

AGENDA ITEM NO: 7.3

MEETING DATE: December 20, 2022

STAFF REPORT - COVER SHEET

SUBJECT: 2023 Financial Plan Date: December 12, 2022
DEPARTMENT: Finance Prepared by: Glen Savard

1. SUMMARY OF ISSUE:

In accordance with Section 165 of the *Community Charter*, a municipality must have a Financial Plan Bylaw adopted on an annual basis. The City prepares a ten (10) year Financial Plan that identifies anticipated priorities in advance with a long-term vision in mind that allows Council to prioritize budgetary items with a savings and funding strategy to fund capital priorities without debt.

Continued supply chain disruptions and high levels of inflation experienced within the local and global economies has had a significant impact upon the City's 2023 Financial Plan. Municipalities across the region, province and country have seen costs rise in relation to materials, supplies, projects, labour, contracted services and general service delivery and our city is facing these challenges no differently. While cost increases and inflationary pressures are encountered in many areas of the municipality's operational and capital budgets each year, the current economic landscape has added increased budgetary influence. In addition, with the ratification of the RCMP's collective agreement, the cost associated with the City's contract with the RCMP has experienced significant escalation, adding to cost containment challenges.

Further to inflationary and non-discretionary provisions, there are always needs and requests for various services level upgrades and additions, where careful choices and decisions must be to be made to balance the inclusion of additional service levels while supporting a reasonable property tax increase provision. Given the levels of inflationary and non-discretionary pressures for 2023, in an effort to alleviate the pressures on the proposed tax increase for taxpayers, the financial plan is proposing to incorporate only additional service levels that have been deemed essential, which fall within areas of public safety.

To meet Council's objectives, a tax increase of 4.48% is proposed. The proposed 2023 Financial Plan for Council's consideration, funds inflationary and non-discretionary costs, ensures the City's financial obligations are met, maintains and re-invests in infrastructure and funds all capital projects without debt, in accordance with the city's pay-as-you go no-debt capital financing policy. It further funds three (3) additional RCMP members, one (1) additional RCMP support position, two (2) additional firefighters and two (2) Bylaw Enforcement Officers to address objectives in public safety.

The service level additions have been included to address public safety needs and concerns. The RCMP members and support position proposals have been prioritized to help reduce crime trends and high officer caseloads; the firefighter additions to help with safe and effective fire response; and the bylaw officers to address increasing demand for bylaw services and ongoing challenges related to individuals experiencing homelessness.

Capital Projects

The Financial Plan funds proposed capital projects without debt, in accordance with the City's no-debt capital financing policy. Funding capital priorities without long-term debt ensures that projects are completed without the added cost of interest and that property taxation is not increased for debt servicing. This provides valuable flexibility, not only for current priorities, but also for priorities that may have emerged or have shifted. It also allows the City to provide lower, more affordable overall property taxes, as there is no component of property taxes needed for debt servicing.

Community Taxation Comparatives

Comparative taxation statistics, provided by the Province, ranks Chilliwack the lowest among 19 Lower Mainland communities for general municipal taxation levels on a representative home. When adding water, sewer, garbage collection and taxes collected for other levels of government, Chilliwack is lower by a far greater margin. Chilliwack also provides a low business class tax multiplier for business property classes.

Chilliwack has been able to maintain advantageous taxation levels and property taxation affordability while providing numerous facilities, amenities and services to its residents. Having no debt plays a crucial role in the ability to do so. As always, there are choices and compromises that must be made in balancing budgetary provisions, while keeping property taxes as affordable as possible for the community as a whole.

Community Budget Engagement

While City Council receives continuous input and feedback from the community throughout the year, the City provided two formal budget engagement opportunities during 2022 to receive input from the public. The first opportunity was a survey with the spring tax notice, with an online engagement survey in the fall. The responses and information collected provides Council with input and feedback from the community as they shape the Financial Plan and make thorough budgetary prioritization decisions.

Enclosed for Council's consideration is the draft 2023 Financial Plan Bylaw. A presentation will be provided, detailing budgetary highlights.

2. RECOMMENDATION:

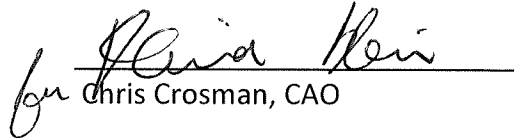
That "2023 Financial Plan Bylaw 2022, No.5272" be given first and second reading, that a presentation be received and a public information meeting be held on January 10, 2023.



Glen Savard, Director of Finance

**3. CHIEF ADMINISTRATIVE OFFICER'S
RECOMMENDATION/COMMENTS:**

Supports recommendation



for Chris Crosman, CAO

City of Chilliwack

Bylaw No. 5272

**A financial plan for the City of Chilliwack for the
Period 2023 to 2032 inclusive**

WHEREAS Section 165 of the *Community Charter* requires that the City have a financial plan adopted annually, by bylaw;

AND WHEREAS Section 165 of the *Community Charter* requires that the financial plan set out the objectives and policies of the City for the planning period, adopted annually, by bylaw;

NOW THEREFORE the Council of the City of Chilliwack in open meeting assembled enacts as follows:

1. This bylaw may be cited for all purposes as **“2023 Financial Plan Bylaw 2022, No. 5272”**.
2. The financial plan for the City of Chilliwack for the years 2023 to 2032, as shown on Schedule “A”, attached hereto and forming part of this Bylaw, is hereby adopted.
3. The “Objectives and Policy Disclosure”, as shown on Schedule “B”, attached hereto and forming part of this Bylaw, is hereby adopted.

Received first and second reading on the

Notice given under Section 166 of the *Community Charter* in two editions of the Chilliwack Progress on the

Public Information Meeting held on the

Received third reading on the

Received adoption on the

Mayor

Corporate Officer

Schedule "B"
Objectives and Policy Disclosure

1. Proportion of Total Revenue from each Funding Source

a) Property Value Taxes

- (i) The proportion of revenues represented by property taxes should be the difference between all other collections and total revenues required.
- (ii) The objective is to balance the budget each year with reasonable tax levies.
- (iii) To maintain a reasonable tax burden, the City will continue to review and collect user fees and charges at appropriate levels.

b) Parcel Taxes

- (i) Parcel taxes shall be used on a limited basis, and be for initiatives that are not for the benefit of the entire community. The proportion of revenues represented by parcel taxes should be zero.
- (ii) The objective is to use other sources of revenue rather than parcel taxes.

c) Fees

- (i) Fees should be charged on a cost recovery basis as much as possible, with the exception of subsidized activities. The proportion of revenues represented by fees will vary depending on the levels of services for which fees are charged.
- (ii) The objective is to recover costs related to commercial activities and partially recover costs related to youth activities.

d) Other Sources

- (i) The proportion of revenues represented by other sources shall be the percentage represented by those revenue sources as anticipated for the year.
- (ii) The objective is to maximize other revenue sources including grants from senior levels of government.

e) Borrowing

- (i) Council has adopted a pay-as-you-go, no debt policy for capital expenditures.
- (ii) The objective is to identify required projects in advance and save for eventual construction or purchase.

2. Distribution of Property Value Taxes

- a) The City of Chilliwack will maintain the existing property tax distribution between property tax classes, maintaining a low class multiple for business taxation compared to other lower mainland communities. Any tax increases will be applied uniformly to each property tax class, as to maintain the current tax multiples as closely as possible.
- b) Property tax distribution should be consistent from year to year with the exception of the effect of new growth and legislative changes.

3. Use of Permissive Tax Exemptions

- a) Permissive Tax Exemptions should be considered in accordance with Council's Permissive Tax Exemption Policy. The City will also continue to offer a Revitalization Tax Exemption in accordance with Revitalization Tax Exemption Bylaw No. 3012.
- b) The objective of the Permissive Tax Exemption is to provide assistance to community organizations performing activities that the City would otherwise provide while the objective of the Revitalization Tax Exemption Bylaw is to stimulate redevelopment of the aging downtown area.