



CITY OF PRINCE GEORGE

Welcome to the City of Prince George Online
Finance and Audit Committee Agenda.

Wednesday, November 16, 2016

12:00 p.m. - 2nd Floor Conference Room

To navigate the agenda, use the Table of Contents that runs down the left side of the site.
All documents are in PDF format and require the free [Adobe Acrobat Reader](#).



A. COMMENCEMENT

B. ADOPTION OF THE AGENDA

C. ADOPTION OF MINUTES

- C.1 [Minutes of the Standing Committee on Finance and Audit meeting held September 12, 2016](#)

D. REPORTS

- D.1 Report: [Operating Budget Guidelines 2017 - 2019](#)

- D.2 Report: [Standing Committee on Finance and Audit - 2016 Work Plan](#)

E. ADJOURNMENT

STANDING COMMITTEE ON FINANCE AND AUDIT

Minutes of the Standing Committee on Finance and Audit meeting held in the 2nd Floor Conference Room at City Hall, 1100 Patricia Boulevard, Prince George, BC on Monday, September 12, 2016 at 12:00 p.m.

PRESENT: Councillor **Frizzell**, Chair; Mayor **Hall**; Councillor **Everitt**; and Councillor **Scott**

IN ATTENDANCE: Councillor **Merrick**; Ms. Kathleen **Soltis**, City Manager; Mr. Kris **Dalio**, Director of Finance; Ms. Santa **Dupreez**, Supervisor of Revenue Services; Ms. Chris **Bone**, Manager of Social Planning; and Ms. Leslie **Jackson**, Legislative Assistant.

A. COMMENCEMENT

Councillor Frizzell called the Standing Committee on Finance and Audit meeting to order at 12:04 p.m.

B. ADOPTION OF AGENDA

Moved by Mayor Hall, seconded by Councillor Everitt, that the agenda for the September 12, 2016 Standing Committee on Finance and Audit meeting, BE ADOPTED.

Carried Unanimously

C. ADOPTION OF MINUTES

C.1 Minutes of the Finance and Audit Committee Meeting held May 9, 2016

Moved by Councillor Scott, seconded by Councillor Everitt, that the minutes of the meeting held May 9, 2016 for the Standing Committee on Finance and Audit, BE ADOPTED.

Carried Unanimously

D. REPORTS

D.1 Report dated August 5, 2016 from Chris Bone, Manager of Social Planning, regarding Social Action Plan – Capacity Review and Recommendations.

Ms. Bone provided an overview of the City's Social Action Plan including an analysis of the City's capacity to implement the new approach to the social plan mandate. It was noted that the information provided in the report details the suggested approach referred to as Collective Impact and that Councillors Krause, McConnachie and Scott are part of the working group pursuing this approach.

To facilitate community action, it is proposed the City would take on a role as a "mover and mobilizer" in a "backbone function", which consists of six activities including: guide vision and strategy; support aligned activities; establish shared measurement practices; building public will; advance policy and; mobilize funding. Ms. Bone advised this approach is set apart from typical collaboration by an agreement with the community about a common agenda. The agreement would include details on how to proceed together; the diversity of players – taking all sectors of the community; and rigor around data, research and analysis to ensure that as the community is acting on its common agenda, and moving together in the desired direction.

Ms. Bone outlined three implications for the City if a Collective Impact Approach is pursued. This approach requires at least 3 full time staff position (currently have 1.6 budgeted). The report recommends an increase to two full time employee positions. The third position, typically a data research analyst, would be contracted through the City's partnership work with UNBC. There is a requirement for the community to be mobilized, which means a request for a modest increase to resources for community engagement including workshops and meetings.

Currently, the approach is at the point in the process where the City is working with the community to identify the common agenda of priorities that we want to work on collectively and identifying the "who" will be part of the group and what their contribution would be.

The Committee discussed the budget implications to be considered in next year's budget.

COMMITTEE RESOLUTION:

Moved by Mayor Hall, seconded by Councillor Everitt, that the report dated August 5, 2016 from the Manager of Social Planning titled “Social Action Plan – Capacity Review and Recommendations”, BE RECEIVED FOR INFORMATION.

Carried Unanimously

D.2 Report dated August 19, 2016 from Chris Bone, Manager of Social Planning, regarding myPG Community Grants.

Ms. Bone provided an overview of the myPG Community Grant stream as a consolidation of the social and cultural grants provided through the City including observations of an increased demand from organizations appearing before Council seeking funding outside of established grant processes.

Ms. Bone outlined three recommendations to build on the success of the myPG Community Grants program while providing increased access and support to organizations contributing to the achievement of community-wide goals in a more equitable and transparent manner:

1. Increase the myPG Community Grants budget from \$359,150 to \$500,000;
2. Increase the number of myPG Community Grant intakes from one per year to two per year; and
3. Further streamline the myPG Community Grant criteria.

The Committee discussed the grant program funding allocation, existing multi-year funding agreements and the mechanism to adjudicate those funding agreements.

The Committee discussed receiving the requests as part of budget enhancement proposals during budget meetings in 2017.

COMMITTEE RESOLUTION:

Moved by Councillor Scott, seconded by Councillor Everitt, that the report dated August 19, 2016 from the Manager of Social Planning titled “myPG Community Grants”, BE RECEIVED FOR INFORMATION.

Carried Unanimously

D.3 Report dated September 7, 2016 from Kris Dalio, Director of Finance, regarding 2017 Permissive Tax Exemptions.

Mr. Dalio advised that last year’s Permissive Tax Exemptions were approved through to the end of the current Council’s term. Mr. Dalio reviewed the seven new applications and Administration’s recommendation for 2017 Permissive Tax Exemptions.

Councillor Scott exited the 2nd Floor Conference Room at 12:55 p.m.

Discussion commenced regarding the differences between private and public school tax exemptions and K. Dalio responded to questions of the Committee.

COMMITTEE RESOLUTION:

Moved by Councillor Everitt, seconded by Mayor Hall, that the 2017 Permissive Tax Exemptions as itemized in the attachment to the report dated September 7, 2016 from the Director of Finance titled “2017 Permissive Tax Exemption” BE RECOMMENDED to Council for approval.

Carried Unanimously

D.4 2016 Schedule and Work Plan

The Committee reviewed the 2016 Schedule and Work Plan and noted to change the October meeting from October 3 to October 17, 2016.

Councillor Scott returned to the 2nd Floor Conference Room at 1:03 p.m.

E. ADJOURNMENT

Moved by Councillor Everitt, seconded by Councillor Scott, that there being no further business, the meeting of the Standing Committee on Finance and Audit BE ADJOURNED.

Carried Unanimously

The meeting adjourned at 1:03 p.m.

Councillor Frizzell, Chair

Certified Correct

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

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

DATE: November 10, 2016

TO: **STANDING COMMITTEE ON FINANCE AND AUDIT**

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Operating Budget Guidelines 2017 – 2019

ATTACHMENT(S): None

RECOMMENDATION(S):

THAT the Standing Committee on Finance and Audit receive this report for information.

PURPOSE:

The purpose of this report is to provide the Standing Committee on Finance and Audit with high level background information related to the City of Prince George Year 2017 to 2019 operating budget expense “drivers” and revenue sources. This information is intended to assist the committee to provide advice to Administration concerning the development of the Year 2017 budget and the Year 2018 and Year 2019 budget guidelines.

STRATEGIC PRIORITIES:

The City’s Financial Plan supports Council’s priorities of Sustainable Fiscal Management, Sustainable Infrastructure and Organizational Excellence.

POLICY/REGULATORY ANALYSIS:

Council must approve a balanced five-year financial plan prior to adoption of a property tax bylaw, before May 15th of each year. This report presents the first draft of the Year 2017 to 2019 Operating Budget Guidelines for discussion.

FINANCIAL CONSIDERATIONS:

Road Rehabilitation Levy

The 2016 Road Rehabilitation Levy is \$5,000,000. Analysis of the City’s road inventory was conducted by the Asset Management division in 2011 and it was estimated that \$7,000,000 per year should be reinvested in the City’s roads. During the 2014 budget discussions, Council approved the use of Community Works grant funding to augment the levy and increase the base spending on road rehabilitation to \$7,000,000 per year. To focus on other City priorities that were identified during public consultation, Administration recommends that the 2017 budget be prepared using a road rehabilitation levy of \$5,000,000 while the Community Works funding of \$2,000,000 be reallocated to deliver new and rehabilitation of sidewalk projects as well as parks capital projects.

The consequence of reducing road rehabilitation to \$5,000,000 is that local roads will not be included in the work plan.

Funding Snow Control

The Snow Levy is one of the specific levies that make up the overall City of Prince George property tax levy. 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 required annual snow levy.

Table 1 - Snow Control Levy and Expenses						
	2012	2013	2014	2015	2016 (to date)	2016 (projected Dec 31st)
Budget	\$5,041,636	\$5,041,636	\$5,800,000	\$6,300,000	\$7,000,000	\$7,000,000
Net Expenses	\$5,298,725	\$5,846,313	\$6,449,516	\$6,768,445	\$2,717,043	\$4,900,000

Over the past four years, the snow control budget has had a structural deficit as the annual net expenses have been greater than the annual Snow Levy. Also, the snow reserve has had no available funds and the shortfall between snow expenses and revenues has been taken from the City's general operating surplus. Based on the changes to the service level of snow removal implemented following the Mercury report, Council set the 2016 Snow Levy at \$7,000,000 to adequately fund the City's net snow control expenses.

Due to the volatility of the Prince George snowfall, the levy should be high enough to create a reserve that is equal to 25% (\$1.75 million) of the annual net snow control expenses. As 2016 has been a light snowfall year to date, it is likely that the City will reach the \$1.75 million reserve level by the end of the year so it is recommended that the snow levy remain at \$7,000,000 for 2017.

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 Standing Committee on Finance and Audit and successive City Councils have received various staff reports concerning the City's asset management program as information has been developed and refined. 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. To address the difference between the investment required and the budget available (the "gap"), Council created the General Infrastructure Reinvestment Levy in 2013.

The 2016 General Infrastructure Reinvestment Fund Levy is \$2,500,000. It is recommended that the General Infrastructure Reinvestment Levy be increased every year to address the gap but in order to recommend a lower overall tax increase, it is recommended that this levy remain at \$2,500,000 in 2017.

Fees and Charges

Sustainable Finance Guideline #4 provides guidance for user fees along with Section 194 of the *Community Charter*.

The City of Prince George provides goods and services that benefit the community and goods and services that benefit specific organizations and individuals. The City follows the general principle that taxpayers pay for public goods and services and users pay for private goods and services but recognizes that there is the need for exceptions to that principle. Exceptions to this principle will only be made after considering the impacts of making exceptions on the City, the taxpayers, and the users.

Goods or services provided to specific, identifiable recipients will be fully funded through user fees except when:

- a. Subsidized or free use of a good or service will provide a significant public benefit or influence personal choice;
- b. Attempting to fully recover costs through user fees will result in reduced use of a good or service and in reduced revenue to the City;
- c. Attempting to fully recover costs through user fees will result in denied access to intended users;
- d. The cost of collecting user fees will be excessive or will require extreme measures.

Many of the Comprehensive Fees and Charges schedules have annual increases up until the end of 2016. This draft of the guideline assumes an inflationary factor of 3% to the following Fees and Charges schedules for 2017 and beyond: CN Centre; Community Arenas; Civic Centre; Aquatics; Pine Valley Golf Course; Park Use, Massey Place and School User Fees; Gifts and Legacies; and Active Living Guide. All other fees and charges, including the ones listed above, will be under review in 2017 to ensure the proper application of the sustainable finance guidelines detailed above. If this is acceptable to the committee, Administration would be looking to bring back a bylaw in December to reflect these changes so they may take effect January 1, 2017.

Talktober and Citizen Budget

Public consultation is a requirement when considering the Financial Plan for the City. Talktober is a series of scheduled consultation efforts that took place in the month of October where Council and Administration went to various venues throughout the community to engage the public. Citizen Budget is an online budget simulator and public consultation tool that was available to the public during the month of October. The number of responses to Citizen Budget has been relatively small to date so Administration will be looking to extend the window of time that it is made available and summarized consultation results will be presented to Council at the beginning of the January 30th budget meeting. Results of Talktober discussions and Citizen Budget responses up until now have been taken into consideration in the preparation of the draft of this budget. An example of this is the reallocation of Community Works funding from road rehabilitation to sidewalk and parks capital projects.

Projected Expense and Revenue Adjustments 2017 to 2019 General Operating Fund

Table 2 provides high level information related to Year 2017 to 2019 Operating Budget expense “drivers” and revenue sources based on current information.

Table 2
Overall Projected Levy Increase for 2017 - 2019 - General Operating Fund

Row		2017	2018	2019
1	Increase in Expenses over last year			
2	City Staff Salaries and Benefits Total	\$1,880,005	\$1,392,815	\$1,422,782
3	Prince George Public Library (2.5%)	95,974	98,373	100,833
4	RCMP Contract	2,036,006	1,053,436	1,106,108
5	Utilities			
6	Hydro Payable (3.5%)	74,350	78,811	83,540
7	Natural Gas Payable (3%)	20,200	22,220	24,442
8	Water/Sewer Payable (0%)	-	-	-
9	District Energy Payable (2%)	3,751	3,826	3,902
10	Servicing of New Debt	(298,448)	(39,116)	(127,439)
11	Fleet Operations	(24,079)	(25,042)	(26,044)
12	Transit Service cost increase	142,197	236,336	-
13	Operating Impact of IT Capital Projects	215,313	-	-
14	Reversal of one-time expenses	(275,000)	-	-
15	Referendum - net of Election contingency	61,750	(23,500)	(57,375)
16	Other adjustments	(264,001)	26,500	(9,500)
17	Change in contingency	(418,042)	-	-
18	Snow Control	-	140,000	142,800
19	General Infrastructure Reinvestment	-	1,000,000	1,000,000
20	Road Rehabilitation	-	100,000	102,000
21	Total Increased Expenses	\$ 3,249,976	\$ 4,064,659	\$ 3,766,049
22				
23	Increase in Revenue over last year			
24	Tax Base Growth Estimate (Non-Market Construction)	\$ 844,963	\$ 1,000,000	\$ 1,000,000
25	Grant-in-lieu decrease	(343,400)	-	-
26	Fortis Franchise Fee decrease	(201,533)	-	-
27	Fees and Charges Increases	202,317	144,526	148,862
28	Internal recoveries from other funds	-	-	-
29	Fire Ops Communication Centre Contract for 911 Dispatch	50,000	51,000	52,020
30	Traffic Fine Revenue Sharing	79,000	-	-
31	Total Increased Revenue	\$ 631,347	\$ 1,195,526	\$ 1,200,882
32				
33	Increase required to total municipal tax levy	\$ 2,618,629	\$ 2,869,133	\$ 2,565,167
34	Increase as a %	2.73%	2.89%	2.48%

SUMMARY AND CONCLUSION:

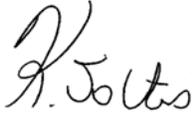
This report has been prepared to provide high level operating budget information to assist the Standing Committee on Finance and Audit to provide direction to Administration concerning the Year 2017 budget development and the Year 2018 and 2019 operating budget guidelines.

RESPECTFULLY SUBMITTED:



Kris Dalio, Director of Finance

APPROVED:



Kathleen Soltis, City Manager
Meeting date: November 16, 2016

**Standing Committee on Finance and Audit
Work Plan
Year 2016**

Month	Date	Agenda Item Description
February	22 nd	<ul style="list-style-type: none"> • Review 2016 Audit Plan – Deloitte LLP representatives to attend • Review 2016 Assessment information – BC Assessment representatives to attend • Tax rate setting background information and options
March	21 st	<ul style="list-style-type: none"> • Report on Permissive Tax Exemptions Policy and Procedures • Update on District Energy System • Report on Year 2015 investment results • Report on Reserve Funds
April	11 th	<ul style="list-style-type: none"> • Comprehensive Fees and Charges Review Approach • Development Cost Charges Review Approach • Capital Plan 2017 to 2021 and Future Years Approach – Establishing Priority for Reinvestment versus New Infrastructure
May	9 th	<ul style="list-style-type: none"> • Presentation by Deloitte LLP of City of Prince George 2015 Financial Statements • Presentation of Other Controlled Entities 2015 Financial Statements (Public Library, Tourism PG, IPG) • PG Playhouse Fees and Charges
June	20 th	<ul style="list-style-type: none"> • CANCELLED
July	11 th	<ul style="list-style-type: none"> • CANCELLED
August	29 th	<ul style="list-style-type: none"> • CANCELLED
September	12 th	<ul style="list-style-type: none"> • Report on 2017 Recommended Permissive Tax Exemptions • Social Action Plan – Capacity Review and Recommendations • myPG Community Grants
October	17 th	<ul style="list-style-type: none"> • CANCELLED
November	16 th	<ul style="list-style-type: none"> • Report on 2017 - 2019 Operating Budget Guidelines
December	19 th	<ul style="list-style-type: none"> • Draft Year 2017 Capital Expenditure Plan • Report on Development Cost Charges Review • Draft 2017 Committee Work Plan