

DATE: January 19, 2022

TO: MAYOR AND COUNCIL

NAME AND TITLE: WALTER BABICZ, CITY MANAGER

SUBJECT: 2022 General Operating Budget

ATTACHMENT(S): None

RECOMMENDATIONS:

1. THAT Council RECEIVES FOR INFORMATION the report dated January 19, 2022 from the City Manager, titled “2022 General Operating Budget”.
2. THAT Council APPROVES not utilizing the \$3,072,625 of Safe Restart Funding as set out in the 2021 – 2025 Financial Plan, due to a sufficient surplus being achieved in the 2021 fiscal year for the general operating fund.

PURPOSE:

For Council information to assist with 2022 operating budget deliberations.

BACKGROUND:

COVID-19 has resulted in financial challenges for the City. In response, Administration has undergone changes to reduce the number of departments, streamline functions and reduce operating costs.

The following is a summary of some of these significant initiatives:

- In 2020, non-labour budgets were reviewed by each department head. With lockdown rules in effect from the province, it made sense to suspend certain expenses (e.g. training, travel, conferences, etc.) with the intention of their return when public health orders were lifted. As part of this initiative, department heads also reviewed non-labour budgets to identify what expenses could be eliminated permanently without significant impacts. This review resulted in the permanent elimination of annual non-labour expenses in the amount of \$349,440.
- The management/exempt employee group was assigned a 0% cost of living salary increase in both 2020 and 2021, resulting in approximately \$500,000 of total operating expense reductions (\$250,000 of annual savings calculated using the wage rate percentage increases in the CUPE Collective Agreement).

- In November 2020, organizational structure changes were implemented that resulted in the elimination of eight management/exempt employees and four unionized employees, resulting in a total of \$1,552,246 in operating expense reductions.
- In 2021, further organizational structure changes were implemented, involving the elimination of the General Manager level in the organizational management structure, the elimination of one management/exempt position, and the elimination of one unionized position, resulting in a total of \$365,592 in operating cost reductions.

The collective result of the above initiatives is the achievement of approximately \$2,750,000 in annual operating expense reductions.

FINANCIAL CONSIDERATIONS:

The 2022 Financial Plan has been prepared and the final proposed tax increase is 6.55%. As Council is aware, the Provincial Government announced a funding stream that provides direct grant support to local governments to deal with increased operating expenses and lower revenues due to COVID-19. The intent of the COVID Safe Restart Grant funding is to allow local governments to continue to deliver the services people depend on in their communities. Eligible costs for this grant funding include:

- Addressing revenue shortfalls
- Facility reopening and operating costs
- Emergency planning and response costs
- Bylaw enforcement and protective services like fire protection and police
- Computer and other electronic technology costs (to improve interconnectivity and virtual communications)
- Services for vulnerable persons (e.g. persons living with disabilities, mental illness or addictions, persons experiencing homelessness or other vulnerabilities)
- Other related costs

The City of Prince George received \$6,110,000 from this funding stream in 2020. Council authorized the use of \$3,072,625 of those funds in 2021 to counter the lost revenues projected in the budget. As discussed at the December 6, 2021 meeting of the Standing Committee on Finance and Audit, and as indicated in the above recommendation, the Finance department advises that year-end projections in 2021 suggest that the City will not need to use any of the Safe Restart funds authorized for use by Council in connection with the 2021 budget. Accordingly, the Finance department advises that the City's Safe Restart Fund balance may and should be restored to \$6,110,000.

Given the intent of the Safe Restart Funding, it is Administration's recommendation to use the Safe Restart funds as intended to mitigate the reduced revenues the City has sustained. The below table shows how the Safe Restart funding could be potentially used by Council to reduce the 2022 tax levy. Each 0.50% increment represents \$571,720 and equates to approximately \$12 to the representative household:

Tax Levy	Required Reduction	Safe Restart Fund Balance
6.55%	\$0	\$6,110,000
6.00%	\$623,752	\$5,486,248
5.50%	\$1,195,472	\$4,941,528
5.00%	\$1,767,192	\$4,342,808
4.50%	\$2,338,912	\$3,771,088
4.37%	\$2,492,698	\$3,607,302
4.00%	\$2,910,632	\$3,199,368
3.50%	\$3,482,352	\$2,627,648
3.00%	\$4,054,072	\$2,055,928

OTHER CONSIDERATIONS:

Administration has researched and summarized the property tax increases in 2021 and 2022 for comparable cities in BC, for reference in regard to the proposed 2022 tax increase in Prince George:

Municipality	2021	2022 (proposed or final)	TOTAL (2021 + 2022)
Chilliwack	2.99%	2.99%	5.98%
Coquitlam	2.94%	3.43%	6.37%
Kamloops	0.97%	4.89%	5.86%
Kelowna	4.04%	3.64%	7.68%
Maple Ridge	3.60%	4.40%	8.00%
Mission	3.20%	5.96%	9.16%
Nanaimo	3.00%	5.90%	8.90%
Prince George	0.00%	6.55%	6.55%
Saanich	5.76%	TBD - March 2 nd Council	5.76% + ?
Vernon	2.13%	6.88%	9.01%
Victoria	2.03%	3.25%	5.28%
West Kelowna	4.05%	4.00%	8.05%

SUMMARY AND CONCLUSION:

Administration recommends using the Safe Restart Funds to stabilize the tax increase over multiple years.

RESPECTFULLY SUBMITTED:

Walter Babicz, City Manager

Meeting Date: [2022/01/24]