

COLUMBIA SHUSWAP REGIONAL DISTRICT

Minutes of a Committee of the Whole (Budget) meeting held March 16, 2018
in the Board Room of the Regional District Office, Salmon Arm, BC

Note: The following minutes are subject to correction
when endorsed by the Committee at the next Committee meeting.

PRESENT

Chair:	R. Martin	Electoral Area 'E'
Directors	C. Moss	Town of Golden (via teleconference)
	M. McKee	City of Revelstoke
	K. Flynn	City of Salmon Arm (absent)
	C. Eliason	City of Salmon Arm (absent)
	T. Lavery	City of Salmon Arm (alternate)
	L. Wallace-Richmond	City of Salmon Arm (alternate)
	T. Rysz	District of Sicamous (absent)
	M. Makayev	District of Sicamous (alternate)
	K. Cathcart	Electoral Area 'A'
	L. Parker	Electoral Area 'B'
	P. Demenok	Electoral Area 'C'
	R. Talbot	Electoral Area 'D'
	L. Morgan	Electoral Area 'F'
Staff:	C. Hamilton	Chief Administrative Officer
	J. Pierce	Manager, Financial Services
	S. Haines	Deputy Treasurer
	L. Shykora	Deputy Manager, Corporate Administration
	B. Payne	Manager, Information Systems
	D. Mooney	Manager, Operations Management
	G. Christie	Manager, Development Services

CALL TO ORDER

Chair Martin called the meeting to order at 9:33 AM and then the meeting was turned over to J. Pierce, Manager, Financial Services.

BUSINESS GENERAL

Presentation/Overview of the draft two five-year Financial Plan (2018 Budget) by J. Pierce, Manager, Financial Services.

The Financial Services Manager provided an overview of the following topics:

Key changes from draft 1 to draft 2
Tax summaries by area
Electoral area taxes
Public consultation

Key changes:

The Financial Services Manager explained that the changes from draft 1 to draft 2 fall into the following five categories:

- Updated residential assessments;
- Surpluses and deficits finalized;
- Reserve contributions finalized;
- Director changes;
- Minor changes from actuals and staff.

The Manager, Financial Services explained that there were an additional 1,092 new folios this year within Area C (574 new) and Area F (495) as a result of BC Assessment Authority (BCAA) changing the way they are issuing folios. This results in properties with a foreshore license now being classified as two folios – one for the upland portion and one for the foreshore. While this did not affect the total value of assessments, the average assessment was significantly affected (decreased) by the addition of these new folios. For draft 2, the total assessed value has been left the same but the foreshore folio counts have been removed, resulting in residential assessments and tax increases that are more closely in line with other areas.

The Manager, Financial Services explained that the surplus and deficit numbers are now final, while draft 1 was based on estimates. The net surplus for 2017 was \$1,462,515 and the net deficit was \$65,610. Per the Local Government Act this deficit must be repaid in 2018. The significant deficit resulted from late invoicing for the Lakeview Heights water upgrade project – this deficit has already been repaid using authorized borrowing. Other small deficits were in street lighting as a function of increased BC Hydro costs, film commission, and parks and playgrounds for Sicamous/Area E.

The Manager, Financial Services explained that all transfers to and from Capital and Operating Reserves are now finalized. The Capital Reserve at year end is \$15,103,566, which is a net change of \$149,912. The Manager, Financial Services provided an overview of functions which made significant contributions to Capital Reserves in 2017, as well as providing details of significant projects funded out of reserves in 2017. In addition, there was \$203,400 contributed to parkland acquisition funds, which was broken down by area for the Committee. Operating Reserves have been established to assist with tax rate stabilization, as well as planning for non-capital projects which recur regularly but not annually (elections being provided as one example).

Director Martin asked in there is a ceiling to the Operating Reserves. The Manager, Financial Services responded that the plan is to utilize the Operating Reserves in the coming years, and there are no planned contributions to Operating Reserves – only in the case of surpluses within functions will there be funds contributed to Operating Reserves.

Director Demenok noted that the operating reserve balances for the Recycling and Development Services are very high, he wondered why these reserves are so high, and is there a specific plan for these funds? The Manager, Financial Services noted that in 2017 there was a significant surplus in Development Services as a result of staffing shortages – this surplus was rolled in to an operating reserve. As there are no capital projects in the Development services budget, the plan is to utilize these reserves to keep the tax rate for this function at 0%. Recycling has significant events bi-annually (for example Hazardous Waste), so operating reserves can help mitigate large tax swings.

The Manager, Financial Services then reviewed the Director requested changes from draft 1 to draft 2. Director Talbot requested that the Area D Grant in Aid budget was increased, Director Morgan requested that the Area F Grant in Aid be decreased, and Director Demenok requested a decrease to the South Shuswap First Responders Grant in Aid. Director Talbot wanted a reduction to tax requisition

in Area D parks so some projects have been deferred to 2019, Director Demenok also wanted to decrease the tax requisition for Area C parks so there were projects identified which will be funded from community works funds, and Director Morgan wanted to increase the Area F parks budget slightly by increasing reserve contributions in preparation for some major projects in future years.

The Manager, Financial Services explained that other changes arose from minor adjustments to actual surpluses and deficits, miscellaneous adjustments and multiple adjustments within one function. The total impact of all changes on the budget is an increase of \$401,594, the total impact of all changes on tax requisition is a decrease of \$193,472.

The Manager, Financial Services then reviewed key changes from draft 1 to draft 2 by affected area.

- All Areas: General Government - minor adjustments to admin fees resulted in less required from operating reserve, no change to taxation. Admin Overhead & IT – surplus higher than anticipated, used less operating reserve, results in a tax decrease of \$12,127. Fleet – minor adjustments not affecting taxation. 911 Emergency Response – decrease in contract cost, resulted in tax decrease of \$32. Weed Control – higher surplus being used to decrease taxes by \$2,320.
- Electoral Areas only: Electoral Area Government – minor adjustments to admin fee and higher surplus than anticipated results in decrease of \$12,077 to taxation. Community Works Fund – updated for late invoicing and new projects approved in January & February 2018, no tax implications. House numbering – surplus lower than expected, increased transfer from operation reserve, net results \$394 decrease in taxation. Special projects – additional costs for Diagnostic Inventory presentation added but used surplus to cover this, so no effect on taxation.
- Salmon Arm, Sicamous, Areas C, D, E & F: Shuswap Emergency Program – higher admin fees due to additional EOC costs results in tax increase of \$1,282. Shuswap Airport – surplus higher than expenses, tax requisition decreased by \$1,000. Shuswap Tourism – project budget decreased for cut to DBC funding, surplus carried forward for unfinished DBC projects, no effect on taxation. Rail Trail Corridor – surplus generated due to recovery of shared legal fee costs from NORD, additional expense items for 2018 increased to utilize surplus without generating tax as there may be costs we are unaware of at this time.
- Sicamous, Areas C, D, E & F: Shuswap Watershed Council – surplus less than anticipated increases taxes by \$38. Economic Development – surplus being fully utilized to complete projects carried forward, no effect on taxation.
- All Areas except Golden/Area A: Film Commission – deficit less than anticipated reduces taxes by \$30.
- Golden/Area A: Airport – higher surplus reduces taxes by \$500. Mosquito control – surplus higher than anticipated reduces taxes by \$271. Arena – increased transfer from capital reserves required to fund Worksafe BC compliance issues, no change to taxation.
- Miscellaneous: Grant in Aid funding – Areas D and F changed as per Director requests. Sterile Insect Release – late information indicated a decrease in parcel tax for Salmon Arm of \$291.
- Area C: South Shuswap First Responders – Society indicated to Director that \$60,000 not required resulted in a funding decrease of \$10,000. Fire Protection Kault Hill – higher surplus being transferred to operating reserves, increase of \$1 in taxation. Fire Protection Area C – emergency floor repair at White Lake fire hall being funded out of capital reserves, other miscellaneous adjustments, net tax decrease of \$9,162. Sorrento Street Lighting – 2017 deficit to be repaid of \$18 increases taxes by this amount. Lakeview Place Waterworks – late invoices incurred a deficit to be repaid using borrowing, some project costs funded by the province and previous owners, overall decrease to parcel taxes of \$3,673. Sunnybrae Waterworks – higher surplus than expected, late invoice received but paid by grants so no effect on taxes. Cedar Heights Waterworks – added water metering project to be funded out of capital reserves, no effect on taxation. Area C Parks – using community works funds to decrease capital reserve usage, decreased contribution to capital reserves, resulting in a decrease in taxation of \$145,000.
- Area D: Falkland Fire Protection – higher surplus than anticipated, identified need for a fill station to be paid by capital reserves, miscellaneous adjustments to utilities and snow plowing, net tax increase of \$281. Silver Creek fire protection – dry hydrant project not moving forward, was to be

funded out of capital reserves so no change to tax requisition. Area D Dog Control – higher surplus than anticipated used to decrease tax requisition by \$800. Falkland Street Lighting – higher surplus than anticipated and increased electricity costs result in net tax decrease of \$175. Area D Parks – surplus less than anticipated, increased transfer from capital reserves to fund projects and increased transfer from operating reserve to alleviate taxes resulting in tax decrease of \$7,683.

- Area E: all street lighting functions had small deficits needing to be repaid in 2018 and adjustments to electricity to accurately reflect costs – no tax requisition to C Strata K46 as it is invoiced and recovered but the change is \$62; Swansea Point tax increase of \$78 and Area E tax increase of \$52. Mosquito Control – increased transfer from operating reserve to decrease taxes by \$1,000.
- Area F: Fire Protection Area F – increased budget for possible land acquisition and dry hydrant project, both to be funded out of capital reserves, additional miscellaneous adjustments to better reflect costs, net tax increase of \$17,000. St. Ives Street Lighting – small deficit to be repaid in 2018 and electricity budget adjusted to reflect actual costs, tax increase of \$87. Area F Building Inspection – surplus being used to decrease taxes by \$217. Rose Clifford Park – transfer capital reserve to Area F parks where capital upgrade is budgeted, increased transfer from operating reserve to reduce taxes by \$632, when debt repaid in 2019 this function will be combined with Area F parks.

Tax summaries by area:

The Manager, Financial Services then provided an overview of the latest total tax requisition for each of the member municipalities and electoral areas. For all member municipalities the average residential taxes increased from 2017 to 2018 but decreased from draft 1 to draft 2 - the changes from draft 1 to draft 2 were very minor and were mainly the result of fine tuning now that 2017 surpluses, deficits and transfers to and from reserves are finalized. In Electoral Areas C and F the taxes were artificially low due to the addition of the foreshore folios, so there is an increase from draft 1 to draft 2, as well as an increase from 2017 to 2018. All other electoral areas had small decreases from draft 1 to draft 2 but increases from 2017 to 2018. Significant increases from 2017 to 2018 are due to new services: Area E – Rail Trail Corridor and Sub Regional Building Inspection; Area B – Sub Regional Building Inspection; Salmon Arm & Sicamous – Rail Corridor Trail.

The Manager, Financial Services then reviewed the budget comparisons from draft 1 to draft 2 by department:

- Corporate Services and Finance – no significant changes other than those noted previously.
- Information Technology – no significant changes from draft 1.
- Development Services – no significant changes from draft 1.
- Protective Services - no significant changes from draft 1.
- Environmental Health Services - no significant changes from draft 1.
- Utilities – a number of street lighting systems ended with very minor deficits. Large increase in transfer from reserves for metering project in Cedar Heights. Other funding decreased as some grant funding for Lakeview and Sunnybrae was brought into 2017 to cover late invoicing. No significant changes to Liquid Waste Management functions from draft 1.
- Parks and Recreation – a number of projects now being funded out of reserves and/or gas tax to reduce tax requisitions in areas C and D.
- Economic Development & Tourism – surplus being used to fund projects carried over from 2017, DBC funding being so projects were reduced accordingly.
- Other – additional community works funds approved in January and February 2018.

Electoral Area Taxes:

The Manager, Financial Services reminded the Committee that taxes collected by the province for school tax, rural tax and police tax are still using the 2017 mill rates. 2018 mill rates are provided in the summer at which time the electoral area tax information sheets will be updated and distributed. It is anticipated that the mill rates will drop for 2018 – usually when assessments go up mill rates go down.

The Manager, Financial Services then provided some updates on new tax legislation that will come into effect in 2019.

- Effective January 1, 2019, the 1/3 tax-free allowance for elected officials will become taxable. This federal legislation has no direct financial implication for the CSRD, but elected officials will notice a decrease in their net pay.
- Effective January 1, 2019 a new payroll tax will be implemented which is proposed to replace MSP premiums. For the CSRD the proposed payroll tax of 1.95% amounts to approximately \$95,000 based on 2017 employment income (including firefighters and emergency workers). Currently the CSRD pays approximately \$35,000 for MSP premiums, so the additional cost will be approximately \$60,000. However, as the MSP premiums are proposed to be phased out by 2020, it appears that in 2019 the CSRD will be paying both a payroll tax and MSP premiums – essentially the Province of BC is double dipping.

The Chief Administrative Officer then proposed an amendment to the budget for draft 3 based on his discussion with Director McKee and Director Parker. The suggested amendment would allow for \$250,000 of Area B Economic Opportunity Funds to be transferred to the Area B Fire Protection budget to meet obligations under the proposed new agreement with the City of Revelstoke – specifically the purchase of a new water tanker, up to a maximum of \$250,000. **ACTION** – the draft 3 budget will be updated to include \$250,000 Economic Opportunity Funds transferred to the Area B Fire Protection Function with corresponding budgeting for the capital purchase of a water tanker.

Public Consultation:

Howard Williamson, Salmon Arm, BC was in attendance to speak to the proposed purchase of a 20 acre parcel for the Salmon Arm landfill expansion. He provided the following financial implications and questions regarding the purchase: the 2017 property tax assessment on this parcel \$299,000. The CSRD is offering \$750k – 2.5 times the assessment. The property appraisal that is being used was done in 2014 and was paid for by current owner, not the CSRD – the purpose was for obtaining a mortgage, not for purchase by buyer. The purchase price includes \$194,000 for future sand extraction - Mr. Williamson proposes that this appraisal is inappropriate. The Williamsons live adjacent to the property, and suggest this sand is low grade, more of a silt, with no commercial value. Additionally the appraisal assumes M1 industrial zoning, while it is actually agricultural zoning. The CSRD is assuming assessed value will increase for industrial, while the opposite has happened for them. Mr. Williamson is willing to share recent property tax notices to this effect. This expansion property may come with property tax liabilities. Mr. Williamson states that the current owners have operated a construction company on this property since they purchased it without proper zoning – he suggests this company has avoided paying property taxes on this property due to incorrect zoning. The Williamsons intend to file a formal complaint regarding back taxes to be paid. The required road upgrades are estimated at \$600-\$700, a cost that will be pushed to tax payers. Mr. Williamson believes that issues at other landfills, specifically Golden and leachate, are going unaddressed while this purchase is pursued.

Linda Williamson, Salmon Arm, BC was also in attendance, she advised that she brought a handout and a petition signed by 196 area residents, which she intends to pass out to Directors after the meeting.

Director comments:

Director Demenok thanked the Manager, Financial Services for preparing the reserve contributions summary pages. He then returned to the question of the Operating Reserves for the Recycling and Development Services functions, which make up about 30% of all operating reserves. He would like to suggest a more aggressive push in future years to utilize these funds and bring the balances more in line with the other operating funds. He suggests more of these reserves can be used to mitigate taxes. The Manager, Financial Services reminded the Committee that surpluses and deficits within one function cannot be transferred to any other function, but that staff can look at using more operating reserves within the Recycling Development Services functions to decrease taxes going forward.

Director Morgan inquired as to the rationale for having reserves at such a high level. The Manager, Financial Services explained that the large surplus in Recycling was generated by higher recovery from MMBC, Green By Nature and Richmond Steel Recycling. It was determined, in conjunction with the Team Leader, Environmental Health, to split this surplus into Capital and Operating reserves – this leaves some flexibility going forward to utilize operating reserves, as once funds are put into capital reserves they can only be withdrawn for capital projects, and we do not want to go into a deficit in this function. Operating reserves can be utilized to mitigate large tax swings from year to year.

The Deputy Manager of Corporate Administration then called for a motion to receive the minutes of the February 7, 2018 Committee of the Whole Meeting

BUSINESS GENERAL

Moved by Director Morgan, seconded by Director Cathcart THAT:
the minutes of the February 7, 2018 Committee of the Whole (Budget) meeting, be received.

CARRIED

ADJOURNMENT

There being no further business, the meeting adjourned at 10:40 a.m.

CERTIFIED CORRECT

CHAIR

CHIEF ADMINISTRATIVE OFFICER