



Ktunaxa Nation Flag Raising – Cranbrook Arches

CITY OF CRANBROOK 2022 – 2026

FIVE YEAR FINANCIAL PLAN SUMMARY

City of Cranbrook
Five Year Financial Plan Summary
2022 – 2026

Message from the CFO

We are pleased to present the *Five-Year Financial Plan Summary (2022 – 2026)*. This document summarizes the five-year financial plan in an easy-to-read format highlighting the many important initiatives the City will be undertaking in the coming years as well as providing information on what property owners of Cranbrook can expect when it comes to taxes and fees.

The City will continue its emphasis on road infrastructure rehabilitation that began with the implementation of the Road Dedicated Tax back in 2010. The budget for the 2022 – 2026 capital road works plan is \$54,100,000. The Road Dedicated tax will contribute almost \$19,000,000 towards the program during that time.

In 2022, 4th Street North from Victoria to 17th Avenue will undergo full reconstruction. A second full reconstruction project is planned for 2023 and 2024 along Victoria Avenue from 12th Street to 21st Avenue. In addition to these large-scale projects, a number of high priority local streets have also been identified for full reconstruction. Annual road resurfacing work will continue in all years through the annual Paving Program.

In 2024, the City plans to borrow \$15,500,000 to complete the final phase of the current Victoria Avenue reconstruction project – 8th Street North to 21st Avenue South. One important challenge in planning a project of this scope, is balancing the need of residents and businesses that will be affected by the construction as well as the many daily users who rely on the roadway as a major connector against the timing of the funding options. Using existing funds for the 2023 phase and borrowing for the 2024 phase will allow the project to be completed within two years while also addressing other smaller priority projects using the annual capital road program budget.

In 2022 the contributions from water and sanitary sewer towards the annual capital works plans will be increased from \$550,000 to \$1,000,000 per year from each fund by 2026. These increases will allow for work to proceed in areas where existing budget allocations have limited the options due to the cost of replacing water and sanitary sewer infrastructure. Combined water and sewer frontage taxes will remain stable at \$14/taxable metre in 2022 and 2023. By 2026, the combined frontage taxes will be \$23.50/taxable metre. These increases are in response to anticipated borrowing for critical utility infrastructure such as the Gold Creek Dam, Phillips Reservoir Bypass, as well as the utility components of the Victoria Avenue project.

Water user fees increased \$4 per month in 2022. Due to the nature of a water utility and the evolving regulatory environment the service is subject to, the costs to deliver the community's safe drinking water had increased to a point where the fee needed to be raised. This is the first increase to the combined fees since 2015.

Most 2022 non-tax revenues are budgeted at or near pre-pandemic levels. Expense categories have been examined for inflation sensitivity and where necessary those budgets have been adjusted accordingly. Efficiencies have been identified that have allowed for reductions or eliminations of certain costs without sacrificing service levels.

Due to the tremendous growth our community has experienced over the past several years, the 2022 non-market change is expected to top \$415,000. This number represents new tax dollars brought into our community, helping to keep tax increases low.

The diligence and hard work of Council and staff have resulted in holding the overall increase to the 2022 tax levy at 2.75%, this includes the 1% road dedicated tax.

Charlotte Osborne, CPA, CGA
Director of Finance

COMMUNITY PROFILE

Cranbrook is a thriving community with a proud history and an exciting future. Nestled in a broad open valley located between the Rocky Mountains to the east and the older Purcell Mountains to the west, Cranbrook is surrounded by world class scenery, recreation, and wildlife. Cranbrook is one of the sunniest cities in British Columbia receiving an average of 2,229 hours (that's over 182 days' worth) of sunshine annually.

Considered the regional hub of the East Kootenays, with a population of 21,502, our community is home to the Canadian Rockies International Airport, the East Kootenay Regional Hospital, the College of the Rockies, the 600 seat Key City Theatre, and the Western Financial Place recreational complex, which houses the BCHL Cranbrook Bucks hockey team. Cranbrook hosts many festivals and events annually including Sam Steele Days, Summer Sounds in the park, Farmers' Market, and Winter Blitzville.



Winter Blitzville 2020

Located on Highway 3, BC's southern Trans-Canada highway and on the Canadian Pacific Railway line, Cranbrook is the hub for business and for retail shopping for the East Kootenay region, boasting a total population of close to 60,000.

Over the past ten years, Cranbrook has received recognition and accolades numerous times for the quality of life enjoyed by area residents. Recently, Maclean's ranked Cranbrook #52 on its best communities list out of 415 communities across Canada. As well, Cranbrook has been recognized as one of ten age-friendly communities by the Province of BC.

Canadian Rockies International Airport (YXC) offers the convenience of flying from, and most importantly returning home to our own backyard. Air Canada, WestJet, and Pacific Coastal are the airlines that fly in and out of YXC, with direct flights to Calgary, Vancouver, and Kelowna.

City of Cranbrook - Mayor and Council



L-R: Councillor Wesly Graham, Councillor Mike Peabody, Councillor Norma Blissett, Mayor Lee Pratt, Councillor John Hudak, Councillor Wayne Price, Councillor Ron Popoff

ORGANIZATIONAL STRUCTURE

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

- ❖ Corporate Administration
- ❖ Engineering & Development Services
- ❖ Finance
- ❖ Human Resources
- ❖ Public Works
- ❖ Recreation and Culture
- ❖ Fire & Emergency Services
- ❖ Canadian Rockies International Airport
- ❖ RCMP (through a contract)

The nine departments deliver a broad group of services to Cranbrook residents, including:

- ❖ Infrastructure Planning, Maintenance, and Delivery
- ❖ Parks, Recreation and Culture
- ❖ Water and Sanitary Sewer Services
- ❖ Solid Waste Management
- ❖ Fire Protection & Emergency Preparedness
- ❖ Policing and Bylaw Enforcement
- ❖ Human Resource Management
- ❖ Planning & Development
- ❖ Financial Planning and Accounting
- ❖ Airport Operation and Maintenance
- ❖ Public Transit, including HandiDart Services

FINANCIAL PLAN OVERVIEW

The City must prepare a Five-Year Financial Plan each year that is based on Sections 165 and 166 of the *Community Charter*. The budget must be balanced, meaning that the proposed expenses for a year cannot exceed the total of the proposed funding sources and transfers from other funds. The Financial Plan must be adopted annually, by bylaw, after a period of public consultation has taken place. This year, the *Five Year Financial Plan Summary for 2022 – 2026* was available for public consideration for two weeks starting on January 14, 2022.

This year's budget process began with strategic planning sessions between City Council and senior management. Priority projects were identified and categorized based on importance and alignment with the Cranbrook Strategic Plan, and eventually formed the basis of the 2022 to 2026 Five Year Financial Plan.

Public budget meetings were held in November and December 2021, where all the departments presented their detailed 2022 work plans and summarized their larger projects planned for 2023 through 2026. The public was invited to attend all meetings via live stream and submit their comments in writing.

Council received the budget information and directed staff to make adjustments where they felt better alignment with their objectives could be achieved. The public consultation period was open from January 14 through January 28, 2022. In February, after the public consultation period, Council gave the Five Year Financial Plan (2022 to 2026) Bylaw 4073, 2022 three readings and adoption.

If necessary, a budget amendment bylaw will be presented to Council later in 2022 and will include any unexpected changes that may arise after the initial budget was adopted. Prior to May 15, 2022 the Cranbrook Tax Rates Bylaw will be presented to Council for consideration.



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TAXATION

Property Tax Levy

The total tax levy for 2022 is projected to be \$30,587,629. This reflects a general municipal property tax levy increase of 2.75%, of which 1% is collected solely to fund road related capital works projects like road surface maintenance and sidewalk replacements, as well as the addition and replacement of other road related assets. Through the water and sewer utility funds additional funding is added to the annual capital works program to address those infrastructure needs.

The 1% tax collected for road related projects will amount to \$3,081,526 in 2022.

A 2.75% general municipal tax increase will result in approximately \$5.25 per month increase for an average residential property assessed at \$327,000 *.

Non-market change will provide the City with approximately \$415,000 in additional tax revenue from new construction and changes in classification status.

* (Typical single family residential property assessed value per BC Assessment for 2021)


Taxation Levels

During preparation of the Five Year Financial Plan, the City of Cranbrook maintains the following objectives:

1. To keep property taxes and user fees affordable for the City's residents;
2. To provide sustainable levels of service;
3. To maintain City owned assets and infrastructure in a good state of repair;
4. To lessen the tax burden on property owners by pursuing other revenue sources; and
5. To pursue opportunities that align with Council's strategic vision.

Taxation revenue is based on the service delivery levels approved by Council each year during the budget process. The 2022 to 2026 Five Year Financial Plan includes budgeted property tax revenues as follows:

<u>Year</u>	<u>Taxation Revenue (Levy)</u>
2022	\$ 30,587,629
2023	\$ 31,849,793
2024	\$ 33,868,248
2025	\$ 35,206,954
2026	\$ 36,381,667



*Property Taxes Due
July 4, 2022*

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Estimated impact of the 2022 tax increase

The 2022 general municipal property tax increase for an average residential property in Cranbrook (excluding school and other non-City taxes) is projected to be 2.75% or approximately \$63 for the year.

In 2021, the BC Assessment Authority valued the average residential property in Cranbrook at \$327,000. Using this assessed value, the 2022 projected municipal taxes for an average home will be about \$2,341, or \$6.41 per day, before the Provincial Homeowner Grant.

			
Residential Value	\$200,000	\$327,000	\$400,000
Estimated 2022 Taxes ^	\$1,432	\$2,341	\$2,864
Increase over 2021 **	\$38	\$63	\$77

^ Municipal property taxes only

** Estimated annual increase

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

Your Municipal Tax Dollars at Work

A Comparative View

What does \$6.41 per day get you?



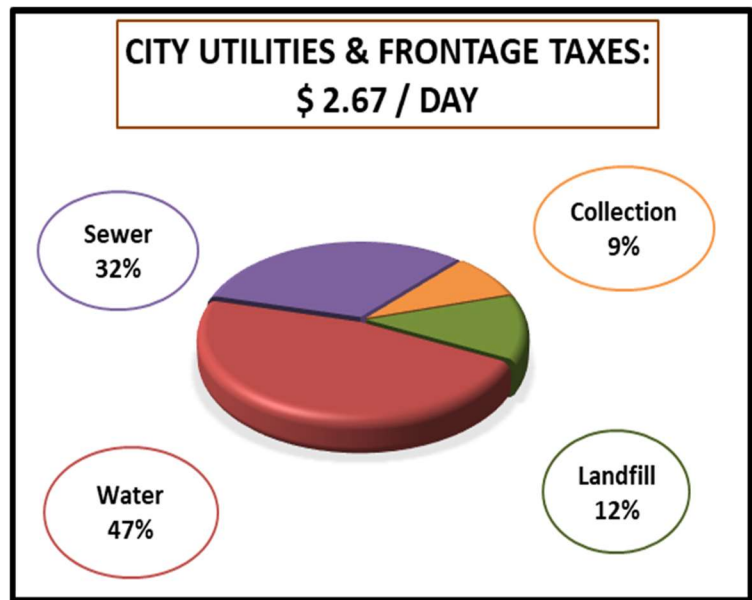
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Impact of 2022 Utilities Fees

For an average home in Cranbrook with solid waste collection, the projected 2022 utility and frontage tax fees will total \$976 (\$2.67 per day). Water User Fees increased from \$22.50 to \$26.50 per month in 2022.

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

In 2021, the City introduced an automated curbside recycling collection program. Thanks to funding contributions from Recycle BC and the Regional District of East Kootenay, this service is being delivered at no extra cost to residents.



There is an increase of \$4 per month for Water User Fees in 2022

Utility and Parcel Tax Rates

The 2022 monthly utility fees for water, sewer, and solid waste (including solid waste collection) are projected to be:

<u>Year</u>	<u>Monthly Rate</u>	<u>Revenue</u>
2022	\$ 63.50	\$ 7,846,573
2023	\$ 63.50	\$ 7,870,113
2024	\$ 63.50	\$ 7,893,723
2025	\$ 63.50	\$ 7,917,404
2026	\$ 63.50	\$ 7,941,156

(2021 - \$59.50/month)

The annual parcel tax charges will remain unchanged in 2022, and are 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>
2022	\$ 14.00	\$ 2,502,531	\$ 214
2023	\$ 14.00	\$ 2,507,536	\$ 214
2024	\$ 17.00	\$ 3,051,219	\$ 259
2025	\$ 21.00	\$ 3,778,213	\$ 320
2026	\$ 23.50	\$ 4,237,691	\$ 359

(2021 - \$14.00 per taxable m)

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Safe Restart Grant

In November 2020, the city received a direct grant of \$3,765,000 under the COVID-19 Safe Restart Grants for Local Governments stream. The initial priority was to support local governments as they dealt with increased operating costs and lower revenue due to COVID-19. The funds continue to provide support.

At January 1, 2021, the Safe Restart Grant balance was \$2,495,473. At this point we are estimating a draw-down in 2021 of approximately \$400,000 to cover operating costs and lost revenue related to COVID-19. There are likely going to be additional amounts uncovered as we go through the year-end process.

There were a number of lessons learned during the pandemic about creating safe communal spaces (social distancing, no-touch facilities, etc.) and the need for robust virtual communication opportunities and meeting spaces.

2022 projects funded from the Safe Restart Grant:

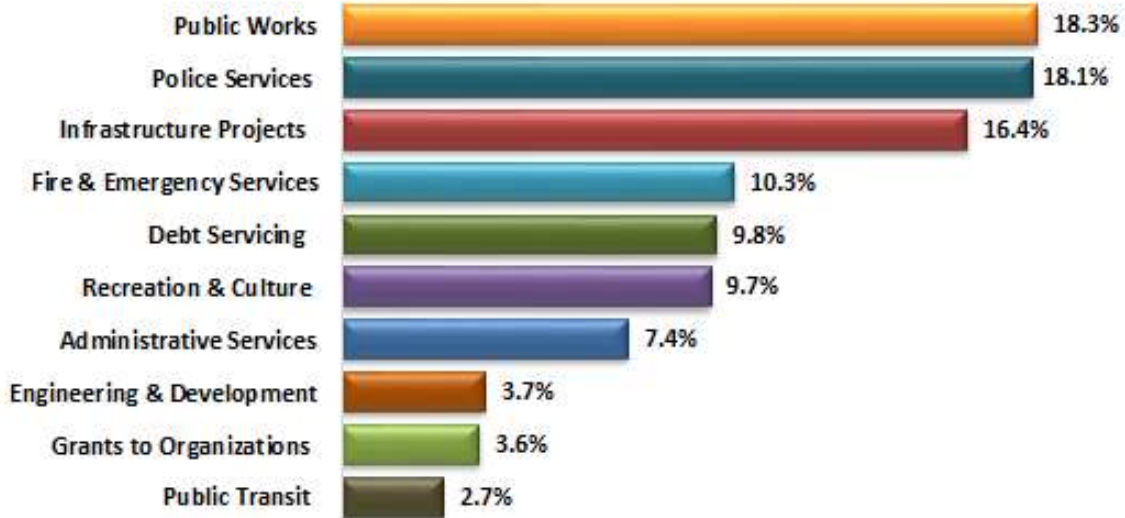
- Development Approval Software \$ 165,000
- Physical Space Review – Front ends (X2) 20,000
- Finance Front End Work Area Study 15,000
- Fire Hall Training Room Upgrades 10,500
- IT Interconnect (Phase II) 224,000
- City Hall DDC & HVAC 150,000
- City Hall Washroom Renovations 100,000

Total projects 2022 \$ 684,500

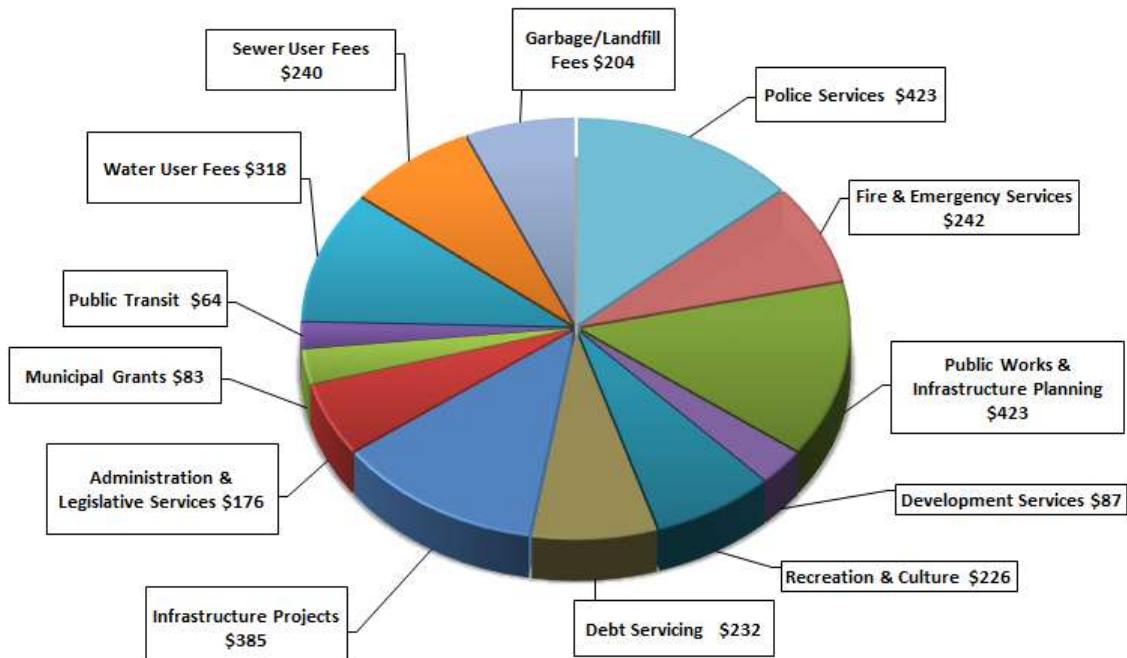
Summary:

COVID Restart Grant	\$ 3,765,000
Eligible costs incurred to December 31, 2020	<u>(1,269,527)</u>
	\$ 2,495,473
Eligible costs incurred to December 31, 2021 (est)	<u>(384,925)</u>
	\$ 2,110,548
2022 projects funded from Restart Grant	<u>(684,500)</u>
Estimated Balance – December 31, 2022	<u>\$ 1,426,048</u>

Municipal Property Tax Breakdown by Service



2022 Municipal Taxes & Utility Fees for a Residential Property with an assessed value of \$327,000



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CAPITAL PROJECTS

Like most communities, Cranbrook faces significant costs related to the replacement and maintenance of our infrastructure. The projects identified in the 2022 – 2026 Five Year Financial Plan have been identified as priority projects.

Whenever possible, capital projects are funded from reserve funds. In 2022, 64% of projects will be paid for by reserves and borrowing. The remainder will be funded from grants (13%) or other tax revenue (23%).

Projects scheduled for completion in 2022 include:

\$ 8,700,000	River's Crossing – Sewage Lift Stations & Forcemain Connections
\$ 6,051,271	Capital Roads Program (includes underground water & sewer services)
\$ 2,982,507	Airfield Electrical Rehabilitation
\$ 548,259	Curbside Recycling Program (Year 2)
\$ 500,000	Skatepark Expansion (grant dependent)
\$ 478,580	Signalization at Theatre Road & McPhee
\$ 261,500	Confederation Park Upgrades (grant dependent)

Capital Road Program

Extensive road resurfacing and rehabilitation will continue throughout all five years of the plan, with a total budget of \$54,102,170 allocated for capital roads projects. The 1% Capital Works tax to be collected in 2022 is equal to \$3,081,526 (2021 - \$2,787,823) of which all but \$100,000 will be used for the capital road program.



**2021 Road Program
2A Avenue South**

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The funding breakdown for the 2022 capital roads program is:

Taxation and Utility Fees	\$ 1,300,000
1% Capital Works Tax	\$ 2,980,271
Reserves	<u>\$ 1,771,000</u>
Total 2022 Program	\$ 6,051,271

Victoria Avenue & 4th Street North Reconstruction Project

In 2022, the City is looking to undertake a major reconstruction project for both Victoria Avenue (between 12th St and 21st Ave S) and 4th Street North (between 17th Ave and Victoria Ave). Due to the scale of these upgrades, it will be necessary to phase the overall project over a number of years, both to be feasible from a constructability standpoint as well as being affordable for the City. The total estimated capital cost of this project is \$35.0M. In 2022, Phase 1 will take place at total cost of \$4,925,000 with \$2,105,000 being funded from Road Dedicated Tax and \$2,820,000 funded from Reserves and other.



Victoria Avenue

Details of the 2022 preliminary road improvement program, pending firm construction pricing and other considerations, will be published at a later date.

In 2021, approximately \$5.25 million was spent on and committed to capital roads projects that employed four local contractors. The following projects were among those completed in 2021:

- Innes Avenue – Reconstruction
- 15th Street S. – Sanitary Trunk Main and paving
- 2A Avenue S. – Reconstruction
- Victoria Avenue, 14th Avenue S., Theatre Road – Paving
- Various other areas – Paving

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

By Department

	2022	2023	2024	2025	2026
Corporate Administration	\$ 435,336	\$ 155,000	\$ 165,000	\$ 25,500	\$ 75,000
Human Resources	25,000				
Finance	15,000				
Engineering & Development Services	941,561	30,000		72,000	
Protective Services	1,888,407	1,186,000	2,285,000	115,000	10,200,000
Recreation & Culture	1,411,426	905,000	1,778,850	4,268,700	356,500
Public Works	8,682,037	11,030,586	17,605,010	6,653,917	6,140,909
Water Fund	3,417,113	7,808,900	23,597,500	1,281,667	58,035,000
Sewer Fund	15,272,920	7,750,000	2,817,500	1,716,667	1,180,000
Solid Waste Fund	-	1,800,000	-	-	16,000
Airport Fund	3,816,711	1,135,000	85,000	950,000	4,000,000
Total Capital Projects	\$ 35,905,511	\$ 31,800,486	\$ 48,333,860	\$ 15,083,451	\$ 80,003,409

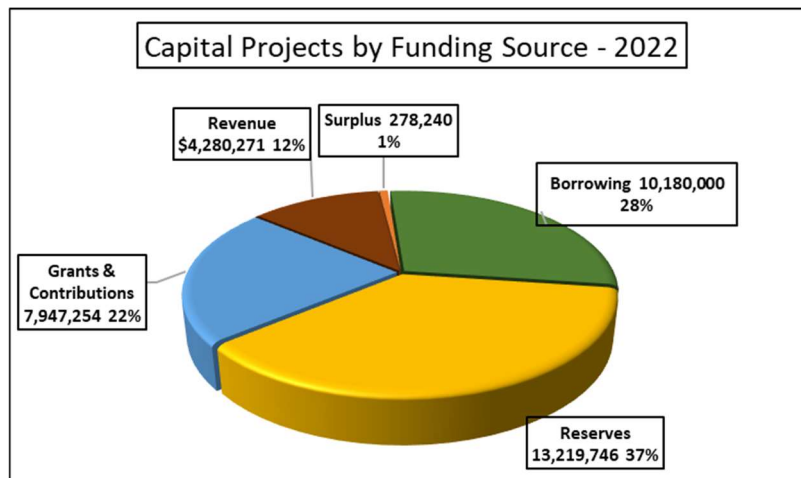
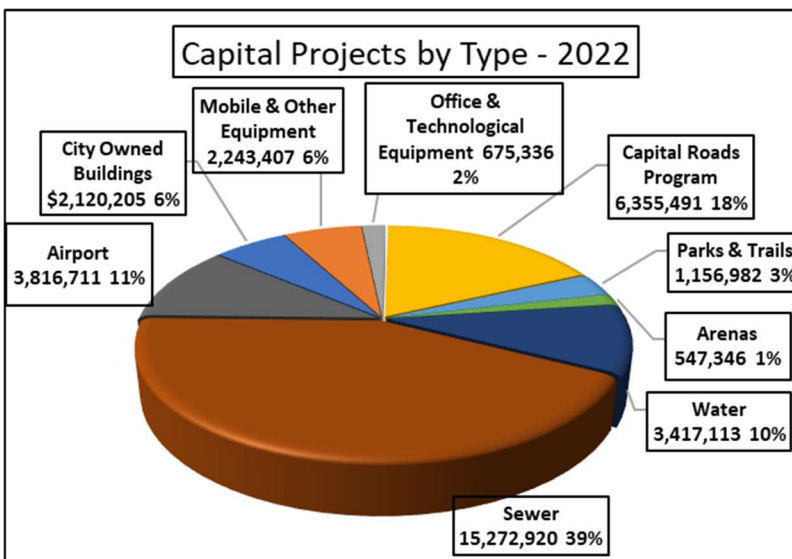
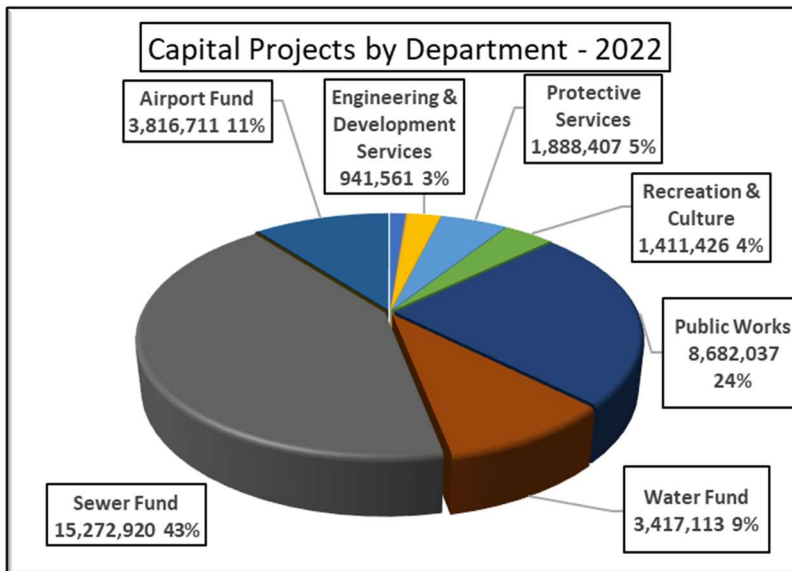
By Type

	2022	2023	2024	2025	2026
City Owned Buildings	\$ 2,120,205	\$ 573,000	\$ 2,880,000	\$ 135,000	\$ 10,245,000
Mobile & Other Equipment	2,243,407	1,753,000	307,000	1,358,666	354,000
Office & Technological Equipment	675,336	185,000	165,000	145,500	75,000
Capital Roads Program	6,355,491	9,774,586	16,493,010	4,970,251	5,681,909
Other Infrastructure	300,000	-	-	-	-
Parks & Trails	1,156,982	501,000	631,850	359,700	364,500
Arenas	547,346	520,000	1,357,000	4,166,000	52,000
Water	3,417,113	7,808,900	23,597,500	1,281,667	58,035,000
Sewer	15,272,920	7,750,000	2,817,500	1,716,667	1,180,000
Solid Waste	-	1,800,000	-	-	16,000
Airport	3,816,711	1,135,000	85,000	950,000	4,000,000
Total Capital Projects	\$35,905,511	\$31,800,486	\$48,333,860	\$15,083,451	\$80,003,409

By Funding Source

	2022	2023	2024	2025	2026
Revenue	\$ 4,280,271	\$ 4,727,664	\$ 4,700,010	\$ 5,770,251	\$ 6,314,223
Surplus	278,240	-	-	-	-
Borrowing	10,180,000	10,037,250	28,427,158	3,400,000	32,315,667
Reserves	13,219,746	11,596,972	5,223,850	5,913,200	7,611,136
Grants & Contributions	7,947,254	5,438,600	9,982,842	-	33,762,383
Total Capital Projects	\$35,905,511	\$31,800,486	\$48,333,860	\$15,083,451	\$80,003,409

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Innes Ave Stormceptor

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Carry Forward Projects

Projects that are incomplete at December 31, 2021 will be carried forward to 2022. The funding for these projects was included in the 2021 – 2025 Five Year Financial Plan Bylaw #4030, which was adopted on February 8, 2021.

Projects being carried forward include:

<ul style="list-style-type: none">• Airport Dump Truck & Plow	<ul style="list-style-type: none">• Lagoon Dyke and Piping Upgrades
<ul style="list-style-type: none">• City Hall Council Chambers Renovation	<ul style="list-style-type: none">• McPhee & Theatre Rd Rail Crossing
<ul style="list-style-type: none">• Downtown Revitalization Master Plan	<ul style="list-style-type: none">• Mt Royal Subdivision Remediation
<ul style="list-style-type: none">• Fire Ladder Truck	<ul style="list-style-type: none">• OCP Review
<ul style="list-style-type: none">• Gold Creek Dam Design	<ul style="list-style-type: none">• PRV #8 Leak Repair
<ul style="list-style-type: none">• Joseph Creek 15th Ave & 1st St Channel	<ul style="list-style-type: none">• Shadow Mtn Offsite Sanitary Sewer Design

Mt Royal Remediation



**PR Station #8
Repair Project**



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Western Financial Place

Projects scheduled for 2022 include replacement of the diving board and outdoor LED Screen, automatic entrance doors and the Balment skateboard expansion.

In 2020, Western Financial Place became home to the Cranbrook Bucks, who play in the Interior Division of the BCHL. Unfortunately for fans, COVID-19 delayed in-person hockey for some time. With restrictions being relaxed, in-person hockey games are a go again and many games being sold out at 50% capacity.



After closing in June 2021, Western Financial Place reopened to the public in October but not at full capacity due to staffing shortages and the current provincial COVID restrictions. Operating expenses are estimated to be \$3,242,758 before debt payments of \$1,591,130.



Larger capital projects budgeted for 2023 through 2026 include a dehumidification system, refrigeration condenser replacement, sports flooring at the arena, tilework and lighting components at the aquatic centre, and replacement of the building's exterior insulation finish system (EIFS).

Canadian Rockies International Airport

After a decade of consistent and robust growth in passenger traffic, the COVID-19 pandemic virtually halted activity at YXC and at airports around the world. While the COVID-19 global health crisis continues to ravage the air travel industry, YXC will forge ahead with optimism.

For 2022 at YXC, a continued moderate recovery is projected, growing from 40% of pre-pandemic passenger numbers to 62% by year end. With the continuation of all existing carriers, the airport expects to see an estimated 94,097 passengers through the airport in 2022. Operating revenues are projected to be \$1,959,502 including \$332,396 in federal and provincial government grants.

Operating expenses are projected to increase by 29% over 2021 forecasted actuals to \$1,690,089. This will result in an estimated revenue for 2022 of \$269,413.

The focus in 2022 will be to retain air service from all three existing carrier partners, increase flight frequency and seat capacity just ahead of demand, while pursuing economic diversification and capitalizing on strategic opportunities that reduce expenses and increase revenues.



Westjet flight arriving at Canadian Rockies International Airport

Forest Fire Operations



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Capital projects completed in 2021 included a massive upgrade to the Airport's HVAC system, the replacement of a critical airside vehicle gate, a condition assessment of the airfield lighting system in preparation for the 2022 replacement, and the required update to the global runway reporting software.

Seven capital projects totaling \$3,810,507, including projects being carried forward, are planned for the airport in 2022, ranging in focus from preventative maintenance to critical safety upgrades. Among other projects, the airport infrastructure will continue to be developed with replacement of the Airfield Lighting Cabling and Transformers and mobile equipment replacement. The airport's Capital Reserve and AIF funds, in combination with projected federal grant approvals, sustain the airport's capital project requirements.

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 23 organizations in 2022. These organizations include the Cranbrook Public Library, Key City Theatre, Cranbrook Tourism, Cranbrook History Centre, Cranbrook Search & Rescue, and Cranbrook Curling Club. In 2022, the funding is budgeted to be \$1,126,922.

In addition, City Council has approved permissive tax exemptions to not-for-profit organizations in 2022 in the estimated amount of \$283,633. Permissive exemptions are at Council's discretion and must be applied for each year.



Cranbrook History Centre – Heritage Railcar Preservation Building

Regional Landfill

The annual payment to the RDEK for the regional landfill fee is budgeted to be \$1,595,000 in the years 2022 through 2026.

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RCMP

The City has a contract with the RCMP to provide police services for the City. The 2022 contract for 26 Officers is budgeted at \$4,895,961 (2021 - \$4,822,737). Separate from the policing contract, the City has budgeted over \$1,600,508 in 2022 for RCMP operations, building maintenance, and renovations & improvements at the detachment.

In 2021, an agreement between the Government of Canada and the National Police Federation was ratified by RCMP members and reservists. The new collective agreement affects total compensation, including pensions and benefits, aligning compensation levels with other police services. The City has been setting aside annual accruals since the negotiations began and as such, retroactive pay obligations have been accounted for. Annual surpluses resulting from underutilization of contracted strength numbers, will be utilized to fund increases in 2022 – 2026 resulting from the new agreement. This will be reevaluated as more information becomes available.

Transfers to/from Reserves

In 2020, Council approved the City of Cranbrook Reserves and Surplus Policy No. 40-50. The policy articulates Council and Administration's commitment to financial sustainability and ensures that the City has adequate reserve and surplus levels to be flexible when opportunities present, act innovatively, and mitigate risks while supporting the City's Asset Management Program. The policy demonstrates to the community that Council recognizes that having adequate reserve levels is important in achieving community goals including financial health and stability.

Per 1.3 of the Reserve and Surplus Policy, annual and/or periodic contributions to reserve funds shall be specific to each reserve, as approved by Council through the City's annual financial planning bylaw.

Budgeted transfers to reserve funds in 2022 amount to \$11,097,591. Some of the larger deposits include:

\$ 3,872,450	Recapitalization reserves for capital asset replacement
\$ 3,088,604	Capital Works Reserve for larger infrastructure projects
\$ 1,078,000	Facilities Reserve to fund major repairs of Municipal buildings
\$ 1,033,000	Land Sales Reserve – proceeds from land sales ¹
\$ 939,789	Federal gas tax transfer to fund eligible capital projects
\$ 392,000	Fleet & Heavy Equipment Reserve
\$ 320,000	Storm Water Reserve

¹In 2020, the City sold approximately 100 acres of Industrial Land for \$6,000,000.

In exchange, the City received a cash payment of \$835,000 on the closing date and through a take-back mortgage, the City will receive five annual payments of \$1,033,000, plus interest, starting in 2021.

As the annual mortgage payments are received, they will be allocated to the Land Sales Reserve.

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Reserve funds have been established and set aside, either by a municipal bylaw or legislative requirement, and are used to fund future capital requirements. In 2022, reserve withdrawals amount to \$22,786,687. Some of the larger projects funded from reserves are:

\$ 4,751,271	Capital Road Work
\$ 1,372,196	Airfield Lighting, Cabling, Transformers & IPU
\$ 883,394	Mobile Fleet Replacement
\$ 650,000	Gold Creek Dam
\$ 321,212	ITE Interconnect
\$ 386,520	OCP Review
\$ 298,451	Shadow Mountain Offsite Sanitary Sewer Design

Public Transit

In partnership with BC Transit, the City provides an integrated transit system that allows riders convenience and flexibility when travelling within city limits. Since the start of the COVID-19 pandemic, BC Transit has increased its cleaning and sanitizing protocols to ensure the health and safety of all transit users, while maintaining service levels.

An annual operating agreement with BC Transit has been approved to provide local transit services until 2023. A review was conducted by a contracted analyst independent from BC Transit that identified system inefficiencies and the escalating cost of providing fixed route services. BC Transit has conducted two reviews over the past decade, but a new review is currently on hold as Cranbrook will be used as a case-study for a provide-wide framework on providing on-demand transit services.



The costs associated with conventional and custom transit are shared with the Province. The City's share for 2022 operations is budgeted at \$932,000 net of revenue.

City of Cranbrook
Five Year Financial Plan Summary
2022 – 2026

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 2022 has been budgeted at \$8,000,000 and has been included in the Financial Plan.

Borrowing

Over the five-year period 2022 to 2026, the City plans to borrow \$75,316,488 for various capital projects as follows:

<u>Capital Project:</u>	<u>Year</u>	<u>Amount</u>	*	<u>Term</u>	<u>Annual Payment</u>
Fire Ladder Truck	2022	\$1,480,000		5 years	\$303,126
Gold Creek Dam	2023	\$5,203,900		30 years	\$279,446
Mechanized Garbage Trucks	2023	\$1,800,000		5 years	\$368,667
Transfer Pipeline - Phase II	2023	\$2,000,000		30 years	\$107,399
Fire Engine	2024	\$900,000		5 years	\$184,334
RCMP Building - Design & Reno	2024	\$1,585,921		20 years	\$111,240
Victoria Ave Project - Phase 3	2024	\$15,500,000		30 years	\$840,663
Phillips Reservoir Bypass Pipeline	2024	\$8,000,000		30 years	\$429,595
Phillips Reservoir, Water UV Disinfection	2024	\$3,131,000		25 years	\$188,599
WFP - EIFS Walls	2025	\$3,400,000		20 years	\$238,483
Phillips Reservoir Twinning Supply	2026	\$2,149,000		30 years	\$115,400
Water Treatment Plant & Distribution	2026	\$16,666,667		20 years	\$894,989
Airport Water/Sewer System	2026	\$3,500,000		30 years	\$187,948
Satellite Fire Station	2026	\$10,000,000		30 years	\$536,993
		<u>\$75,316,488</u>			

* Assumed Interest rate of 3.0% - reviewed with MFA

Note: Borrowing typically lags behind the year the project is initiated. In the case of equipment purchases, it can take up to 18 months from the time the order is placed to when the City takes possession and payment is required.

City of Cranbrook
Five Year Financial Plan Summary
2022 – 2026



THE CORPORATION OF THE
CITY OF CRANBROOK

BYLAW NO. **4073**

FIVE YEAR FINANCIAL PLAN (2022 to 2026) BYLAW

A bylaw to establish the Financial Plan for the Five Year Period from January 1, 2022 through December 31, 2026.

The Municipal Council of the Corporation of the City of Cranbrook, in open meeting assembled, enacts as follows:

1. THAT Schedule "A" and Schedule "B" attached hereto and forming part of this Bylaw is hereby declared to be the Five Year Financial Plan for the years 2022 to 2026, inclusive.
2. THAT this bylaw may be cited as "Five Year Financial Plan (2022 to 2026) Bylaw No. 4073, 2022."


Read a first time this 7th day of February, 2022.

Read a second time this 7th day of February, 2022.

Read a third time this 7th day of February, 2022.

Adopted this 28th day of February, 2022.



Mayor

City Clerk

City of Cranbrook
Five Year Financial Plan Summary
2022 – 2026

THE CORPORATION OF THE CITY OF CRANBROOK FIVE YEAR FINANCIAL PLAN (2022-2026) BYLAW 4073, 2022 SCHEDULE A					
	2022	2023	2024	2025	2026
REVENUE					
MUNICIPAL PROPERTY TAXES	(30,911,853)	(32,174,017)	(34,192,472)	(35,531,178)	(36,705,891)
PAYMENTS IN LIEU OF TAXES	(340,000)	(340,000)	(340,000)	(340,000)	(340,000)
PARCEL & LOCAL AREA SERVICE TAXES	(2,548,387)	(2,528,136)	(3,071,819)	(3,798,813)	(4,258,291)
SALE OF SERVICES AND FEES	(3,794,973)	(3,845,693)	(3,886,302)	(3,960,294)	(4,010,636)
AIRPORT FEES	(1,768,252)	(1,998,123)	(2,288,716)	(2,723,872)	(3,159,055)
WATER/SEWER/SOLID WASTE FEES	(8,088,772)	(8,559,435)	(8,185,354)	(8,209,035)	(8,232,788)
RENTALS	(439,500)	(454,921)	(848,348)	(436,780)	(438,275)
NON-FUNDED AMORTIZATION	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)
RETURN ON INVESTMENTS	(641,040)	(581,059)	(483,534)	(441,132)	(394,936)
TRANSFERS FROM RESERVES	(22,786,687)	(16,941,132)	(12,096,800)	(13,457,092)	(10,559,695)
TRANSFERS FROM SURPLUS	(4,140,923)	(1,342,278)	(1,033,000)	(1,033,000)	-
BORROWING FOR CAPITAL	(10,180,000)	(10,037,250)	(28,427,158)	(3,400,000)	(32,315,667)
OTHER REVENUE	(3,863,432)	(4,643,224)	(3,199,421)	(2,970,859)	(8,235,275)
TRANSFERS FROM OTHER GOVERNMENTS	(10,681,471)	(7,227,077)	(11,449,971)	(1,884,867)	(35,502,650)
COLLECTIONS FOR OTHER GOVERNMENTS	(9,289,133)	(9,289,133)	(9,289,133)	(9,289,133)	(9,289,133)
Total REVENUE	(117,474,423)	(107,961,478)	(126,792,028)	(95,476,055)	(161,442,292)
OPERATING EXPENSES					
GENERAL GOVERNMENT SERVICES	11,004,874	9,846,531	9,960,320	10,107,809	10,426,333
PROTECTIVE SERVICES	11,375,583	11,122,305	11,398,380	11,656,712	11,936,782
PUBLIC WORKS/INFRASTRUCTURE PLANNING	7,448,393	7,318,248	7,565,968	7,582,087	7,713,885
RECREATION & CULTURAL SERVICES	4,564,565	4,515,416	4,762,848	4,726,329	4,792,621
WATER/SEWER/SOLID WASTE	8,908,513	8,647,893	9,085,036	8,776,859	8,806,407
AIRPORT	1,898,912	1,816,721	1,870,017	2,037,784	2,166,344
FISCAL SERVICES	3,865,157	4,066,595	5,204,892	5,802,301	5,920,824
TRANSFERS TO RESERVES	14,566,192	10,618,224	11,147,097	12,038,343	11,721,303
OTHER TRANSFERS	647,590	919,926	174,477	375,247	665,251
AMORTIZATION	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
TRANSFERS TO OTHER GOVERNMENTS	9,289,133	9,289,133	9,289,133	9,289,133	9,289,133
Total OPERATING EXPENSES	81,568,912	76,160,992	78,458,168	80,392,604	81,438,883
CAPITAL EXPENSES					
GENERAL GOVERNMENT SERVICES	475,336	155,000	165,000	25,500	75,000
PROTECTIVE SERVICES	1,888,407	1,131,000	2,285,000	115,000	10,200,000
ENGINEERING & DEVELOPMENT SERVICES	220,000	30,000	-	72,000	-
PUBLIC WORKS SERVICES	9,110,696	11,055,586	17,605,010	6,396,917	6,140,909
RECREATION & CULTURE	1,704,328	935,000	1,778,850	4,525,700	356,500
WATER FUND	3,417,113	7,808,900	23,597,500	1,281,667	58,035,000
SEWER FUND	15,272,920	7,750,000	2,817,500	1,716,667	1,180,000
SOLID WASTE FUND	-	1,800,000	-	-	16,000
AIRPORT FUND	3,816,711	1,135,000	85,000	950,000	4,000,000
Total CAPITAL EXPENSES	35,905,511	31,800,486	48,333,860	15,083,451	80,003,409

City of Cranbrook
Five Year Financial Plan Summary
2022 – 2026

**CORPORATION OF THE CITY OF CRANBROOK
2022 – 2026 FIVE YEAR FINANCIAL PLAN
FIVE YEAR FINANCIAL PLAN BYLAW NO. 4073, 2022
SCHEDULE B**

In accordance with Section 165(3.1) of the *Community Charter*, the City is required to include in the Five Year Financial Plan, objectives and policies regarding each of the following:

1. The proportion of total revenue that comes from each of the funding sources described in Section 165(7) of the *Community Charter*;
2. The distribution of property taxes among the property classes; and
3. The use of permissive tax exemptions.

Total Revenues

During its preparation of the Five Year Financial Plan, the City of Cranbrook maintains the following objectives:

1. To keep property taxes and user fees affordable for the City's residents;
2. To provide sustainable levels of service;
3. To maintain City owned assets and infrastructure in a good state of repair; and
4. To lessen the tax burden on property owners by pursuing other revenue sources.

The proposed 2022 total revenues by funding sources are:

Revenue Source	% of Total Revenue
Property Value Taxes	31%
Parcel Taxes	3%
User Fees & Utility Charges	14%
Other sources	16%
Reserves & Surplus	27%
Proceeds from Borrowing	10%

• **Property Value Taxes:**

The majority of the City's revenue is obtained through property taxes. As a revenue source, property taxation offers a number of advantages, for example, it is simple to administer and it is fairly easy for residents to understand. It offers a stable and reliable source of revenue for services that are difficult or undesirable to fund on a user-pay basis. These include services such as general administration, fire protection, police services, bylaw enforcement and street lighting.

• **Parcel Taxes:**

The revenue from water and sewer parcel taxes will primarily be used to finance existing capital debt, new capital projects, operations, and to maintain or build reserves for future purposes, within the water and sewer funds.

- **User Fees and Utility Charges:**

User fees and utility charges will make up 14% of the 2022 revenue. The fees and charges are generated from services that are measured and charged on a user-pay basis, and attempt to apportion the value of a service to those who use the service. Such fees include water and sewer usage, licences and permits, airport fees, and leisure programs. User fees are reviewed annually to ensure they adequately meet both the capital and delivery costs of the service.

- **Other Sources:**

Other sources of revenue include conditional transfers from senior levels of government in the form of grants. The City will pursue such funding whenever the programs advance municipal goals. Funding agreements from Federal, Provincial, and Regional Governments will contribute 16% of total 2022 revenue.

Other sources vary from year to year, and can include franchise fee, investment income, and rental income. The City continually seeks out other sources of revenue in order to reduce the reliance on property taxes.

- **Reserves and Surplus:**

Cumulatively, transfers from reserves and surplus, account for 27% of the City's overall revenue in 2022..

Reserve funds are a critical component of long-term financial planning, as they provide key funding sources for future capital expenses. In 2022, the City will fund 37% of its capital projects from reserves.

The *Community Charter* does not allow municipalities to plan for operating surpluses or deficits. To ensure this does not happen, the City budgets revenues conservatively and closely monitors its expenses. Any surplus funds are accumulated and reviewed by Council annually to determine whether the funds will be used for one-time projects or saved for later use. In 2022, 1% of capital projects will be funded accumulated surplus.

- **Borrowing Proceeds:**

While the City will borrow for projects that are necessary to achieve our objectives, borrowing is limited to projects that are considered significant and capital in nature. Proceeds from borrowing accounts for 10% of the City's total funding sources in 2022.

Distribution of Property Taxes

The following table illustrates the distribution of property taxes among the property classes. Residential properties in Cranbrook form the largest assessment base, consume the majority of city services, and therefore provide the largest proportion of tax revenue.

The class distribution is reviewed on an annual basis to ensure that the property tax burden is distributed fairly, and to ensure that the distributions are comparable to other BC municipalities of similar size and structure. The City continues to maintain and encourage economic development initiatives designed to attract more commercial businesses and industry to invest in the community.

City of Cranbrook

Five Year Financial Plan Summary

2022 – 2026

The 2022 estimated distribution of property taxes by class (based on 2021 actuals):

Property Class	2022 Distribution (based on 2021 actual)	% of Total Property Taxation (based on 2021 actual)
Residential (01)	1.00	61.89%
Utilities (02)	6.85	1.39%
Light Industry (05)	2.84	1.34%
Business (06)	2.74	35.11%
Recreation/non-profit (08)	2.54	0.27%
Farm (09)	4.00	0.00%

Permissive Property Tax Exemptions

The City of Cranbrook is committed to the continuing development of the City as a successful and progressive community, and to preserving and further enhancing the high quality of life enjoyed by its citizens. One means of achieving the maximum benefit for the community is through the provision of permissive property tax exemptions.

In 2021, Council adopted the City of Cranbrook Annual Taxation Exemption Bylaw 4062 to exempt certain properties from taxation in 2022. The amount of foregone tax revenue is estimated to be \$266,100. As well, Special Taxation Exemption Bylaw 3949 will exempt approximately \$17,500 of municipal taxes on golf course lands in 2022.

Under the current practice, in order to be eligible for a City of Cranbrook Permissive Tax Exemption, non-profit organizations must own the land and improvements or lease the property from the City, demonstrate financial need, and meet the description of at least one of the following categories:

1. **Special Needs and Supportive Housing Properties:** short term emergency or crisis protection for members of the community; supportive housing for people with special needs; halfway, transitional, or group homes with supportive staff and programs; affordable rental housing provided to people with impairments due to disability or age.
2. **Social Service Properties:** support services and programs available to members of the community who are in some way disadvantaged and need assistance in maximizing their quality of life.
3. **Arts and Cultural facilities:** preparation and delivery of artistic and cultural events or exhibits to the public.
4. **Emergency Rescue Services:** volunteer search and rescue services provided to area residents and visitors.
5. **Places of Worship:** land surrounding places for public worship; church halls and meeting spaces; properties occupied by a religious organization as a tenant, for the purpose of public worship.
6. **Athletic or Recreational Facilities:** space and/or equipment are provided for the physical and mental enjoyment of participants, and associated fees are substantially lower than those of similar for profit organizations.
7. **Environmental Protection:** areas of land owned by non-profit organizations and held for the specific purpose of protecting plant or animal habitat.



**40 – 10th Avenue S.
Cranbrook, BC
V1C 2M8
250-426-4211
www.cranbrook.ca**

