



WHISTLER

REPORT | ADMINISTRATIVE REPORT TO COUNCIL

PRESENTED: January 5, 2021

REPORT: 21-005

FROM: Corporate and Community Services

FILE: 4530

SUBJECT: FIVE-YEAR FINANCIAL PLAN 2021-2025 BYLAW NO. 2306, 2021

COMMENT/RECOMMENDATION FROM THE CHIEF ADMINISTRATIVE OFFICER

That the recommendation of the General Manager of Corporate and Community Services be endorsed.

RECOMMENDATION

That Council consider giving first, second and third readings to the “Five-Year Financial Plan 2021-2025 Bylaw No. 2306, 2021”.

REFERENCES

“Five-Year Financial Plan 2021-2025 Bylaw No. 2306, 2021” (Not attached)

PURPOSE

The Five-Year Financial Plan 2021-2025 sets out the proposed revenue sources and expenditures for the municipality for the period January 1, 2021 to December 31, 2025.

DISCUSSION

The *Community Charter* requires municipalities to approve a five-year financial plan bylaw each year prior to the adoption of the annual property tax bylaw before May 15 each year. The attached bylaw and schedules reflect the following guidelines as adopted at the December 15, 2020 Regular Council Meeting:

1. To implement a 1.08 per cent increase to property value taxes in 2021;
2. To implement a 0 per cent increase to sewer parcel taxes and user fees in 2021;
3. To implement a 0 per cent increase to water parcel taxes and user fees in 2021;
4. To implement a 0 per cent increase solid waste parcel taxes and fees in 2021; and
5. To include the project amounts as described in Appendix “A” to Administrative Report to Council No. 20-129.

The municipality continues to pursue revenue diversification to minimize the overall percentage of revenue raised from property taxes wherever possible. The objective is to maintain a reasonable tax burden by maximizing other revenue sources, lowering the cost of municipal services and shifting the burden to user fees and charges where feasible.

Process. The 2021 budgeting process began in August, 2020. At that time the onset of the COVID-19 pandemic was still relatively fresh and the consequences on municipal finances still largely uncertain. Budgeting is a process that begins at the department manager level and these managers on this occasion were asked to look out into a future that was quite uncertain. How long the pandemic would remain a factor in our community was (and still is) unknown. How recovery initiatives undertaken by

stakeholders throughout our community might affect outcomes was (and still is) unknown. What the new COVID-19 related operating protocols and practices would mean for expenditures was also at that time, largely unknown. Throughout the four-month process that followed, budget stakeholders worked tirelessly to incorporate new and relevant information as it became available, to understand the full range of potential outcomes, and to ensure that budget entries reflected a “most likely” path forward. This process continued right up to early December, when Budget Guidelines were brought before Council and the community. It was a highly fluid and demanding process quite unlike that of previous years.

There was also a larger than normal range of needs observable in the community during this time. Some businesses and households are on the financial brink. Some businesses and households are doing financially as well or better than they were in 2019. A choice was made to structure a budget that in effect under-charges for existing services, in order to both support recovery efforts and to provide some relief to those in our community in a financially precarious position. Under-charging for delivered services is an approach that cannot be sustained for multiple years in a row. And so a period of greater-than-normal tax increases should fairly be anticipated in the coming years.

Reserves and long-term fiscal health. Another important factor in the construction of the 2021 budget was the understanding that municipal reserves had a role to play. Funding appropriate reserve balances is one of the municipality’s most important financial responsibilities. In the case of general capital reserves, this means ensuring that the funds are collected via general municipal property tax each year to offset the degradation in that same year to the physical infrastructure from which the community benefits. In this way, the cost of maintaining this infrastructure is matched to those who enjoy the collective benefits of it. Renewals (like a new roof on a building or a replacement to the mechanical system) can occur as needed and we can avoid a future where some of these assets might reach end of life and fall out of service. A decision was made in 2020, when the financial effects of the pandemic were first translated into a revised operating budget, to reduce the amount of general capital reserve contributions. In essence, to under-charge current ratepayers relative to their rate of asset consumption. This same decision is being made in 2021. Likewise, in the case of the general operating reserve, two consecutive years of under-contribution are planned. Two years in which the choice is made to source from general taxes a lesser amount than is planned to be spent from these reserves in the same period.

The decision to under-contribute to both the general capital and the general operating reserves reduces the total amount of general tax required in the years 2020 and 2021. Yet the physical infrastructure is the same and the operating needs the same as they were pre-pandemic. These costs then, weren’t eliminated but rather shifted in time and the associated amounts will become part of the planned tax requisition in future years. Meaning that budgets in the final years of this five-year financial plan can be expected to include the contribution amounts that were removed from the 2020 and 2021 annual budgets in addition to a return to normal in-year contribution amounts.

External support for the municipality. A final factor in this planning cycle was pandemic-related support offered to the municipality in the form of one-time grants from senior levels of governments. Two such grants were announced as the budget planning process was well under way. The first grant, \$2.685 million “COVID-19 Safe Restart Grants for Local Governments” falls in fiscal year 2020 and is to be applied against eligible costs including revenue shortfalls. The second, “BC Restart Funding for BC Transit”, falls in fiscal years 2021, 2022, and 2023 and appears as reduction in BC Transit contract expense. Both of these grant amounts and their respective effects on in-year revenue and expenditure amounts, significantly informed the planned 2021 tax requisition amount.

Changes in the budgeted tax requisition between the time of the Budget Open House (\$42.25 million) and the time of Budget Guidelines (\$40.71 million) were highly unusual in size. This outcome results

from the unusual circumstances in which the municipality finds itself, and some decisions around reserve contributions that cannot be repeated in subsequent years.

The Five-Year Financial Plan Bylaw includes a series of schedules, including:

- **Schedule A Operating Summary**
 - Collects revenues and expenditures into key categories for each of the General, Water, Sewer, and Solid Waste Funds
 - Shows transfers into (from) statutory reserves that accompany planned operating activities
- **Schedule B Project Summary**
 - Captures planned project expenditures for each of the General, Water, Sewer, and Solid Waste funds, and
 - Associated third-party funding which includes grants and anticipated repayments in the case of projects undertaken by the municipality on behalf of third parties
 - Resulting Transfers from (to) reserves

Note: Schedules A and B together provide a full picture of anticipated change in reserve balances. Money flows into reserves from the operating budget and out of reserves as project spending proceeds.

- **Schedule C Supplementary Information**
 - Planned proportionate split of revenue from different sources for the coming fiscal year
 - Planned distribution of general municipal tax requisition among property classes
 - Permissive exemptions effects

COMMUNITY ENGAGEMENT AND CONSULTATION SUMMARY

Community engagement was a critical piece of the process and some new tools were put into use this year. The 2021 Budget Open House meeting was conducted in a virtual/online format. A total of 45 individuals elected to participate. Small-group discussions were held in virtual breakout rooms for the first time. More than 80 individual comments and responses to prompts were collected from those conversations. An online survey was distributed following the event and received 104 individual responses. The most common theme among survey responses and open house commentary related to recovery efforts. That the municipality should do what it can to help businesses and individuals who may be struggling at this time. Comments both in support of and opposition to spending on Climate Action were recorded. Likewise for parks and trails.

OTHER POLICY CONSIDERATIONS

Section 165 of the *Community Charter* requires municipalities to prepare a five-year financial plan to be adopted annually by bylaw. Once adopted, the plan is in effect until it is amended, and may be amended by bylaw at any time.

Section 165 (3.1) requires additional disclosure regarding the proportion of revenues from each source and the objectives and policies in relation to the distribution of property value taxes among the different classes. This information is provided in Schedule “C” of the Bylaw.

SUMMARY

The Financial Plan Bylaw sets out the proposed revenues, expenditures and transfers for the years 2021 through 2025. Consistent with the Community Charter, this Bylaw guides all municipal operating and capital spending across the organization. This Bylaw is being presented to Council for consideration of the first three readings prior to adoption.

The municipality will continue to pursue revenue diversification to minimize the overall

Respectfully submitted,

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DIRECTOR OF FINANCE

for
Ted Battiston
GENERAL MANAGER OF CORPORATE AND COMMUNITY SERVICES