	<u>Annual Payment</u>
Capital Road Program (incl. underlying water and sewer infrastructure)	2018	10,000,000		20 years	695,497
Fire Engine	2018	690,000		5 years	144,478
Transfer Pipeline - Phase II	2019	1,750,000		20 years	123,752
Fire Ladder Truck	2020	1,400,000		5 years	293,145
Bush Truck - Fire Services	2021	214,000		5 years	44,809
Water Treatment Plant & Distribution	2022	<u>11,000,000</u>		20 years	739,373
		<u>\$ 25,054,000</u>			
* MFA Fees of 1% will be applied to each debt issue.					
* Assumed Interest rate of 3.35% - reviewed with MFA					

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Salaries and Wages

Negotiations between the City and CUPE 2090 for a new Collective Agreement to take effect March 1, 2017 are underway. Until the new Agreement is finalized, the previous Agreement continues to apply.

Exempt staff salaries will be reviewed based on performance results during each year.

The City's Collective Agreement with Cranbrook Fire Fighters Local 1253 is in effect from January 1, 2015 to December 31, 2019.

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CORPORATION CITY OF CRANBROOK					
FIVE YEAR FINANCIAL PLAN (2018 TO 2022) BYLAW 3919, 2017					
SCHEDULE A					
	2018	2019	2020	2021	2022
REVENUE:					
Municipal Property Taxes	-26,416,585	-27,596,223	-28,916,745	-29,986,704	-30,694,545
Payments in Lieu of Taxes	-340,000	-340,000	-340,000	-340,000	-340,000
Parcel & Local Area Service Tax	-2,520,505	-2,525,453	-2,530,413	-2,535,383	-2,540,361
Sale of Services & Fees	-4,403,894	-4,279,816	-4,543,605	-4,542,750	-6,319,437
Airport Fees	-2,264,164	-2,306,565	-2,349,357	-2,393,001	-2,437,520
Water/Sewer/Solid Waste Fees	-7,479,562	-7,501,384	-7,523,274	-7,545,227	-7,567,249
Rentals	-458,532	-399,428	-387,606	-428,041	-393,107
Return on Investments	-618,100	-604,100	-604,100	-604,100	-604,100
Fines, Penalties & Interest	-299,106	-299,625	-299,625	-299,625	-299,625
Transfers from Other Governments	-2,992,963	-1,572,467	-5,935,566	-2,321,228	-19,581,953
Transfers from Reserves	-6,905,496	-3,076,058	-3,934,556	-3,560,654	-2,448,000
Transfers from Surplus	-5,027,935	-720,000	-650,000	-832,500	-148,000
Non-Funded Amortization	-7,000,000	-7,000,000	-7,000,000	-7,000,000	-7,000,000
	-66,726,842	-58,221,119	-65,014,847	-62,389,214	-80,373,897
Borrowing for Capital	-4,998,137	-1,400,000	-1,964,000	-	-11,000,000
Collections for Other Governments	-8,995,960	-8,995,960	-8,995,960	-8,995,960	-8,995,960
	-\$80,720,939	-\$68,617,079	-\$75,974,807	-\$71,385,174	-\$100,369,857
EXPENSES:					
General Government Services	8,008,969	7,767,768	7,773,915	7,912,043	8,136,982
Protective Services	9,555,956	9,678,214	9,867,519	10,108,665	10,196,968
Infrastructure Planning & Delivery	558,266	411,426	538,930	426,585	534,392
Public Works	5,579,306	5,529,105	5,518,284	5,832,046	5,663,141
Water/Sewer/Solid Waste	6,900,471	6,411,615	6,499,816	6,488,826	6,680,309
Recreation & Cultural Services	4,605,800	4,380,727	4,509,699	4,465,425	4,542,942
Airport	1,624,083	1,639,174	1,676,005	1,713,732	1,760,376
Debt Payments	3,811,443	4,215,475	4,525,025	4,489,188	4,427,285
Transfers to Reserves	3,784,790	3,693,172	3,665,410	3,702,112	3,725,014
Transfers to Airport Capital Fund	335,134	356,125	356,661	387,044	387,275
Capital Expenses from Revenue	14,962,626	7,138,321	13,083,584	9,863,550	27,319,212
Amortization	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
	66,726,842	58,221,119	65,014,847	62,389,214	80,373,897
Capital from Borrowing	4,998,137	1,400,000	1,964,000	-	11,000,000
Transfers to Other Governments	8,995,960	8,995,960	8,995,960	8,995,960	8,995,960
	\$80,720,939	\$68,617,079	\$75,974,807	\$71,385,174	\$100,369,857
CAPITAL EXPENSES:					
General Government Services	651,715	75,000	15,000	15,000	15,000
Protective Services	1,399,750	1,597,000	299,000	262,000	40,000
Infrastructure Planning & Delivery	6,508,446	3,515,821	3,993,584	4,289,550	4,586,212
Public Works	2,026,860	544,500	1,485,333	669,000	833,000
Water/Sewer/Solid Waste	3,677,674	1,515,000	7,674,667	2,370,000	30,420,000
Recreation & Cultural Services	4,281,857	1,236,000	965,000	823,000	2,425,000
Airport	1,414,461	55,000	615,000	1,435,000	-
	\$19,960,763	\$8,538,321	\$15,047,584	\$9,863,550	\$38,319,212

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