STAFF REPORT TO COUNCIL

CITY OF PRINCE GEORGE
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DATE:	April 29, 2020
TO:	MAYOR AND COUNCIL
NAME AND TITLE:	KATHLEEN SOLTIS, CITY MANAGER
SUBJECT:	April 20, 2020 Standing Committee on Finance and Audit Information Requests
ATTACHMENTS:	None

RECOMMENDATION:

THAT:

1. Council RECEIVES information concerning the revenue and expense impacts of closing the Four Seasons Leisure Pool for the remainder of 2020.

2. Council RECEIVES the 2020 Council Discretionary Expenses information.

3. Council APPROVES the 2020 1.75% tax levy increase option detailed in the report dated April 29, 2020 from Kathleen Soltis, City Manager titled "April 20, 2020 Standing Committee on Finance and Audit Information Requests."

PURPOSE:

To provide Council with information in response to the resolutions made during the April 20, 2020 meeting of the Standing Committee on Finance and Audit.

The requests for information were:

1. The revenue and expense impacts of closing the Four Seasons Leisure Pool for the remainder of 2020.
2. Opportunities for the reallocation of funding from Council Contingency, Collective Council Travel Budget, and Economic Development Travel Budget to the development of community grant(s).
3. Options for reducing the 2020 tax levy increase from 3.44% to (a) less than 2% and (b) less than 1%.

At the April 27, 2020 Closed Council meeting, Council requested that an additional option for reducing the 2020 tax levy increase to 0% also be presented for consideration, as set out in the following resolution:

Moved by Councillor Sampson, seconded by Councillor Skakun, that the following resolution of Council passed at the April 27, 2020 Closed Council meeting be DISCLOSED in its entirety in a staff report to be presented for Council's consideration at the next scheduled Open Council meeting:

> ***"Moved by Councillor Sampson, seconded by Councillor Skakun, that Council DIRECTS Administration to include a zero percent (0%) 2020 tax levy increase option, for Council's consideration at the next scheduled Open Council meeting.***
>
> ***Carried***
> ***Councillor Everitt opposed."***

Carried Unanimously

STRATEGIC PRIORITIES:

This report relates to the myPG Goals of Sustainable Fiscal Management and Health and Wellness.

POLICY/REGULATORY ANALYSIS:

The financial plan bylaw must be adopted prior to the adoption of the annual property tax bylaw and both bylaws must be passed before May 15th of each year. Recently, to assist Councils to deal with COVID-19 related challenges, the Province has enacted a ministerial order which enables first three and final readings of bylaws to occur in one meeting. Administration requests that Council approves the recommendation in this report (or an alternate recommendation) related to the 2020 tax levy increase, and grants first three and final readings of the financial plan and tax rate bylaws during the May 11th Open Council meeting.

BACKGROUND INFORMATION RELATED TO THE STANDING COMMITTEE ON FINANCE AND AUDIT'S INFORMATION REQUESTS:

Continued Closure of the Four Seasons Leisure Pool

The City's two aquatic facilities employ 87 staff: 17 Full-Time, 21 Part-Time, and 49 Casual. The aquatic facilities closed on March 16th and aquatics-related work for the **70** part-time/casual staff ceased. Fifteen full-time aquatics staff stay remain employed. The current estimated labour savings from both pools being closed is approximately $165,000 per month. Currently, staffing levels and facility openings are being determined in accordance with the Provincial Public Health Order concerning Mass Gatherings which expires on May 30, 2020. Keeping the FSLP closed for the remainder of 2020 does not represent a decrease in the number of full-time employees as the full-time employees that work at the FSLP would move to the Aquatic Centre and work shifts that would otherwise be worked by part-time and casual staff. Keeping the FSLP closed for the remainder of 2020 would result in the cancellation of swim lessons for the rest of the year.

Additional Aquatics Data:

The two charts below provide 2019 data on both aquatic facilities. Of note is swim visit numbers: 83% of swim visits to the FSLP are related to Swim Programs (lessons). If physical distancing requirements remain in effect, swim lessons will not be available for the near future (several months, perhaps longer). Without swim lessons, the FSLP would likely see minimal visits. From an operational and financial perspective, keeping the FSLP open without swim lessons does not make sense.

	Revenue	Expense	Recovery
Aquatic Centre	$ 1,200,000.00	$ 3,100,000.00	39%
Four Seasons	$ 600,000.00	$ 1,900,000.00	33%
Division	$ 1,800,000.00	$ 5,000,000.00	37%

	Swim Visits	Swim Programs	Subsidy Per Visit
Aquatic Centre	260,000	17%	$13.15
Four Seasons	140,000	83%	$10.75
Division	400,000	100%	$12.20

Continued closure of the FSLP will result in labour savings from reduced hours of part-time and casual staff and by not filling vacant positions as indicated below.

Four Seasons Expense Reduction				
Pool Closure				
FSLP Closure	1 year	6 months	3 months	Monthly
Labour	$ 1,420,200.00	$ 710,100.00	$ 355,050.00	$ 118,350.00
Utilities	$ 45,000.00	$ 22,500.00	$ 11,250.00	$ 3,750.00
Chemicals	$ 20,000.00	$ 10,000.00	$ 5,000.00	$ 1,666.67
Materials and Supplies/Other	$ 10,000.00	$ 5,000.00	$ 2,500.00	$ 1,250.00
Total Expense Savings	$ 1,495,200.00	$ 747,600.00	$ 373,800.00	$ 125,016.67

<u>Four Seasons Leisure Pool Summary</u>:
The City is currently saving $165,000/month with both pools closed. Reopening the Aquatic Centre, and not reopening the FSLP before the end of the year, will reduce this monthly savings by approximately $40,000 to $125,000/month savings. It is yet to be determined if the Province will allow modified aquatics operations this summer. Continuing the closure of the FSLP will result in the cancellation of swim lessons for 2020. Reopening the Aquatic Centre will result in increased costs as staffing levels will rise. On the other hand, reopening the Aquatic Centre (if doing so can be done in a way that aligns with Provincial Health direction) will provide leisure service options to residents, thereby contributing to their quality of life.

Council Discretionary Expenses

Administration has reviewed the 2020 Council Contingency, Council's Collective Travel Budget and Economic Development Travel Budget, and Council's Committee Budget to determine the amounts that could be available for Council to reallocate to the development of community grant(s). Of the original $179,500 in these budgets, Administration has identified $135,500 that could be available for reallocation (please see table below). Because the City has been experiencing an approximate $900,000 net loss during the course of the pandemic, though, Administration recommends that these budgets remain unspent rather than be reallocated. Doing so would assist the City to deal with its 2020 budget challenges.

Function	2020 Budget	Potential for re-allocation
Council Contingency	$50,000	$50,000
Council's Collective Travel Budget	$64,000	$50,000
Council's Economic Development Travel Budget	$40,000	$25,000
Council's Committee Budget	$25,500	$10,500
Total	$179,500	$135,500

2020 Tax Levy Increase

Earlier this year, Council approved a Year 2020 3.44% tax levy increase, which equates to an approximate $77/year ($6.42/month) tax increase to the Representative Home. Municipalities across the province are finding ways to revisit their budgets to provide financial relief to their communities. Many of them have taken similar actions to the City of Prince George such as capital project deferrals and staffing adjustments. As of April 27th, **98** staff were no longer scheduled for work in their own positions; of the 98, **18** employees had been reassigned to other jobs. At this time, there are also **40** vacant positions that are not being filled.

Other municipalities are also supporting some of their losses with reserves. The City has the opportunity to use reserves to somewhat lower the 2020 tax levy. In the last couple of years, the City had two high dollar unexpected capital expenses to fund: the Willow Cale Bridge and the Winnipeg Street Sinkhole. In early 2019, the City entered into two short-term borrowing agreements with the Municipal Finance Authority to fund approximately $8.5 million between the two projects. Short-term borrowing has a maximum window of five years in which the debt must be repaid. Because of this short time, the annual debt servicing costs associated with these two loans is high and was a driver in the tax levy increases for both 2019 and 2020.

Also in 2019, the City received $8.1 million of revenue in the form of the Northern Capital Planning Grant. An option to reduce the 2020 tax levy would be to change the funding source for upcoming capital projects to use the Northern Capital Planning Grant. This would free up funds in both the Capital Expenditure Reserve and the General Infrastructure Reinvestment Fund Reserve to repay the remaining balance on those loans, which is $7,480,133. There is no penalty for paying out short-term loans and the reduction of debt servicing costs for the 2020 budget would be $1,856,554. This is equivalent to a 1.69% reduction in the 2020 tax levy. If Council approves this recommendation, the final 2020 tax levy increase would be 1.75%. This would result in an approximate reduction of $38/year ($3.15/month) in the 2020 tax increase from $77/year ($6.42/month) to $39/year ($3.25/month) to the Representative Home.

There is no Representative Property for Class 4 (Major Industry), 5 (Light Industry) or 6 (Business) provided by the Province. Administration has estimated an average assessed value for each class, not including Non-Market Change, and the impact that a 1.75% levy increase would have on that average, offset by the school tax reduction that the Province has recently offered those specific classes as tax relief during the pandemic, as follows:

Tax Class	Change in Municipal Tax ($)	Change in School Tax ($)	Total property taxes from 2019 to 2020 expressed as a tax % increase (decrease)
Major Industry	(9,329)	(29,590)	(4.08)%
Light Industry	2,273	(3,150)	(0.31)%
Business	499	(2,288)	(6.91)%

Because of the approximate $900,000 net monthly losses and the current uncertainty concerning the length of time that pandemic-related restrictions will be in place, Administration does not recommend that the 2020 tax levy increase be less than 1.75%. To reduce the tax levy increase to less than 1.75% in 2020, without causing a “spike” in the tax levy in 2021, would require permanent staff and service reductions.

Using an annual average cost per employee (average of CUPE 399, CUPE 1048, IAFF and Management/Exempt staff) of $85,430 plus $18,794 in benefits, the following table shows the number of full-time equivalent (FTE) employees whose employment the City would need to terminate in order to reduce the levy increase below 1.75%.

Proposed Tax Levy Increase	Reduction from 1.75% Increase	Reduction of FTE Employees (based on average annual total compensation cost)	Pro-rated Reduction of FTE Employees (based on July 1st employment termination date)
1.50%	$ 274,629	2.63	5.27
1.25%	549,258	5.27	10.54
1.00%	823,886	7.90	15.81
0.75%	1,098,515	10.54	21.08
0.50%	1,373,144	13.17	26.35
0.25%	1,647,773	15.81	31.62
0.00%	1,922,402	18.44	36.89

SUMMARY AND CONCLUSION:

This report has been prepared in response to resolutions that were passed during the April 20, 2020 Standing Committee on Finance and Audit meeting and the Closed Council meeting of April 27, 2020.

RESPECTFULLY SUBMITTED:

K. Soltis

Kathleen Soltis, City Manager
Meeting date: April 30, 2020