CITY OF PRINCE GEORGE

STAFF REPORT TO COUNCIL

1100 Patricia Blvd. I Prince George, BC, Canada V2L 3V9 I www.princegeorge.ca

DATE: January 20, 2023

TO: MAYOR AND COUNCIL

NAME AND TITLE: Kris Dalio, Director of Finance and IT Services

SUBJECT: 2023 – 2027 Financial Plan

PURPOSE:

To provide readers with a clear understanding of the City's proposed 2023 – 2027 Financial Plan and the Sustainable Finance Guidelines which underlie the development of the plan.

BALANCED FINANCIAL PLAN:

The City's Financial Plan is aligned with its Strategic Plan and Corporate Work Plan and reflects the revenues from, and costs of, delivering its services.

The *Community Charter* requires that Council adopt five year financial operating and capital plans by bylaw before the annual property tax bylaw is adopted (before May 15th of each year). The financial plan must include the following for each year of the plan:

- Proposed expenditures including separate amounts for:
  - Interest and principal on debt;
  - Capital purposes;
  - A deficiency from a previous year, if applicable; and
  - Other purposes.

- Proposed funding sources including separate amounts for:
  - Revenue from property and parcel taxes;
  - Fees and charges;
  - Proceeds from borrowing; and
  - Revenue from other sources.

- Proposed transfers between funds, including separate amounts for each statutory reserve fund and accumulated surplus.

As per section 165 of the *Community Charter*, for each year of the financial plan, the proposed expenditures and transfers to other funds cannot exceed the proposed revenue, transfers from other funds and proceeds from debt – i.e., there cannot be a deficit. If a deficit does occur, it must be reflected in the financial plan as an expenditure in the next year. A financial plan may be amended by bylaw at any time.

PUBLIC CONSULTATION:

According to the *Community Charter*, a council must undertake a process of public consultation prior to finalizing the budget. The City of Prince George has provided opportunities for feedback over the years. In previous years this consultation occurred at public meetings and other in-person events. Due to the timing of the local government election, this year's consultation was done exclusively through digital platforms.

Consultation this year was done through:

- The annual Citizen Budget online survey
- Five satisfaction surveys
- Gathering comments received on social media

For the first time, additional broader citizen satisfaction surveys were used to gather input from the public. These shorter topic-specific surveys attracted those who rent and/or do not want to complete a longer survey that includes topics they don't have strong opinions on.

The survey and the online event were promoted extensively through radio, digital, newspaper and social media advertising.

A fulsome summary of the 2023 Community Engagement was provided to the Finance and Audit Committee in December, 2022. Here is the link to that report: https://pub-princegeorge.escribemeetings.com/filestream.ashx?DocumentId=18386

The results of the 2023 budget consultation are available to the public on the City website: https://www.princegeorge.ca/community-culture/get-involved

Lastly, when Council considers the proposed financial plan, members of the public will be provided with an opportunity to address Council during 15 minute sessions that will be scheduled at the beginning of both the afternoon and evening sessions of the January 30th meeting. If the budget discussions have not concluded by the end of the January 30th meeting, Administration and Council will reconvene on February 1st and there will be scheduled 15 minute sessions at the beginning of each necessary session of Council that follows.

FUND STRUCTURE:

The City has four funds: General Fund, Sewer Fund, Water Fund and District Energy Fund. Each fund has a balanced budget for both operating and capital expenditures and each has specific operating and capital sources of funds available to finance its programs.

General Fund – This is the largest fund and provides for services such as police and fire protection, bylaw enforcement, real estate services, corporate and fiscal services, fleet services, city management, service agreements and grants, transportation, transit and snow control, cemetery and parks, development planning and permits, as well as recreation programs, services and facilities.

Also included within the general fund are off-street parking and solid waste services which are operated as self-financing divisions which are funded by user fees (user fees and the Downtown Off-Street Parking Levy in the case of off-street parking). As with each of our self-funded services, the City attempts to set user rates that achieve a surplus of between 5% and 10% of operating expenses and build a reserve that is able to fund their asset reinvestment needs. The 2023 solid waste utility budget is balanced with a projected contribution of $0.75 million to the solid waste capital reserve.

The 2022 Downtown Off-Street Parking Levy was $2,000,000 and Administration is recommending the same levy for 2023. The 2023 budget is balanced with a projected contribution of $1.2 million to the off-street parking capital reserve.

Sewer and Water Funds – These funds provide for the sanitary sewer and water operations and capital programs. The sewer and water utilities are operated as self-financing utilities and are funded through user fees as per Sustainable Finance Guideline 3. Revenues and expenditures of the utilities are reviewed and user rates are set to fully recover the utilities operating and capital cost requirements. Council approved a bylaw that established that the utilities user fee rates would increase by 5% for sewer and 3% for water in 2023 over the 2022 level.

District Energy Fund – The Downtown District Energy System supplies centralized space heating and domestic hot water to a number of downtown buildings through a system of distribution pipes and has the potential to connect to more buildings in downtown Prince George. The system is supported by user fees as per Sustainable Finance Guideline 3.

FINANCIAL PLANNING PRINCIPLES:

The Financial Plan embraces the following planning principles in the development of the operating and capital five year plans. Sustainable Finance Guidelines are quoted in parentheses where applicable.

- Realistic Plan (14) – Revenues and expenditures within the plan must be realistic and achievable. Variance reviews are completed and reviewed by Administration.

- Taxation (2) – The revenue required to provide City services that cannot be recovered through any other sources is raised through the property tax levy. Council and Administration regularly review the levels of taxation in relation to historical levels and in comparison with other municipalities.

- User Fees (3, 4) – The user pay principle means that fees should be applied to services that are easily identifiable to users such that those who use the service are the ones who substantially pay for it. In determining user fees the City also considers demand and ability to pay.

- External Debt (13) – The City uses debt to fund major capital works and expansion projects. The repayment of debt is a cost borne by the general, sewer, water, and district energy operating funds. The Ministry of Municipal Affairs sets a limit on the amount of debt a city may have; it is equivalent to payment costs of no greater than 25% of the previous year's certain revenue.

- Reserves (10) – General, sewer and water reserves are used to fund various components of the operating and capital five year plans. Administration continues to review and develop sustainable approaches to reserve fund balances.

BASE BUDGET, ASSET MAINTENANCE AND AMORTIZATION:

The Financial Plan as presented is balanced at a level that maintains core service levels, meets Council commitments and funds contractual expenditures.

Asset Maintenance is defined as expenses incurred in maintaining the predetermined service potential of an asset for a given useful life or to keep the asset in its usual condition and operating standard.

The amortization of tangible capital assets is a Public Sector Accounting Board (PSAB) 3150 requirement and will be reflected in the City's Financial Statements and five year Financial Plan Bylaw. However, while reflected, amortization of tangible capital assets is not funded in the Financial Plan.

BACKGROUND:

2021 & 2022 Tax Increases, CPI, and Comparison to Other Municipalities

Year	Proposed increase at F&A	Final Tax Levy Approved By Council	Consumer Price Index (CPI) from October to October
2021	3.16%	0.00%	4.70%
2022	6.37%	3.00%	6.90%

Inflation is at a level that has not been seen for many years. It's important to recognize that CPI is a not a perfect indicator for municipalities. For example, CPI measures inflation on a basket of goods that are used by a household such as clothing or food. Municipalities do not deal in these goods but they do deal in items such as asphalt for roads, or construction costs, which are absent from the CPI. However, CPI is still used as a measure for inflation in the absence of a specific municipal price index for Prince George.

Administration has prepared a comparative table below with other commonly compared BC municipalities. Prince George is at the extreme low end of our peers and this information is presented along with CPI for the last two years to illustrate that the City is at risk of compromising long term sustainability of service levels.

Municipality	2021	2022	TOTAL (2021 + 2022)	Representative Home Tax
Saanich	5.76%	6.67%	12.43%	$3,184
Mission	3.20%	5.96%	9.16%	$2,621
Vernon	2.13%	6.88%	9.01%	$2,134
Nanaimo	3.00%	6.00%	9.00%	$2,555
Maple Ridge	3.60%	4.40%	8.00%	$2,801
Kelowna	4.04%	3.94%	7.98%	$2,579
Coquitlam	2.94%	3.43%	6.37%	$2,975
Chilliwack	2.99%	2.99%	5.98%	$2,111
Kamloops	0.97%	4.92%	5.89%	$2,481
Prince George	0.00%	3.00%	3.00%	$2,366

GENERAL OPERATING FUND:

The 2023 Financial Plan provides for general operating expenditures of $152.8 million. This amount excludes taxes collected for and remitted to other levels of government and/or taxing authorities in the amount of $54.5 million.

The proposed taxation increase for 2023 is required to maintain core service levels and funding for contractual commitments. The 2023 budget represents a full "return to normal" budget with the new Canfor Leisure Pool being the last of the recreation services to be added back after the pandemic. The combined total taxation increase for 2023 is proposed to be $8,806,750, which equates to a 7.23% increase. This increase includes an estimated offset of $1,366,999 in non-market change tax revenue.

The tax levy is made up of four individual levies:

- General (operating) – provides the operating funding for all City service categories with the exceptions of Off Street Parking, Snow, Solid Waste, Sewer, Water and District Energy;
- General Infrastructure Reinvestment Fund (capital) – created in 2013 to start closing the gap between the reinvestment required and the funding available to maintain the City's existing Civic Facilities.
- Snow Control (operating and capital) – funds the full scope of costs associated with providing the City's snow control service;
- Road Rehabilitation (capital) – created in 2004 and funds the reinvestment needs of the City's transportation network;

The table below illustrates how the increase is dispersed among the City's four different tax levies.

	2022 LEVY	PROPOSED INCREASE	NON MARKET CHANGE	2023 LEVY PROPOSED	% TAX INCREASE
General - Base	100,570,760	7,439,751	1,366,999	109,377,510	6.26%
General - Infrastructure Reinvestment	2,800,000	150,000	0	2,950,000	0.13%
Snow Control	10,000,000	400,000	0	10,400,000	0.34%
Road Rehab	5,500,000	600,000	0	6,100,000	0.50%
Total	**118,870,760**	**8,589,751**	**1,366,999**	**128,827,510**	**7.23%**

General Infrastructure Reinvestment Fund

Like most Canadian cities, Prince George faces a considerable financial challenge to ensure optimal performance and efficiency from its infrastructure assets. The asset management program has identified the difference between the annual investment required to maintain and replace new and aging municipal infrastructure and the available annual budget.

Many of the city's asset types have dedicated funding sources for reinvestment: roads is funded by the Road Rehabilitation levy; sewer and water is funded by utility rates; and solid waste garbage trucks and bins are funded by their specific utility rate. To address the difference between the investment required in the remaining asset types and the budget available (the "gap"), Council created the General Infrastructure Reinvestment Levy in 2013. Administration has listed two unfunded capital projects in the capital plan to illustrate two major asset types in particular that still need significant reinvestment: Civic Facilities Long-Term Reinvestment - $11,235,000; and Stormwater Drainage Network Long-Term Reinvestment - $4,620,000.

The 2022 General Infrastructure Reinvestment Fund Levy is $2,800,000. In order to address the gap, this levy would need further investment. The City has seen a larger than usual inflation rate when it comes to capital construction projects; it is estimated at 5% per year. To maintain the purchasing power of the existing levy and our infrastructure at current service levels, Administration is recommending the levy be increased from the 2022 budget figure by $150,000 to the 2023 figure of $2,950,000. Ultimately, the City should be trying over time to raise this levy to an amount that is capable of funding the two unfunded capital projects mentioned earlier.

Snow Control

Snow Control continues to be among the highest ranked services during budget consultations and highest volume calls for service. The 2022 Snow Levy was funded at $10,000,000 to fund the City's net snow control expenses. In 2022, Administration recommended that the levy increase to $10,200,000 (an increase of 2%) to provide for inflationary costs on snow control for a "normal" snow year. Council did not end up approving the proposed increase and kept the levy at $10,000,000.

Bearing in mind the principle of preparing operating budget guidelines that reflect the costs of maintaining existing services and service levels, Administration has prepared some historical information concerning annual snow control expenses and estimates concerning the required annual snow levy. 2022 information is not complete as of the time of this report due to year end processes so a projection has been provided for Council's information.

Table 1 – Snow Control Levy and Expenses					
	2019	2020	2021	2022 (to date)	2022 (projected Dec. 31st)
Budget	$8,500,000	$8,500,000	$10,000,000	$10,000,000	$10,000,000
Net Expenses	$9,855,763	$10,522,130	$7,707,770	$8,634,118	$9,200,000

Like 2021, the Snow Removal Service Category expenses in 2022 are projected to be under budget. As Table 1 illustrates, there can be a lot of volatility of the amount of snowfall that can occur from one year to the next. As a result, snow control is one of the City's services at the highest risk of going over budget. If the annual net expenses are greater than the annual Snow Levy and the snow reserve has no available funds, the shortfall between snow expenses and revenues is taken from the City's general operating surplus. In the event that the general operating surplus is fully depleted of funds and the City has a deficit, that deficit must be reflected as an expenditure in the next year's financial plan as per the *Community Charter*.

To mitigate the City's risk, the Snow Control levy should be high enough to create a reserve that is equal to 25% ($2.500 million) of the annual net snow control expenses, as well as the capital needs of the snow control function. If the 2022 projected amount is correct, the City will have a year end reserve amount of approximately $3,100,000, which will exceed the reserve goal by $600,000.

Inflationary pressures for snow removal this year are high. The CUPE collective agreement currently has a 2% increase per year but inflationary increases on contracted services, fuel and other fleet costs are noticeably higher. Therefore, the cost of an average snowfall year has increased. Administration is recommending that the snow levy increase by the amount suggested in 2022 as well as an additional $200,000 to the 2023 figure of $10,400,000 to keep pace with increasing costs of providing the service. With the reserve being potentially at its goal by the end of 2022, there is a possibility to rely on the reserve and raise less money with the levy in 2023 (deferral options are detailed later in this report) but it is important to note that Administration still considers the recommended $10,400,000 to be the funding level required for snow removal in a normal year.

Road Rehabilitation

In 2022, Administration recommended that the road rehabilitation levy be increased to $5,950,000 (an approximate 2.5% increase of $150,000) to keep pace with the rising costs of asphalt, labour and fleet expenses and maintain existing service levels. In efforts to reduce the overall tax levy, Council approved a 2022 Road Rehabilitation Levy of $5,500,000.

For 2023, the City has experienced significant rising costs. On the City's most recent paving contract, we have seen an increase from $116 to $141 per ton placed (approximately 21%) with a provision for minimum tonnage required, meaning for smaller jobs we could see rates as high as $200 per ton. A large increase in the contribution to the Road Rehabilitation Levy is required to maintain the same number of lane kilometers of work per year. Administration is recommending the reinstatement of the $450,000 reduction from last year as well as an additional $150,000 for 2023 to bring the total recommended 2023 levy to $6,100,000.

Revenue Entitlements Under Agreements and Grants

The Province of BC provides a share of the traffic fine revenue that is earned within the municipal boundary; these funds are allocated to the general operating fund to offset policing costs. The grant is estimated at $1,150,000 for 2023, which is $100,000 lower than the budgeted amount in 2022.

On a quarterly basis, the Ministry of Public Safety and Solicitor General transfers 10% of net casino revenues from the Treasure Cove Casino to the City; annual reporting on the use of these funds is required. The 2023 gaming revenue budget has been estimated at $2.8 million. $2.5 million of the gaming revenues are used to fund general capital expenditures and the other $300,000 is transferred to the Major Events Reserve. Gaming contributions are normally considered a reliable source of funds for capital but the COVID-19 pandemic had rendered casinos closed from March of 2020 to June of 2021. Should restrictions tighten again, this would have large impacts on the available funding for the capital plan.

The City receives an operating fee from FortisBC Inc. based on 3% of the gross revenue from the sale of natural gas within the municipal boundaries. The operating fee revenue is used for general operating purposes. The operating fee is estimated at $1,150,000 for 2023, which is $100,000 higher than the budgeted amount in 2022.

The Federal Government provides the transfer of federal gas tax funds under the Canada Community-Building Funds (CCBF) program to BC local governments via the Union of British Columbia Municipalities (UBCM). Funding can be used for infrastructure construction, renewal, and enhancement projects in eligible categories and for capacity building projects. The Agreement is in place until 2024. The grant for 2023 is $3,457,483 for 2023, which is $142,586 higher than the budgeted amount in 2022. CCBF grants are used to fund projects in the capital plan.

Fees and Charges

Taxation accounts for approximately 75% of the City's total revenues. The next largest contributor is Fees and Charges at approximately 15%. In accordance with the City of Prince George Sustainable Finance Guideline #4 and Section 194 of the *Community Charter*, the City recovers the costs associated with goods and services in the following ways:

- General Taxation – for goods and services that benefit the community as a whole (eg. snow control);
- Fully Funded User Fees - for goods and services that benefit specific organizations and individuals (Development Costs, such as business licences and permit fees; and Utility Rates);
- User Fees subsidized by taxation – where specific organizations and individuals gain benefits from goods and services that are also providing significant public benefit to the community as a whole. User fees are designed to reduce the amount of subsidization as much as possible while still ensuring accessibility to users and operational efficiency.

Council has previously approved increases to the following fees and charges for 2020 to 2023: Sewer, Water, Solid Waste, Off-Street Parking, Cemetery, Highways, Storm Drainage, Subdivision Control, Snow Dumping, CN Centre; Community Arenas; Conference and Civic Centre; Aquatics; Parks and Recreation; Prince George Playhouse Theatre; Records Administration; Fire Protection and Emergency Response; and RCMP Support Services. In the summer of 2023, Council will approve the next four years of fees and charges.

SIGNIFICANT BUDGET IMPACTS:

Salaries and Benefits – this includes:

- Collective agreement increase of 2% for CUPE
- Collective agreement progression increases for IAFF. The current agreement is expired as of 2021 and cost of living increases are estimated and stored in the City's contingency
- 2% increase and step progressions for Management/Exempt for 2022 (adjusted out of contingency from last year)
- Increase for Mayor & Council as per Council Remuneration Bylaw approval (1% for Mayor; 3.5% for Council) as well as 2% cost of living adjustment from 2022 (adjusted out of contingency from last year)
- an estimated 14.41 full-time equivalent (FTE) increase over last year. 9.5 FTE is due to the City having two operational swimming pools again. There is also an additional 2.0 FTE in the Fire Operations Communications Centre (FOCC) but those staffing costs are being paid for by the Regional District. There are 3 other new positions built into the budget this year: 1.0 FTE for a new Cyber Security position in IT Services; 1.0 FTE for a Project Estimator in the Capital Program Management Office division; and 1.0 FTE additional Heavy Duty Mechanic in Fleet Services.

RCMP Contract – The RCMP provide police services to the City through a contract with the federal government. The contract allows for 143 authorized members. The City risk-manages that budget for vacancies and funds 128 members at $210,608/member. RCMP members have recently unionized and the City has seen larger increases to the contract since that time. Labour makes up the largest component of the cost per member that is provided by the Province. Also, there is a proposed service enhancement included in this year's financial plan that is requesting an increase from 143 to 147 members.

External Debt Servicing Costs – The total general external debt repayment amount in 2023 is projected to be $11.8 million. There is an increase in principal and interest payments on new debt for:

- Canfor Leisure Pool - $25,500,000
- Mausoleum Expansion Phase 2 - $1,320,000
- Masich Stadium Amenities - $2,701,000
- Ron Brent Park Redevelopment Phase 2 & 3 - $1,675,000
- 14th Avenue Upgrades (Irwin to Freeman) - $1,025,000
- Domano and St Lawrence Signalization - $500,000
- Highway 16 West Frontage – Heyer to Henry - $800,000
- Goose Country Road Culvert Replacement - $420,000

There is no outstanding debt in the General Fund that is reaching maturity in 2023 to offset these increases. The next year of substantial debt maturity is in 2025. Detailed information on debt can be found in Schedule 5 of the City's financial statements.

Internal Debt – Funding from the endowment reserve is used for internal loans. In 2023, the repayment amount to the endowment reserve is estimated at $4.1 million.

Fleet – The cost of the City's mobile equipment is distributed through rental rates which are allocated to general, water and sewer operations. The City attempts to recover all operating, maintenance and lease costs through the rental rate program. Inflationary increases on fuel, tires and maintenance are much higher than normal. This change reflects an approximate 10% increase in these costs less the amounts that are collected from other funds (sewer, water, solid waste, snow).

Transit –increases as outlined in the City's Annual Operating Agreement (AOA) with BC Transit.

Hydro – while the cost of electricity is expected to increase in 2023, Administration has reviewed the energy budgets across the organization. The City has done a lot of work in recent years with energy efficiency projects and our energy savings are outpacing our inflationary increases in this area. There is an overall reduction in 2023 expenses and the City is estimating more regular increases again in future years.

Prince George Public Library (PGPL) - the unionization of the PGPL's staff presents challenges that require the City to change internal service delivery. Up until now, the City has been able to provide overall cost efficiency by having City staff process PGPL's payroll and benefits. However, PGPL operates under the Library Act with their own board of directors. PGPL now needs the ability to negotiate their own collective agreement without needing to consider the City's internal capacity. PGPL will need to purchase and implement their own payroll system as well as hire staff to perform financial and human resources functions that are no longer appropriate for the City to provide.

Other adjustments – Large items of note are:

- Advertising savings as a result of the new Public Notice Bylaw passed by Council
- Non-labour expenses associated with operating new Canfor Leisure Pool
- Increase to contracts the City has with certain service providers (software services, Employee Family Assistance Program, etc.) as well as other contracted services such as equipment rental
- HVAC, electrical and other maintenance costs for city facilities
- Insurance premiums for city assets. Overall replacement value has gone up substantially with recent inflation. The rates themselves have increased as well, as insuring municipalities has become more challenging with recent fires, floods and mudslides.

<u>Service Enhancements</u>

The following service enhancements are also included for Council's consideration as directed by Council resolution:

- Year one of a five year plan to meet the overall recommended staffing level in the Police Services Review presented to Council in December 2022 - increase of 4 additional RCMP members and 2 additional municipal employees - $1,020,646 (0.86%)
- One-time consulting expense to continue Standards of Cover work (training facility feasibility study) - $100,000 (0.08%)

Should Council approve the service enhancements, the total tax levy would increase from 7.23% to 8.17%.

<u>Citizen Budget Survey Results Option</u>

At the December 20, 2022 meeting of the Standing Committee on Finance and Audit, the following resolution was passed:

"That the Standing Committee on Finance and Audit RECOMMENDS to Council a 2023 municipal tax levy with the base tax levy to maintain existing service levels as calculated by the Director of Finance and IT Services with an option to increase the levy by 0.97% to reflect the Citizen Budget Survey results."

The results of the Citizen Budget survey showed that respondents preferred increases to Police Services, Snow and Ice Control, Roads and Sidewalks, and Community Planning and Infrastructure. Respondents also preferred a decrease to Corporate Services. Estimated increases/(decreases) to those areas of operations would appear as below:

- Police Services - $1,322,541
- Snow and Ice Control - $429,632
- Roads and Sidewalks - $242,247
- Community Planning and Infrastructure - $13,952
- Corporate Services - $(855,326)

The total of this adjustment would result in an increase of $1,153,046 or 0.97% to the tax levy. Should Council wish to approve the 0.97% adjustment, the total tax levy increase would change from 7.23% to 8.20%.

It is important to note that Corporate Services is an often misunderstood service. Corporate Services are centralized expenses (Office of City Manager, Mayor & Council, Legislative Services, Communications, Procurement, Service Centre, IT, Finance and Human Resources) that support the other services to operate, and/or divisions that have regulatory responsibilities for the organization. Decreasing funding to Corporate Services will have negative service level impacts to all other divisions, including the four areas listed above that are showing funding increases, as well as potential impacts to the organization's ability to meet their regulatory requirements.

SAFE RESTART GRANT AND OTHER TAX DEFERRAL SCENARIOS:

For reference, a 1% reduction in tax levy equates to $1,188,708. Subject to assessment value changes from BC Assessment, and tax rates set by Council, a 1% increase in taxes translates to approximately $23 for the representative household. Funds required to reach reduced % targets are as follows:

Tax Levy	Required Reduction
7.00%	$273,403
6.00%	1,462,111
5.00%	2,650,819
4.00%	3,839,527

Safe Restart Grant

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. Its intention 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 $3,247,369 of those funds in 2022 to defer tax increases. The remaining balance is $2,862,631. Council can choose to use the remainder of the funds in 2023 to defer some of the current year's required tax increase and allow the impact to be spread over multiple years. This would result in a reduction of 2.4% to the 2023 proposed tax levy increase.

Snow Control Levy

The Snow Control Reserve had a December 31, 2021 balance of $2,301,412. It is estimated that there will be a further contribution of approximately $800,000 to the reserve in 2022. If this remains true at year end, the Snow Control Reserve would exceed its target of $2,500,000 by $600,000. There is therefore potential to temporarily lower the Snow Control Levy and rely on the reserve for a while to make up the difference. For example, Council could consider reducing the levy by $600,000, (or 0.50% total tax levy) with the understanding that it will need to be restored in a future year if we can continue to expect usual snow levels.

Transit Operating Reserve

In 2021, the City was given the ability to manage our own operating reserve that was formally held and operated by BC Transit. Council established and approved a Transit Operating Reserve Bylaw and the balance of the reserve at December 31, 2021 was $1,727,534. The 2022 budget was established with a proposed drawdown on that reserve of $858,797. In 2022, the City was still operating at a reduced service level during the months of January to March and did not expend our full budget. Instead of needing to take $858,797 from the reserve, the City is anticipating contributing an additional $600,000 to the reserve. This will leave an estimated $2.3 million in the reserve at year end.

Administration has prepared the 2023 budget with the same $858,797 reliance on the reserve in place. There is no policy guidance around a targeted balance for this reserve, however Administration suggests aiming for approximately $1M, which should be able to fund 2-3 months of the AOA contract in full. Council could choose to leave the full $858,797 reliance on the reserve in place as presented or choose a higher amount of reliance. Again, if Council elects this option, it should be with the understanding that Transit operations are back to normal and this base budget reliance is not something the reserve can sustain in the long term. Administration also does not expect a future surplus as in 2022. The reliance on the reserve eventually needs to be reduced or the reserve will be depleted and the funding gap will need to be fully replaced by levy funding at that time.

RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance and IT Services

APPROVED:

Walter Babicz, City Manager
Meeting date: January 30, 2023