

Request for Decision



To: Regular Meeting

From: **Interim CAO**

Date: February 24, 2020

Subject: 2020 Budget Recommendations

Recommendation: **1. THAT Council consider a general taxation increase of between 3 and 4% as per Policy 808.**

2. THAT Council direct Staff to increase the utility rates for water and wastewater by 3.5% as per Policy 808.

3. THAT Council, considering an anticipated electrical surplus, use a portion of that surplus to offset shortfalls in roads, water and sewer reserves.

4. THAT Council direct staff to develop a policy outlining the amount, time frame and direction of the electrical surplus re-allocations.

Background

The City of Grand Forks has undergone tremendous upheaval as a result of the 2018 flood. A robust and well thought out Asset Management Investment Plan (AMIP) has been disrupted, major changes in management have resulted in unanticipated salary and legal impacts to the Operations budget. With the Disaster Mitigation & Adaptation Fund (DMAF) program all but finalized, the financial hit on the City budget should now stabilize. Although, for the next three to five years there may still be issues (acquisition and relocation costs) which may impact the City financially.

In March 2018 Council approved a 3.0% (2018 Budget) increase to ensure the City's Asset Management Plan was not losing ground. Following the flood in 2019, Council approved a 0% budget (for 2019) as a gesture to help people impacted by the flood. Unfortunately, given a BC Annual inflation rate of 2.4% this was essentially a cut.

As a result of the unexpected costs of major HR changes, front ending flood expenses and a cut to the budget impacting both Capital and Operations, the current Financial Plan is out of alignment and needs to be adjusted to ensure the City is able to deal with unexpected costs associated with aging infrastructure, and to take maximum advantage/leverage of Grant opportunities as they come available as per Policy 808 and our AMIP.

All Communities in BC are under tremendous pressure to deal with Asset Management and that means higher than traditional tax increases this year. For example, Kelowna 3.9%, Vernon 4.9%, Castlegar 5.67% and Oliver 9%.

For this reason, it is my strong recommendation that taxes, and utility rates be brought back in line with Policy 808. Over the next year the impacts on the Operations budget will return to a more normal cashflow situation and reserves will begin to rebuild. The City of Grand Forks is rebuilding, and the situation is improving, however the next three to five years will have challenges and those rebuilt reserves may prove to be beneficial.

Regarding the utility rates, the initial water and wastewater rates adjustments from 2015-2018 forecast the following annual surpluses for utility rates to ensure asset management reserves were funded to 50% for each utility. 2019 and future years were supposed to achieve at least the same amount as 2018 and add increases as per policy 808.

	2015	2016	2017	2018
Water	\$ 98,000	\$ 196,000	\$ 392,000	\$ 392,000
Wastewater	\$ 0	\$ 30,000	\$ 120,000	\$ 435,000

The current projections from the proposed budget see the following surpluses for water and wastewater only:

Water: ~ \$274,000

Wastewater: ~ \$36,000

I would strongly recommend for the incoming CAO, Council and Staff to determine a course of action to ensure the anticipated cashflows are restored to those minimum values and when the updated AMIP is completed later this year to verify that these values are still adequate.

Benefits or Impacts

This recommendation is in line with Council Policy 808 and ensures asset management plan targets are maintained in a reasonable manner allowing for flexibility considering unknown impacts of DMAF implementation.

Recommendation

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3. THAT Council, considering an anticipated electrical surplus, use a portion of that surplus to offset shortfalls in roads, water and sewer reserves.

4. THAT Council direct staff to develop a policy outlining the amount, time frame and direction of the electrical surplus re-allocations.

Options

1. THAT Council accepts the report.
2. THAT Council does not accept the report.
3. THAT Council refers the matter back to staff for further information.

Report Approval Details

Document Title:	20200224 - CAO - Budget Recommendation.docx
Attachments:	- 808 - Asset Management Financial Policy FINAL.pdf
Final Approval Date:	Feb 18, 2020

This report and all of its attachments were approved and signed as outlined below:

No Signature - Task assigned to Ron Mattiussi was completed by assistant Daniel Drexler

Ron Mattiussi - Feb 18, 2020 - 11:05 AM