



REPORT TO COUNCIL

MEETING DATE: August 17, 2020

REPORT NO. 20-154

SUBMITTED BY: Flavia Rossi Donovan
Chief Financial Officer

FILE NO. 3-1-1

SUBJECT: 2021 Budget Assumptions and Timeline

PURPOSE

To present to Council for discussion and approval the 2021 Budget Assumptions and Timeline to be used in the preparation of the 2021 Financial Plan.

ANTICIPATED OUTCOMES

That the Budget Assumptions Report will provide detailed data to support Council in guiding the preparation of the 2021-2025 Financial Plan.

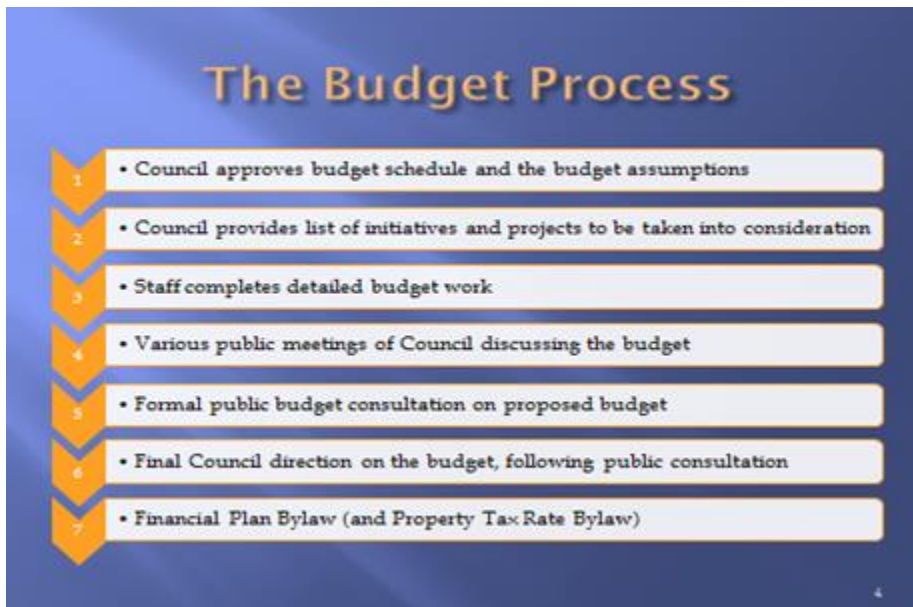
SUMMARY/BACKGROUND

In 2015, Council directed Finance staff to complete a report that outlined the assumptions used to guide the preparation of the annual Financial Plan. This report was the first step in the annual budget process, and it is now embedded in the system.

As the community's governing body, Council makes decisions and sets the direction for funding and spending through policy and resolution. These decisions are made in the context of ever-changing conditions, and Council can adjust the course at any time throughout the budgeting process. City staff is tasked with preparing the data that aligns with Council direction and ensuring that the plan stays within the *Community Charter* Section 165 (5) requirement of a "Balanced Budget."

Wants and needs are often conflicting because the City and its taxpayers have limited resources. The budget framework is set up so that Council and the community will prioritize these limited resources by the end of the process.

The Budget Process:



The process begins this year with Council having strategic meetings to set goals for the 2021 Budget. From June to August, Capital and Operating budget worksheets are distributed to Senior Managers to review and update the 2021 balance, using the 2021 amounts that Council approved in the 2020-2024 Five Year Plan, taking into consideration the following:

- Any new information arising from Council decisions;
- Changed policies;
- New planning documents, contracts and other items that may require increased or decreased funding;
- Changes due to one-time expenditures;
- 2020 capital project carryovers and 2021 capital plan adjustments; and
- 2021 year-end operating accumulated surplus and capital reserve balances.

These budget adjustments are compiled into the main document, and further changes are made throughout the process as current information becomes available. These changes will be implemented after the Budget Assumption discussions during the Draft 1, Draft 2 and Financial Plan Meetings.

Additionally, Section 166 from the *Community Charter* requires that Council undertake a public consultation process regarding the proposed financial plan before it is adopted. Historically, the consultation is being conducted between the Draft 2 and the Final Five-Year Financial Plan discussion. However, for the 2021 budget process, there will be two public consultations, with the first one to be held on August 17, 2020. It will grant an opportunity to the residents to bring their suggestions to be considered during the first and second budget drafts. On January 28, 2021, the second public consultation will provide comments in the 2021 proposal figures.

Legislative Background:

According to the *Community Charter* Sections 164 and 165(1) (2), a municipality must have a five-year financial plan that is adopted annually, by bylaw and it can be amended by bylaw at any time.

The *Community Charter* Section 165 directs that the Financial Plan must set out the objectives and policies, as follows:

1. The proportion of the total funding sources, such as revenues from property value taxes, parcel taxes, fees, others revenue and proceeds from borrowing;
2. The distribution of property value taxes among the property classes subjected to taxes;
3. The use of permissive tax exemptions (approved early by bylaw in October); and
4. The proposed expenditures by the municipality, separated at least by the amount required to (1) pay interest and principal on Municipal debt (Debt Servicing), (2) required for Capital purposes and (3) other municipal purposes.

Taking into consideration the requirement above, Section 165 (5) sets the main guidance for the presentation of a “Balanced Budget”, which means “the total of the proposed expenditures and transfers to other funds for a year must not exceed the total of proposed funding sources and transfers from other funds of the year.”

The golden rule for an annual budget is that:

- There are sufficient current year revenue sources to fund the actual expenditures;
- The current year revenue can fund the annual debt servicing;
- The portion of the current year’s revenue funds can source the key capital projects in need to keep a high quality of infrastructure and delivered services; and
- Remaining funds can be allocated to specific reserves to build up savings for future projects or one-time events.

The following table shows the main sources of funding and City’s expenditures and how much has been budgeted to be allocated to reserves.

Table -3

	2019A	2020FP	2020 Amended (*)	2021FP	2022FP	2023FP	2024FP
Where the money comes from							
Municipal Taxes	17,597,753	18,520,701	17,470,949	18,977,006	19,404,797	19,854,896	20,380,401
Peace River Agreement	15,279,041	15,450,310	15,450,310	15,100,000	15,100,000	15,100,000	15,100,000
Other (gaming, Franchise, Misc., Capital Grants)	11,633,742	8,700,118	7,572,548	20,129,097	5,198,935	5,233,543	5,299,496
Fees and Charges	13,242,064	13,352,813	11,019,460	13,592,895	14,137,063	14,892,372	15,163,028
Collection for other Govt (PRRD, School, Hospital)	8,951,114	8,865,713	7,517,426	8,865,713	8,865,713	8,865,713	8,865,713
	66,703,714	64,889,655	59,030,693	76,664,711	62,706,508	63,946,524	64,808,638
Where the money goes to							
Capital Projects	10,017,727	14,648,537	13,419,059	26,721,964	11,883,616	12,263,616	13,174,569
Remittance to Other govt (PRRD, School, Hospital)	8,959,628	8,865,713	7,517,426	8,865,713	8,865,713	8,865,713	8,865,713
Recreation and Cultural Services	8,077,630	8,661,971	7,137,717	8,688,072	8,703,541	8,719,449	8,735,809
Protective Services	8,731,007	9,210,619	9,251,772	9,413,934	9,645,578	9,884,705	10,131,560
Transportation Services	6,370,507	6,329,603	6,335,130	6,102,345	6,116,557	6,128,498	6,140,760
General Administration Services	3,842,909	4,747,927	4,406,375	4,675,458	4,818,561	4,940,021	5,097,890
Debt Services	3,881,041	3,714,521	3,708,823	3,713,702	3,707,140	3,366,965	2,995,188
Water Services	3,556,598	3,128,090	3,104,608	3,147,106	3,166,243	3,450,505	3,204,893
Sewer Services	1,204,173	1,361,349	1,088,083	1,274,415	1,282,589	1,290,873	1,394,271
Environmental Development Services	1,166,469	1,045,978	951,477	948,640	952,252	955,972	959,805
Environmental Waste Services	1,157,940	1,119,547	1,093,077	1,140,154	1,150,063	1,160,170	1,170,479
Cemetery Services	190,704	207,021	196,022	162,020	162,020	162,020	162,020
	57,156,333	63,040,876	58,209,569	74,853,523	60,453,873	61,188,507	62,032,957
Surplus (Deficit) before Transfers from/to Acc. Surplus and Reserves	9,547,381	1,848,779	821,124	1,811,188	2,252,635	2,758,017	2,775,681

(*) Amended 2020 FP Bylaw to be issued by November 2020. Subject to changes.

Background Information:

Some background information for 2020-2024 from last year's plan is provided below for context, considering the changes affected by COVID-19 Relief Plan Strategies issued in April/May 2020. Although the amended 2020 Budget is not yet approved, it was considered in this report to demonstrate the impact of reductions in Revenue and Expenditure compared to the starting figures for the 2021 budget:

- The residential variable tax rate was held at \$5.6233, the same rate of 2019.
- The commercial variable tax rate was held at \$16.6469, 5% less than the 2019 rate;
- All classes' assessments were forecast to keep the same rate of 2019, except for the utility class, which was reduced by 3.45% due to the business class rate's reduction.
- Based on the 2021 total tax revenues, including flat tax and other taxes, the projected amount was \$18.97M before the deductions taken into consideration due to COVID-19, compared to 2020 amended budgeted tax revenues of \$17.5M. The tax levy increase projected is averaged as follows:

Table 1a	Original FP 2020-2024 FP		After Covid-19	
Year	Average Projected % Increase	\$ of increase (In Thousands)	Average Projected % Increase (Decrease)	\$ of increase (Decrease) (In Thousands)
2020	3.6%	\$ 682	-1.2%	-\$ 191
2021(*)	2.8%	\$ 476	9.5%	\$ 1,512
2022	2.5%	\$ 438	2.5%	\$ 438
2023	2.6%	\$ 461	2.6%	\$ 461
2024	2.9%	\$ 536	2.9%	\$ 535

(*) The 2021 amended version was adjusted kept at the same increase before COVID-19

- **Operating Transfers to Capital** in the original 2020 Financial Plan was composed of 45% of the 2020 Peace River Agreement (PRA) funding, totalling \$6.9M. However, in the projected amended 2020 budget, the PRA allocation to capital dropped to \$6.5M (42%) due to a reclassification of \$400K to patching road, which is considered operating expenditure. In 2019 the percentage of capital allocation to PRA was 38%.
- **Operating Revenue and Expenditures** have been revised in the amended budget version to reflect the closing of City facilities, temporary staff lay-offs and reduction in user fees and charges due to COVID-19.

2021 ASSUMPTIONS

The 2021 Budget Assumptions that will guide the preparation of the 2021 Draft 1 Financial Plan are proposed as follows:

Process

- Council and staff participate in several Strategic Planning Meetings to set savings and revenue goals for the 2021 Budget.
- Management staff starts the reviews of the historical assumptions and information included in previous plans and provides the revised figures in the First Draft Budget for Council revision and approval.
- The budget process used will be the same as in previous years, guided by the budget timeline (Attachment A). On June 8, 2020, the report 20-103 Re.: 2021 Provisional Timeline Budget was presented to Council for approval. The current version presented in this report shows a slight change in the date to show the 2020 Draft Financial Statement, which moved to April 12, 2021.
- Roles and responsibilities for preparing the Plan will remain the same as in previous years. The senior management team will make the document and present the information to Council for discussion, changes and approval.
- Prior years' simplified approach to public consultation and input through social media platforms and the City's website will be used.

Planning

- The 2021 Financial Plan will be prepared using the principles outlined in the City's Vision, Mission and Guiding Principles (Attachment B);
- The Plan will consider Council's 2021 Strategic Priorities outlined in the strategic meetings during this year;
- The Plan will incorporate changes and adjustments arising from bylaw and policy changes made by Council since the last budget cycle.

Assessments

Assessment changes are an integral driver in setting the annual tax rates. Variables such as (a) whether the base is increasing or decreasing, (b) how the classes are changing within the total, and (c) how much of the increase is from market vs. non-market all affect setting the annual and long term tax rates. Assessment information used for setting the City's tax rates in the Financial Plan comes from the BC Assessment Authority at different times throughout the budgeting process. Various analytics are provided after each roll is received as follows:

- Preview Roll – Received in early November. This information gives staff an indication as to the reasonableness of the forecasts used.
- Completed Roll – Received in early January. The completed roll includes detailed folio information and is therefore used to prepare the in-depth analytical metrics for recommending the annual tax rates.
Metrics reported to Council include:
 - a) Have 2021 assessments increased or decreased?
 - b) Have 2021 folio counts increased or decreased?
 - c) Has the mix of assessments changed significantly from previous years?
 - d) What is the change in the average assessment for residential and commercial properties?
 - e) How does this compare to other communities used for benchmarking purposes?
 - f) How many folios are above or below the average?
 - g) How is the market value and non-market value historically trending?
- Revised Roll - Received in late March or early April. The revised roll is used for calculating the tax levy. No change is made to the Plan unless the variance in tax revenue is material. (A material variance is one that would affect other components in the Plan).

The initial assessment forecast used in the 2021 budget assumed an average of 2.8% increase (\$476K) in property taxes. However, due to the COVID-19 Relief Plan on reductions in the tax levy, the starting basis for the 2021 Budget would need to increase at least 9.5% (\$1.5M) to reach the same projection of tax revenue before the COVID-19 changes. Additionally, since Council is starting the discussions of the DRAFT 1 budget on November 23, staff will not have the preview roll available and therefore, will need to identify projections and contingencies to built up the basis of tax revenue. The DRAFT 2 budget to be discussed on December 21 will then reflect the "preview roll."

Revenue Disclosure Requirements Policy

The Revenue Disclosure Requirements Policy attached to the Financial Plan is the primary document that sets out the main sources for funding the budget (Attachment C). The Policy outlines the sources of revenue, speaks to the integration of funding sources and recognizes that Council's decision making authority is limited in some areas.

Staff will be developing a Property Tax Increase Policy that sets forth the action plan that deals with the decrease of market value and the use of non-market value. If the market assessed value decreases, the mill rate will need to have an additional percentage of increase, on the top of the initial proposal, to offset the impact of the market value decrease. Additionally, the non-market value should not be used to offset mill rate increases or decreases in the market value. In a proposed policy, the non-market amount can be dedicated to a reserve fund to pay off debt servicing cost or allocate it to a Tangible Capital Asset Replacement Fund. If the market assessed value increases, the mill rate would not be reduced to offset it.

The City's main sources of funding, include:

Table 2

Sources of Revenue (Operating & Capital)	in CAD			%		
	2020FP	2020 Amended	2021FP	2020FP	2020 Amended	2021FP
Municipal Taxes including Grant in Lieu	19,917,660	18,868,638	20,374,685	31%	29%	27%
PRA Agreement	15,450,310	15,450,310	15,100,000	24%	24%	20%
Fees & Charges	13,352,813	11,019,450	13,592,895	21%	17%	18%
Capital Revenue (Grants, Carryforward & Others)	4,236,609	3,648,402	15,791,494	7%	6%	21%
Other Government Transfers	1,785,281	1,808,642	1,654,859	3%	3%	2%
Other Revenues (in ROI)	3,130,049	1,538,949	3,096,253	5%	2%	4%
Collection to Other Govt. (PRRD, School, Hospital) (*)	8,865,713	7,517,426	8,865,713	14%	12%	12%
Total sources of revenue before transfers from (to) Reserves	66,738,435	59,851,817	78,475,899			
Transfers from (to) Reserves	(1,848,780)	(821,124)	(1,811,188)	-3%	-1%	-2%
	64,889,655	59,030,693	76,664,711	100%	100%	100%

(*) There is no effect in the budget since 100% is offset in expenditure.

- **Integration** – Annual estimates for one revenue category are affected by changes in all other sources and therefore an integrated approach to setting property taxes and user fees is used.
- **Control** – Council recognizes that some revenue items are set by third-party authorities and are beyond their decision making authority. Examples of these types of revenue sources include the Peace River Agreement allocation, other provincial and/or federal government transfers, grants in lieu, 1% utility taxes, franchise revenues and gaming revenues.

MUNICIPAL TAXES

Municipal property taxes are the primary source of revenue and typically are used to balance the budget. Two main factors affect the decision of the tax levy increase: (a) BC Assessment annual update in the market and non-market value and (b) the necessary tax levy increase to fund the current year budget. The following factors are also considered:

- Dollar increase/decrease by class;
- Dollar increase/decrease in total;
- Affordability of increase;
- Historical trends and changes;
- Use of averages;
- Responsiveness to economic conditions; and
- Equity among classes.

PEACE RIVER AGREEMENT (PRA)

The PRA funding is the most significant government transfer the City receives, and the Council determines any change in the use of the grant.

The total amount forecast to be received by the region for 2021 is set at approximately \$52M, considering a 2% increase scheduled for 2021. The actual amount Dawson Creek will receive in 2021 is dependent on population increases in each municipality as well as “in-boundary” assessment increases for classes 2, 4 and 5.

Staff will be considering \$15.1M for the DRAFT 1 and DRAFT 2 Budget presentation. The PRA final figures are not presented to the City until the last week of January.

PRA Allocation between Operating and Capital

At the 2021 Strategic Planning Meeting on the June 23, Council set forth the capital allocation of 70% of the total PRA funds within ten years ending in 2030.

The PRA runs on five-year cycles. 2021 will represent the start of a new five-year cycle requiring updated five-year plans. Under section 15(b) of the PRA, recipient local governments must submit a new 5-year plan to the Ministry for review and approval before October 31, 2020. This five-year plan would support the second 5-year reporting cycle under PRA that runs from 2021-2025.

The Ministry is providing the waive of the five-year plan to the local government this year (also called a Long-term Development Plan or LTDP) for 2020 only. Instead, the local government is only required to do the one-year plan plus the other annual submissions (i.e. annual report and statutory checklist). If Council elects to do only 2021 by October and waive the 5-year reporting, it will do a revised 4-year plan later in 2021. This will ensure all local governments remain on the same five-year reporting cycle (2021-2025). Whatever option we choose, the full report is due to the Province by January 31, 2021.

Based on the approved financial plan issued in May 2020, the current percentage split between operating and capital changes, as follows:

Year	Report in the LTDP to the Province					2019 Actual and 2020-2024 FP Financial Plan Bylaw 4440							
	PRA Agreement Original	Allocation Operating	Allocation Capital (including GNL Debt Servicing)	% to Operating	% to Capital (including GNL Debt Servicing)	PRA Agreement	Allocation to Operating	Allocation to Capital	Allocation to Debt Servicing	Allocation to Capital (including GNL Debt Servicing)	% to Operating	% to Capital (including GNL Debt Servicing)	% to Capital only
2019	15,279,041	7,278,826	8,000,215	48%	52%	15,279,041	7,278,826	5,777,000	2,223,215	8,000,215	48%	52%	38%
2020	15,450,311	6,674,456	8,775,855	43%	57%	15,450,311	6,674,456	6,552,640	2,223,215	8,775,855	43%	57%	42%
2021	TBD	TBD	TBD			15,100,000	5,686,785	7,190,000	2,223,215	9,413,215	38%	62%	48%
2022	TBD	TBD	TBD			15,100,000	5,611,785	7,265,000	2,223,215	9,488,215	37%	63%	48%
2023	TBD	TBD	TBD			15,100,000	5,181,785	7,695,000	2,223,215	9,918,215	34%	66%	51%
2023	TBD	TBD	TBD			15,100,000	5,057,715	8,130,000	1,912,285	10,042,285	33%	67%	54%

TBD - To be determined

Before issuing the next January 2021 report to the Province, Council will need to establish the expected % allocation to capital, taking into consideration the current Councils' aspiration discussed in the Strategic meeting on June 23 to reach 70% within ten years. Staff will provide in the following months the proposed report to be presented to the Province by October 2020 and January 2021.

FEES AND CHARGES

Fees and charges are composed of two categories; Utilities and Users Fees. Revenues from fees and charges are established within the guidelines of the Revenue Disclosure Requirements Policy. Those fees and charges are established by bylaw and are imposed for some services and not for others. Subsidy levels vary depending on the service area. For example:

1. Service areas that are covered 100% by user fees include the water and sewer utility funds, and waste services; building inspection and bylaw enforcement that are covered by business license and building inspection fees.
2. Recreational fees and charges, or subsidy levels related to those services will be set in accordance with the User Fees and Charges Policy for Publicly Provided Parks and Recreation Services.

Due to the Province mandate to avoid public gathering and closing the facilities to contain the spread of the COVID-19, the majority of City's recreation facilities were closed as of today. Staff will need to project the 2021 figures taking into consideration closures and reopening of those facilities.

Utility fees and charges: Utility rates are set by bylaw to ensure funding is sufficient to cover the service delivery cost, debt servicing, and reserves to fund capital investment through infrastructure charges. Starting in 2019, the City has included the indirect administration charges of 4% in setting local resident bill rates. Additionally, Council approved the annual increase of the rates to adjust the inflation of the period.

Water: Water rates increased in 2020 based on the CPI increase of the period. Infrastructure charges are currently funding a portion of the water debt servicing and capital projects. 10% penalty charges on late payments were implemented in 2020; however, due to the COVID-19 Relief Plan was waived up to August 31, 2020.

Year	Water Services						Annual Surplus before Trfs to Reserve
	Total Operating Revenue	Total Infrastructure allocated to Capital	Net Revenue	Operating Expenditure	Debt Servicing Water Only	Total Expenditures	
2019A	5,798,289	1,100,000	4,698,289	3,608,643	1,033,523	4,642,166	56,123
2020	5,959,092	1,700,000	4,259,092	3,254,182	894,034	4,148,216	110,876
2020 (Amended)	5,601,340	1,475,000	4,126,340	3,230,700	894,034	4,124,734	1,606
2021	6,077,474	1,770,000	4,307,474	3,273,198	894,313	4,167,511	139,963
2022	6,198,224	1,800,000	4,398,224	3,292,335	877,750	4,170,085	228,139
2023	6,321,388	1,690,000	4,631,388	3,576,597	848,506	4,425,103	206,285
2024	6,447,016	2,100,000	4,347,016	3,330,985	809,353	4,140,338	206,678

Year	Infrastructure Charges	Infrastructure Allocated to Capital	% of allocation
2019A	2,156,401	1,100,000	51%
2020	2,320,000	1,700,000	73%
2020 (Amended)	2,300,000	1,475,000	64%
2021	2,366,400	1,770,000	75%
2022	2,413,728	1,800,000	75%
2023	2,462,003	1,690,000	69%
2024	2,511,243	2,100,000	84%

Sewer: Sewer rates are set at 60% of the Water rates and also increased in 2020 to adjust inflation. Only for 2020, Sewer rates were reduced from 60% to 50% of the water rate and sewer infrastructure was cut in 25% as part of the COVID-19 Relief Plan.

Year	Total Operating Revenue	Total Infrastructure allocated to Capital	Net Revenue	Operating Expenditure	Debt Servicing Water Only	Total Expenditures	Annual Surplus before Trfs to Reserve
2019A	4,059,299	1,600,000	2,459,299	1,224,400	542,007	1,766,407	692,892
2020	4,034,915	1,800,000	2,234,915	1,428,075	521,674	1,949,749	285,166
2020 (Amended)	3,069,863	1,375,000	1,694,863	1,154,809	521,674	1,676,483	18,380
2021	4,117,113	1,863,000	2,254,113	1,341,141	521,676	1,862,817	391,296
2022	4,499,196	1,900,000	2,599,196	1,349,315	521,626	1,870,941	728,255
2023	5,089,180	1,938,000	3,151,180	1,357,599	521,674	1,879,273	1,271,907
2024	5,191,203	1,977,000	3,214,203	1,460,997	456,456	1,917,453	1,296,750

Year	Infrastructure Charges	Infrastructure Allocated to Capital	% of allocation
2019A	1,913,151	1,600,000	84%
2020	1,825,000	1,800,000	99%
2020 (Amended)	1,460,000	1,375,000	94%
2021	1,863,000	1,863,000	100%
2022	1,900,000	1,900,000	100%
2023	1,938,000	1,938,000	100%
2024	1,977,000	1,977,000	100%

User Fees and Charges: The majority of the user fees and charges are subsidized by property taxes, the allocated PRA portion to operating and other contributions (i.e. RD Fire Dept.). The list below provides the actual 2019 subsidy level for the key services offered by the City.

Services	Revenue from Fees & Charges	Grants and Other Revenues	Total Revenue	Expenditures	Surplus/ Deficit)
Air Transportation	310,720		310,720	1,338,984	(1,028,264)
Arenas(*)	417,471	295,263	712,734	1,287,609	(574,875)
BC Transit	136,455		136,455	864,207	(727,752)
Building Inspection	117,486		117,486	116,818	668
Business Licenses	215,053		215,053		215,053
Cemetery	48,376		48,376	190,704	(142,328)
Climbing Wall	17,392		17,392	51,851	(34,459)
Economic Development	16,363	9,500	25,863	648,338	(622,475)
Environmental Waste	1,090,822		1,090,822	1,157,939	(67,117)
Fire Department	86,800	265,700	352,500	3,759,461	(3,406,961)
Land Development	7,925		7,925	397,644	(389,719)
Policing	280,146	172,779	452,925	4,306,673	(3,853,748)
Recreation Program, Public Library and others(*)	124,137	180,449	304,586	1,269,473	(964,887)
Swimming Pool(*)	515,330	152,183	667,513	1,798,526	(1,131,013)
	3,384,476	1,075,874	4,460,350	17,188,227	(12,727,877)

(*) PRRD - \$590,525K Sub-Regional Recreation Grant split amongst the Arenas, KBAC and Public Library

Waste Services: User fees will be reviewed during the budget process to ensure they are sufficient to cover the related waste expenditures. As part of the COVID-19 Relief Plan, the garbage collection fees were reduced by 30%, and the reduction was funded by the Waste Reserve, amounting to \$204K. In mid-2020, a new Garbage Collection Contract was set in place with an expected price reduction, which will be considered during the 2021 budget preparation.

Table 7

Year	Waste Services									Surplus/ (Deficit)
	Garbage Collection (*)			Recycling Collection (*)			Total			
	Revenue	Expenses	Net	Revenue	Expenses	Net	Revenue (Including PRRD Rebate Landfill)	Garbage & Recycling Expenditure	Other Expenses	
2019A	681,517	485,370	196,147	386,010	405,857	(19,847)	1,090,822	891,227	263,712	(64,117)
2020	682,500	450,000	232,500	386,000	370,623	15,377	1,091,500	820,623	298,924	(28,047)
2020 (Amended)	478,500	425,000	53,500	386,000	370,623	15,377	864,500	795,623	297,454	(228,577)
2021	696,150	459,000	237,150	393,720	370,623	23,097	1,112,870	829,623	310,531	(27,284)
2022	710,073	468,180	241,893	401,594	370,623	30,971	1,134,667	838,803	311,260	(15,396)
2023	724,274	477,544	246,730	409,626	370,623	39,003	1,156,901	848,167	312,003	(3,269)
2024	738,760	487,094	251,666	417,819	370,623	47,196	1,179,579	857,717	312,762	9,100

(*) Revenue is based on User fees and Expenses are only contract cost.

BC Transit: BC Transit service was reduced effectively in July 2020. The full realization of this reduction of services is expected to be reflected in the 2021 budget figures.

table-8

Year	BC Transit			Other City's Expenses (*)	Total (Deficit)
	Revenue	Expenses (Contract)	Net		
2019A	136,455	821,293	(684,838)	42,914	(727,752)
2020	77,836	642,417	(564,581)	59,164	(623,745)
2020 (Amended)	77,836	642,000	(564,164)	59,581	(623,745)
2021	55,000	392,417	(337,417)	40,963	(378,380)
2022	55,000	395,000	(340,000)	41,494	(381,494)
2023	55,000	395,000	(340,000)	42,035	(382,035)
2024	55,000	395,000	(340,000)	42,587	(382,587)

(*) Bus shelters and Misc. Grant to Step Up & Ride

Air Transportation: The main source of revenue for the airport services is from the sale of fuel. The comparison between the current source of revenues generated by the airport versus the expenditures shows a significant portion of Deficit, which is currently subsidized by property taxes:

Table-9

Year	Airport Services		
	Revenue	Expenses	Net
2019A	310,720	1,338,984	(1,028,264)
2020	361,087	1,240,331	(879,244)
2020 (Amended)	212,790	1,136,555	(923,765)
2021	386,150	1,270,472	(884,322)
2022	386,150	1,270,472	(884,322)
2023	386,150	1,270,472	(884,322)
2024	386,150	1,270,472	(884,322)

OTHER REVENUES

Other Government Transfers: Other government transfers are estimated at \$1.7M in the original 2021 figures and include provincial transfers, federal transfers and regional transfers related to the shared service agreements. Government transfers can be considered unconditional and normally fund Operating Expenditures. Conditional funding can be used to fund specific projects. Government transfers with specific service allocations are as follows:

- Small Communities Grant (\$362K) – presently allocated to general government services.
- Traffic Fine Revenue Grant (\$208K) – presently allocated to offset policing costs, including the victim services program.
- Other funding arrangements between the PRRD and the City includes \$280K for the RD Fire Service and \$659K for Sub-Regional Recreation Requisitions. The Sub-Regional Requisition is one of Council’s 2019 strategic priorities to improve the contribution amount and is currently under discussions.
- Capital government transfers are conditional grants for specific capital projects. The 2021 projected capital grants (not approved yet) equal \$15.8M and include:
 - Community Works Gas Tax Grant (\$567K) - conditional grant required to be used to fund only infrastructure-related capital projects and allocated for 2021 annual paving upgrades projects.
 - \$5.1M in EEC – Parking & Access Upgrades from Investing in Canada Infrastructure Program (ICIP) funds. Council agreed in the 2019 year that those capital projects would not happen if the grants are not approved and available to be spent. The project will be removed in the DRAFT 1 Budget Report since the Province did not approve it.
 - \$9M for the 96th Ave Paving and Sanitary Upgrades from ICIP Funds, still pending Province approval.
- Gaming revenues (\$678K) - are presently allocated to community grants and other not-for-profit contracts. However, due to the closure of all BC Gaming Facilities and no expected future date of re-opening, there is a high probability that the City will not receive the initially projected revenue for 2021.
- Pacific Northern Gas (PNG) Ltd. Franchise Fees (\$185K) -There is no specific allocation attached to this revenue source.
- Interest (\$155K operating and \$227K in Capital) – Council approved an investment Policy in 2019 to help the City obtain better market rates. However, the Bank of Canada dropped in the first four months of 2020, 1.5% of the interest rate, directly affecting GIS and HISA investment rates.

CARRY FORWARD SURPLUS AND CAPITAL RESERVE

Carry forward or previous year surplus and capital reserves have been used as sources of funding to calculate the amount required to cover the forecasted spending and reduce the impact of tax rate changes.

Table-10

	2018 Actual	2019 Actual	2019 FP	Variance Actual 2019 vs 2018	Variance Actual Vs Budget 2019	Explanation
Operating Accumulated Surplus						
General Funds	948,681	3,050,612	1,164,640	2,101,931	1,885,972	General Surplus resulted of underspending in contract, payroll and material, goods & supplies expenditures.
Water Funds	1,200,378	1,256,501	1,248,349	56,123	8,152	
Sewer Funds	2,170,030	2,862,922	2,517,601	692,892	345,321	Sewer Surplus resulted of underspending in repair & Maintenance and Wages
General Appropriated Funds	1,878,635	1,878,635	1,878,635	-	-	
Sub Total	6,197,724	9,048,670	6,809,225	2,850,946	2,239,445	
Capital Reserves						
General Capital Reserve	7,545,494	7,388,334	6,561,000	(157,160)	827,334	Capital Surplus due to 2019 carryforward Consultancy Service for the Flood Mitigation mapping was below the cost, no need of using the reserve.
Flood Mitigation Reserve	500,000	1,000,000	920,000	500,000	80,000	
Water Capital Reserve	2,154,963	2,583,506	1,741,614	428,543	841,892	Capital Surplus due to 2019 carryforward Capital Surplus due to 2019 carryforward projects
Sewer Capital Reserve	3,265,335	4,693,843	3,630,291	1,428,508	1,063,552	
Sub Total	13,465,792	15,665,683	12,852,905	2,199,891	2,812,778	
Statutory Reserve Fund Surplus						
Equipment Pool Reserve Fund	441,282	448,947	460,285	7,665	(11,338)	
Other Statutory Reserve Funds	298,061	321,774	302,409	23,713	19,365	
Sub Total	739,343	770,721	762,694	31,378	8,027	
Total	20,402,859	25,485,074	20,424,824	5,082,215	5,060,250	

OPERATING & CAPITAL EXPENDITURE - Spending and Service Provision

Council's past decisions and commitments determine service provision and capital investment spending than by assumptions. The 2021 original Financial Plan used an inflationary forecast of 2% for specific contract related expenditures and kept the same amount reported in the 2020 original provision. The 2020 expenditure saw a significant reduction due to the closure of City facilities and some temporary staff lay-offs.

Historically, City staff manages services costs based on an "envelope basis." This means that while actual results within line items may be over or under from year to year, managers are accountable to ensure the envelope stays within the budget. For the preparation of the 2021 Financial Plan, staff is currently reviewing each line item and doing the necessary reclassifications and adjustments to reflect the expected expenditure individually and per function and the direct impact of COVID-19 over the Operating & Capital Expenditures.

The operating expenditures are usually analyzed by services provided. During the 2021 Financial Plan review, staff is also closely monitoring and reviewing the different functions per department. The essential functions breakdown shows which are the main driven operating expenditures:

Table-11

Expenditures per Functions	2019A	2020 FP	2020 Amended	2021 FP	2019A	2020FP	2020 Amended	2020
Salaries, Wages & Employee Benefits	15,255,425	15,652,217	14,553,255	15,894,290	40.0%	39.6%	39.0%	40.5%
Contracts & General Services	10,248,471	11,268,519	10,737,052	10,982,802	26.8%	28.5%	28.8%	28.0%
Debt Servicing	3,881,041	3,714,520	3,708,823	3,713,702	10.2%	9.4%	10.0%	9.5%
Material, Good & Services	2,071,742	2,272,238	1,788,444	2,251,430	5.4%	5.7%	4.8%	5.7%
Utilities	1,792,179	1,710,060	1,764,549	1,710,134	4.7%	4.3%	4.7%	4.4%
Equipment Pool Expenditures	1,240,918	1,259,048	1,266,046	1,263,556	3.3%	3.2%	3.4%	3.2%
Repair & Maintenance	1,404,042	1,040,966	1,085,848	1,077,165	3.7%	2.6%	2.9%	2.7%
Insurance	667,890	749,855	749,860	787,681	1.7%	1.9%	2.0%	2.0%
Consulting	674,163	597,784	607,550	384,784	1.8%	1.5%	1.6%	1.0%
Others	471,448	718,952	621,749	656,792	1.2%	1.8%	1.7%	1.7%
Travel & Training	271,768	373,531	208,517	374,056	0.7%	0.9%	0.6%	1.0%
Grant and Sponsorship	199,891	168,934	181,391	169,454	0.5%	0.4%	0.5%	0.4%
<i>Total Operating Expenditures</i>	38,178,978	39,526,624	37,273,084	39,265,846	100%	100%	100%	100%

Some known 2021 operating expenditures that will increase the need for additional funding are:

- Review the Collective Bargaining Agreement – staff is in the process of reviewing the collective agreement.
- Property insurances are expected to increase in 2021 due to the impact of 1.2B cost incurred by the Insurers with the Calgary Hail Storm in June 2020 and the City's floods this year.
- RCMP requested an increase of one clerical staff, followed by a reduction in 30% of the casual funding. The addition of new clerical staff will be offset by overtime and casual salary reduction.

As mentioned above, the preliminary resource allocations and spending amounts will change as the decisions made are considered within the 2021 Plan. Council can re-prioritize both funding and spending throughout the process. Additional factors affecting the updated 2021 Plan are described below:

EXTERNAL DRIVERS

Some of the external drivers affecting the Plan for 2021 are as follows:

CPI - The consumer price index measures inflationary effects. The BC CPI from June 2019 to June 2020 is 0.53% compared to the Canadian CPI of 0.66% for the same period. This rate is significantly low compared to the average of 2 to 2.5% in the last years.

Economy and Market Forces - Dawson Creek's economic condition is unknown to the current LNG Kitimat agreement and the COVID-19 impact on the local businesses. Overall in Canada, there is a significant concern by the Economist that the COVID-19 economic effects are not currently measurable, and an expected recession/depression will be seen in the following months.

Job Market - Recruitment and retention in the past three years has experienced higher than average pressure. This pressure has dissipated somewhat, depending on the position required. The City has been implemented a succession plan to reduce risk in this area and is restructuring to allocate resources to areas of higher risk.

Development Trends and Growth - In 2020 (up to May), 49 new business licences were issued with three new ones in the oilfield industry. In 2019, 85 new business licences were issued with 1 in the oilfield industry. Building permits are down with \$1.3M in May 2020, compared to \$5.4M for the same period of 2019. Additionally, one new dwelling was added in 2020, compared to 6 in 2019 for the same period. In summary, these statistics suggest that although activity has significantly slowed, it has not stopped.

INTERNAL DRIVERS

Some of the internal drivers affecting 2021 spending are as follows:

Staff Resourcing has been a challenge in the past year as new employees are coming on board, and long term employees are retiring. Changing staff resource structures is often difficult for any organization; however, resource alignment to Council's strategic plan is critical in moving the organization forward effectively.

CUPE Contract – The CUPE Collective Agreement pending negotiation.

IAFF (International Association of Firefighters) Union Contract – The IAFF contract will be renegotiated in 2020. This adoption of Local 18 wage rates is standard practice across the province. The increase can reach from 3.5% to 5%.

Management and Exempt Salaries – Due to COVID-19, the Management and Exempt staff have not seen any salary increase for 2020. Based on the previous Council's resolution, the management and exempt salaries increase is based on the higher CUPE increased rate or BC CPI inflation, plus 1%.

Councillor Remuneration - Mayor and Council remuneration is set by policy. The policy was last amended December 17th with set increases to 2019 and 2020. Beginning in 2021, the amounts will increase by the BC CPI each September automatically; however, the policy was waived in 2020 to remuneration increase effectively in June 2020 because of COVID-19.

Community Grants and other Not-for-Profit Group Payments - The 2021 draft plan holds the community grants and sponsorship budget at \$12.5K. Up to June 30, 2020, the total community grant amount was not used yet. Not-for-profit groups receiving a subsidy through cash or in-kind grants include the following:

- South Peace Community Resource Society - Victim Services Program - \$36K;
- Step Up and Ride - Transportation Subsidy for Mobility Impaired Persons - \$26K;
- South Peace Arts Council - Promotion of the Arts - \$1.5K;
- South Peace Historical Society - Rent Subsidy - \$6K;
- Public Library - Cash Grant and Payroll payment - \$458K;
- Art Gallery - Cash Grant - \$21K.

Debt Servicing - Assumptions related to debt borrowing and debt servicing follow the Debt Management Policy (Reaffirmed June 15, 2015). Debt servicing costs for 2021 are primarily fixed and composed by interest and principal. Past decisions related to loan authorizations have already been

made. The estimate for 2021 debt servicing is \$3,629K (a decrease of \$10K from 2020). An updated forecast will be provided during the budget process. The total outstanding balance for the Long Term Debt amounted to \$24.2M as of December 2019.

Equipment Pool Charges - The 2021 Plan includes \$1.9M in equipment pool charges and this amount is expected to increase as new equipment replaces old units. Some cost savings will be realized through lower maintenance charges; however, this will be replaced with a higher replacement charge as pricing for new units continue to rise.

2021-2025 Capital Plan

Preparing 2021-2025 Proposed Capital Plan begins by using the amounts in the 2020 five year capital plan. Assumptions related to the capital plan include:

- allocating resources to 2020 unfinished projects if necessary;
- allocating resources to new projects prioritized by Council;
- re-prioritizing the original 2021 projects so that resources are allocated to maintaining infrastructure in areas of greatest need (public safety, meeting regulatory requirements, technological advances, and replacement due to rising maintenance costs) and/or commitments to which governments grants have already been approved for; and
- Allocating resources to reserves in the utility funds for future capital upgrades.

The 2020-2024 Capital budget and funding that are the basis for the 2021 capital project, before COVID-19 is as follows:

		Summary Capital Projects				
		2020	2021	2022	2023	2024
Airport		810,000	430,000	555,000	500,000	-
Facilities		1,716,283	9,279,500	1,192,771	1,015,000	1,955,000
Paving		4,565,469	9,537,464	5,055,845	5,718,616	6,000,000
Sidewalk		35,000	150,000	175,000	175,000	175,000
Drainage		594,500	2,075,000	880,000	880,000	619,569
Total General New Projects		7,721,252	21,471,964	7,858,616	8,288,616	8,749,569
Total Water Projects		2,246,150	1,600,000	1,650,000	1,500,000	1,950,000
Total Sewer Projects		1,548,650	3,025,000	1,750,000	1,850,000	1,850,000
Total Equipment Pool Projects		591,660	625,000	625,000	625,000	625,000
Total New Projects		12,107,712	26,721,964	11,883,616	12,263,616	13,174,569
Total Carry Forward		2,540,825	-	-	-	-
Total Capital Project		14,648,537	26,721,964	11,883,616	12,263,616	13,174,569
Capital Projects Sources of Funding						
PRA Allocation to Capital		6,952,640	7,190,000	7,265,000	7,695,000	8,130,000
Conditional Government Grants		910,550	14,122,899	-	-	-
Grants from Gas Funds (Reserve and Actual)		443,912	1,441,565	593,616	593,616	619,569
Water Infrastructure		1,580,600	1,600,000	1,650,000	1,500,000	1,950,000
Sewer Infrastructure		1,548,650	1,742,500	1,750,000	1,850,000	1,850,000
Equipment Pool Reserve		591,660	625,000	625,000	625,000	625,000
Others (Interest)		79,700	-	-	-	-
Carryforward Capital Reserve		2,540,825	-	-	-	-
Total Sources of Funding		14,648,537	26,721,964	11,883,616	12,263,616	13,174,569

Strategic Meeting – Identifying short and long terms opportunities

Available resources limit the amount that City Council decides to spend annually on service provision and capital investment. City staff has organized strategic meetings during the year, to identify opportunities to close or reduce any funding gap created in the current operations budget and plan. Staff will be addressing these priorities to set the stage of the budget drafts discussion.

CONCLUSION

In summary, many financial assumptions and decisions affect the Financial Plan. The first stage of the process is for Council to confirm the methodology used to prepare the 2021 Plan and approve the budget timeline.

The main underlying principles and policies do not change unless directed by Council. Council, as the governing body, decides how much and where to spend and allocate City resources for the community; funding resources available must cover those decisions. The staff's responsibility is to prepare a balanced plan that supports that direction.

None of the assumptions are "fixed" determinations. Council makes the final decision when they adopt the 2021 budget before May 15, 2021, after considering the implications of the various assumptions put forward after making any changes to these preliminary directives.

ALTERNATIVES

1. Council can direct staff to change any of the assumptions and/or other information throughout the budget process.

IMPLICATIONS

- | | |
|--------------------------|---|
| (1) Social | The five-year plan uses the principles of trust and integrity, inclusivity, creativity, health and lifestyle in addressing the social needs of the community with the overall goal of promoting quality of life. |
| (2) Environmental | The five-year plan includes principles for demonstrating respect for the future of the earth by promoting recycling and using renewable energy strategies as well as committing resources to the preservation of clean air, water and healthy land. |
| (3) Personnel | The five-year plan includes resourcing for the people and partner organizations that carry out City services. |
| (4) Financial | The five-year plan is prepared to ensure that there are sufficient resources to cover spending in the short term as well as the long term. |

(5) Risk AssessmentCompliance:

Community Charter, Bylaws, City Policy, best practices.

Risk Impact: Low.

Internal Control Process:

Providing Council with the Budget Assumptions and Timeline approval early in the process improves planning and clarifies direction. The final budget document provides authority for City spending within the legislated requirements of the *Community Charter* Section 173.

GUIDING PRINCIPLES*Trust and Integrity*

We will have a reputation for acting with integrity and will earn the trust of our stakeholders by:

- Pledging to align our actions with the guiding principles that support our vision.
- Sharing information in timely and comprehensive ways.

STRATEGIC PRIORITIES

Council's 2021 Strategic Priority.

IMPLEMENTATION/COMMUNICATION

The 2021 Plan is a rolling document; staff will continue to make revisions as directed by Council.

RECOMMENDATION

That Report No. 20-154 from the Chief Financial Officer re: 2021 Budget Assumptions and Timeline Report be received; further, that discussions on the following recommendations be approved as presented below:

1. That the 2021 Budget Timeline be approved as presented.
2. That the 2021 Financial Plan be based on the principles and values included in the City's Vision, Mission and Guiding Principle documents and other bylaw and policy documents.
3. That Council elects to report to the Ministry only the 2021 Long-term Development Plan (LTDP) Report by October 2020 and waive the 5-year reporting, which it will be provided the completed 2021-2025 LTDP by January 31, 2021.
4. That the methodology used in preparing the 2021 Financial Plan be based on an integrated and long term approach to setting tax rates, fees and charges and service provision.

Respectfully submitted,

Flavia Rossi Donovan
Chief Financial Officer

APPROVED FOR AGENDA BY CAO

Attachments

[A - 2021 - Provisional Budget Timeline \(version Aug 9\)](#)

[B - Updated Statement of VMGPpdf](#)

[C - Revenue Disclosure Requirements Policy](#)



2021 Provisional Budget Timeline	
June 2020	
8	Council to discuss and approve the 2020 provisional budget timeline
23 and 24	Council Budget Strategic Meetings Operations and Capital Budget worksheets distributed to all senior managers and managers for updated information
August	
17	Council to discuss and approve the 2020 budget assumptions
17	First Public Consultation Session - 1 pm - Council Chamber and online via Facebook Live
14	Senior Managers to have operating budget changes submitted to Finance
20	Senior Managers to have capital budget changes submitted to Finance
November	
23	Council 2021 - First Draft Budget Meeting - Venue and time to be determined
23	Council receives the updated BC Assessment preliminary assessment roll report
December	
21	Council's 2021 Second Draft Budget Meeting - Venue and time to be determined
January 2021	
25	Council receives the updated BC Assessment completed assessment roll report
25	Council's 2021 Third Draft Budget Meeting (5 Year Plan)- Venue and time to be determined
	Discuss proposed tax rates and operations budget
28*	Second Public Consultation Session - Venue to be determined
31	Finance to confirm preliminary carry forward surplus and reserve balances available for 2021 budget
February	
8	Council to discuss the results of the Public Consultation
22	Council to approve first three readings and adoption of the 2021-2025 Financial Plan bylaw
March	
31	Staff receives the BC Assessment Revised assessment roll report to calculate the tax levy
April	
12	Draft Financial Statements presented for approval
26	Tax rate information received from other tax authorities for tax rate bylaw
26	Auditor Presentation on Approved Financial Statements
May	
3*	Council to approve the first three readings and adoption of the Tax bylaw
3*	2021-2025 Amended Financial Plan (if significant change in the BC Assessment and PRA funds)
14	Legislative deadline for Financial Plan and Tax Rate Bylaw
(*) Requires special meeting	



COMMUNITY VISION STATEMENT

Dawson Creek will be a visionary community that works together for innovative social, cultural, economic and environmental vitality.

CORPORATE VISION STATEMENT

The Corporation of the City of Dawson Creek will be a forward looking, honest, respectful, fair, accessible and collaborative government that prides itself on responsive fiscal stewardship and holds the trust and confidence of the community.

MISSION STATEMENT

The Corporate Mission of the City of Dawson Creek is to provide excellence in service and leadership that promotes a dynamic community within a healthy environment for all generations.

GUIDING PRINCIPLES

TRUST AND INTEGRITY

We will have a reputation for acting with integrity and will earn the trust of our stakeholders by:

- Keeping promises.
- Pledging to align our actions with the guiding principles that support our vision.
- Modeling competence and anchoring behaviour on enduring values.
- Communicating with care and respect.
- Working to develop positive relationships.
- Sharing information in timely and comprehensive ways.

INCLUSIVITY

We will create an invitational climate by:

- Ensuring all individuals have equal access to services and opportunities for success.
- Seeking ways to reflect and celebrate the diversity of our community and ensuring physical accessibility.
- Engaging people in issues that directly affect them.
- Maintaining and strengthening our links to the First Nations, Aboriginal and Metis populations.
- Making literacy concerns a core component of communication strategies.

MODERN ECONOMY

We will strengthen the community's economic vitality by:

- Establishing a climate that encourages responsible economic development.
- Honouring small and big business partnerships and contributions.
- Focusing on and promoting the opportunities for economic development that are inherent in our community and region.
- Encouraging projects that serve the local community and enhance regional self sufficiency in areas such as power, general supply, and food.

LIFESTYLE

We will nurture engagement in a collective sense of belonging and contribution by:

- Celebrating arts, heritage and culture.
- Creating recreational opportunities.
- Providing opportunities for life-long learning.
- Optimizing transportation and movement around the city.
- Working to reduce crime rates and opportunities for crime in our community.

CREATIVITY

We will foster a culture of creativity, innovation, and learning by:

- Encouraging cooperative and collaborative thinking.
- Employing open dialogue and wide input into decision making and planning.
- Supporting risk taking and challenging conventional practices.
- Including learning opportunities in all actions.

HEALTH

We will optimize opportunities for healthy living by:

- Developing an environment free from undue risk.
- Providing opportunities to enhance physical, emotional, and spiritual well-being.
- Enhancing the cleanliness and aesthetic appearance of our community.
- Promoting physical activity.

GOVERNANCE

We will strive to make decisions that reflect the needs and desires of our community by:

- Providing opportunities for engaged, active citizens to help create and participate in developing solutions for pressing issues.
- Encouraging a wide range of agencies and citizens to take a meaningful role in decision-making.

EXCELLENCE

We will achieve excellence in all our endeavours by:

- Incorporating principles of excellence in all our actions.
- Developing shared goals to serve the long term interests of the community.
- Establishing appropriate measures of success and being accountable for the level of achievement of shared goals.

THE ENVIRONMENT

We will demonstrate respect for the future of the earth by:

- Fostering recycling, reuse and reduced consumption.
- Promoting, demonstrating and using renewable energy.
- Advocating for the preservation of clean air, clean water and healthy land.



REVENUE DISCLOSURE REQUIREMENTS

The Council of the City of Dawson Creek directs that:

Total Revenues

Council recognizes that changes in one revenue source may affect decisions relating to other sources and that City revenues are derived from the following sources:

- 1) Municipal property taxes
- 2) Grants in lieu of taxes
- 3) User fees and charges
- 4) Government transfers
- 5) Utility fees and charges
- 6) Return on investments
- 7) Other revenues

Municipal Property taxes

Council will approve Municipal property tax rates annually by considering changes in the assessment base, inflationary factors and economic conditions and costs of providing ongoing and new City services.

Grants in lieu of taxes

Grants in lieu of taxes will be determined in accordance with the applicable Statutes and Acts regulating these revenues.

Parcel taxes

Parcel taxes will be levied in accordance with the Community Charter if and when a service is established that requires this type of tax to be imposed.

User fees and charges

Authority to impose various fees and charges will be in accordance with regulations under the Community Charter and any other regulating Acts. A comprehensive review of the City's fees and charges will be completed every three years to ensure the City's objectives are being addressed.

Government transfers

The City will ensure that all government transfers are used in accordance with the terms and conditions attached to the funding and that all reporting requirements are met. Unconditional government transfers will be considered as general revenue in the financial plan.

**Utility fees and charges**

Utility fees and charges will be levied at rates that will be sufficient to meet service delivery costs and debt servicing within the utility funds.

Return on investments

Return on investment revenue will be considered general revenue. Investment revenue generated from restricted reserves will remain within the specified reserve.

Other revenues

Other revenues including franchise fee and gaming revenue will be considered as general revenue in the financial plan and any restriction placed on these revenues will be determined annually.

Borrowing proceeds

Proceeds from borrowing will be used within the guidelines of the bylaw established to borrow the funds. The maximum amount of accumulated borrowings will be in accordance with the regulations outlined in the Community Charter and the City's Debt Management Policy.

Distribution of property taxes among the property classes

Annually, before approving the annual tax rates, Council will consider the amount of tax revenue required in relation to other sources of revenue in funding the cost of ongoing and new City services. Tax revenue and ratios between classes will be reviewed with consideration given to changes in the assessment base as a whole as well as changes to the components that make up the base.

Permissive tax exemptions

Permissive tax exemptions will be provided in accordance with the guidelines and regulations contained in the Community Charter.

The objectives and policies as stated above are put forward and are broad in nature to assist Council in their decision making process. Rate capping and ratio limitations on property tax were intentionally excluded so as not to restrict Council's ability to make future decisions. The assessment base, components of the base, priority and provision of services, as well as the various components of total revenues are all factors that are interrelated. Setting the annual tax rates after due consideration is given to each of these factors will ensure the process generates the best result.

APPROVED BY COUNCIL:

DATE: February 4, 2008

AMENDED BY COUNCIL:

DATE: May 7, 2012