

# Merritt Information Item

FLOURISH UNDER THE SUN

**To:** Cynthia White, Chief Administrative Officer  
**From:** Kevin Natkinniemi, Director of Finance  
**Date:** January 23, 2024  
**Subject:** Service Levels and Capital Program for the 2024 – 2028 Financial Plan

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***This is provided as information, and no resolution is required. Council may make a motion to direct staff to take particular action if they wish.***

Recommend Council accept this report for information and discussion. During the Committee of the Whole meetings, Council will direct staff on desired service levels and capital expenditures so the 2024 – 2028 Financial Plan bylaw can be prepared and presented to Council.

**Respectfully submitted,**

**Kevin Natkinniemi**  
**Director of Finance and Human Resources & CFO**

## Service Levels

During the Committee of the Whole meetings, Council will direct staff on desired service levels for the 2024 – 2028 Financial Plan. Each service the City of Merritt offers will be listed alongside some options for Council to reduce service levels. These options represent over \$0.7M in potential cost savings in 2024. Some of these cost savings may be applicable to 2025 – 2028 based on Council direction (i.e., seasonal flower orders) while others are applicable only to 2024 (i.e., deferred hiring).

Given the connection between final decisions on equipment purchases within the capital budget and debt payments within the operating budget, as well as finalizing the overall increase in municipal tax revenues, there will be some iteration. Currently, if the required equipment is approved and Council accepts the \$0.7M in cost savings, at a 12.5% increase in municipal taxes Council will still need to direct staff on sourcing an additional \$0.1M in savings in 2024. The \$0.1M is prior to Council decisions on the Asphalt/Sidewalk Program service level that may impact the operational budget. The 2024 service line items are detailed in the following table.

## Service Lines

		<b>\$000s</b>
<b>Minimal Influence in Short Term</b>	<b>RCMP</b>	<b>3,729</b>
	<b>Debt Payments</b>	<b>1,761</b>
	<b>Transit</b>	<b>419</b>
<b>Lines 100% offset in Revenue</b>	<b>Administration Fees Between Funds</b>	<b>520</b>
	<b>Transfer of Gas Tax into Reserves</b>	<b>372</b>
<b>Decided on Jan. 23</b>	<b>Wages</b>	<b>8,797</b>

### Services with Varying Degrees of Influence

<b>Fire Department</b>	<b>709</b>
<b>Solid Waste Collection</b>	<b>454</b>
<b>IT</b>	<b>372</b>
<b>Council</b>	<b>324</b>
<b>Economic Development</b>	<b>320</b>
<b>Aquatic Centre Building</b>	<b>306</b>
<b>Sewer Treatment and Sludge Disposal</b>	<b>292</b>
<b>Asset Management</b>	<b>249</b>
<b>Arena Operation</b>	<b>243</b>
<b>Street Lighting</b>	<b>234</b>
<b>Airport</b>	<b>226</b>
<b>Parks and Landscaping</b>	<b>221</b>
<b>Public Works Administration</b>	<b>221</b>
<b>Development Services</b>	<b>219</b>
<b>Water Wells and High Lift Pump Station</b>	<b>213</b>
<b>Other Government Services</b>	<b>205</b>
<b>CPO</b>	<b>197</b>
<b>Line Painting</b>	<b>151</b>
<b>Grants to be Repurposed by CAO</b>	<b>150</b>
<b>HR/OH&amp;S</b>	<b>137</b>
<b>Roadway Surface Repairs</b>	<b>128</b>
<b>Garage and Yards</b>	<b>122</b>

<b>Civic Centre Building</b>	<b>122</b>
<b>Sewer – Composting Site</b>	<b>111</b>
<b>CAO</b>	<b>110</b>
<b>Fleet and Equipment</b>	<b>109</b>
<b>Water Supply and Distribution</b>	<b>95</b>
<b>Water Treatment</b>	<b>94</b>
<b>City Hall</b>	<b>90</b>
<b>Communications and Engagement</b>	<b>88</b>
<b>Finance</b>	<b>87</b>
<b>Museum Senior Centre</b>	<b>76</b>
<b>Sewer Collection System Maintenance</b>	<b>75</b>
<b>Civic Centre Rec Programs</b>	<b>70</b>
<b>Sewer Administration</b>	<b>62</b>
<b>Snow Clearing and Sanding</b>	<b>61</b>
<b>Water Administration</b>	<b>57</b>
<b>Aquatic Centre Program</b>	<b>49</b>
<b>Mosquito Control</b>	<b>45</b>
<b>Drainage</b>	<b>45</b>
<b>Water Sampling</b>	<b>43</b>
<b>Park Facilities</b>	<b>42</b>
<b>Street Cleaning</b>	<b>35</b>
<b>Corporate Officer</b>	<b>34</b>
<b>Engineering Services</b>	<b>30</b>
<b>Cemetery</b>	<b>27</b>
<b>Weed Control</b>	<b>27</b>
<b>Water Service Connection Maintenance</b>	<b>25</b>
<b>Sewer Lift Station Maintenance</b>	<b>23</b>
<b>Election</b>	<b>22</b>
<b>Water Meter Maintenance</b>	<b>21</b>
<b>Street Signs</b>	<b>18</b>
<b>Water Hydrant Maintenance</b>	<b>18</b>
<b>Bylaw Enforcement</b>	<b>17</b>
<b>Water Reservoirs</b>	<b>17</b>
<b>Blvd. Maintenance</b>	<b>13</b>
<b>Sidewalks</b>	<b>13</b>
<b>Water Coldwater Gauge</b>	<b>11</b>
<b>Traffic Lights</b>	<b>11</b>
<b>Decorative Lighting</b>	<b>11</b>
<b>Rec and Facilities Administration</b>	<b>10</b>
<b>CPO Building</b>	<b>10</b>
<b>Water and Utility Mapping</b>	<b>9</b>
<b>Bin Rehab</b>	<b>7</b>
<b>Water Cross Connection</b>	<b>6</b>
<b>Cadet Hall</b>	<b>6</b>
<b>Pickleball</b>	<b>6</b>
<b>Animal Control</b>	<b>6</b>
<b>Water Recoverable Services</b>	<b>6</b>
<b>Baillie House</b>	<b>5</b>
<b>Spirit Square</b>	<b>5</b>
<b>Claybanks RV</b>	<b>4</b>

<b>Flags and Banners</b>	<b>4</b>
<b>Air Quality</b>	<b>4</b>
<b>Sewer Service Connection Maintenance</b>	<b>2</b>
<b>Arena Program</b>	<b>2</b>
<b>In Kind Work</b>	<b>2</b>
<b>Vandalism</b>	<b>1</b>
<b>Rec Bank Fees</b>	<b>1</b>
<b>Water Valve Exercising</b>	<b>1</b>
<b>Water Locates</b>	<b>1</b>
<b>Adopt a Road Program</b>	<b>1</b>
<b>Rental Office Suites</b>	<b>1</b>
<b>Water Conservation</b>	<b>0</b>
<b>Sewer Utility Mapping</b>	<b>0</b>
	<b>23,290*</b>

\*\$23,295 footing at face value without decimal places

## 2025 - 2028

As each service line is discussed during Committee of the Whole and Council directs changes for 2025 – 2028, the operational deficit will be updated during the meeting for Council to provide further direction on how it will be sourced in terms of municipal taxation and additional service level changes. This will be required to progress the Five-Year Plan Bylaw in February.

## Capital

In the December 2023 Committee of the Whole meetings, the capital requests and capital risks in the 2024 – 2028 Financial Plan Bylaw window were presented. This first draft amounted to \$95M. Staff have identified deferral candidates, projects that could be grant contingent, and updated carryover projects for invoices received for 2023 work (i.e., Voght Street). Two projects have been added since the first draft for \$35K due to new information (i.e., heat exchanger crack on City Hall rooftop). If all potential deferral and grant contingent projects were directed by Council, the second draft of the capital budget would be \$43M with further decisions required on the level of service for the \$4M Asphalt Overlay/Sidewalk/Bridge Maintenance Program and how it will be funded. The following table summarizes key changes within the -55% reduction in capital since the first draft.

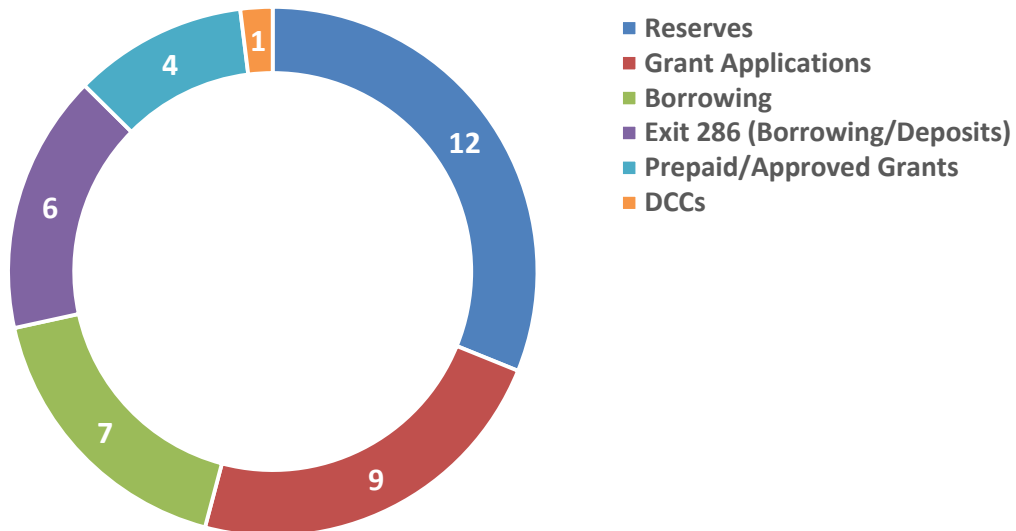
### 2024 – 2028 Capital \$M

<b>Draft 1</b>	<b>95</b>
<b>East Merritt Utility Corridor</b> – Focus on sewer pipes and defer water, roads, active transportation, etc.	<b>(18)</b>
<b>Defer WWTP Capital and Start Saving in a Restricted Reserve</b>	<b>(18)</b>
<b>Voght Street Past the Hospital</b> – Invest \$0.4M in surface and defer water/sewer/major road work	<b>(7)</b>
<b>Invoices Received for 2023 Work</b> (i.e., Voght Street/Exit 286, etc.)	<b>(4)</b>
<b>Permanently Remove Cleasby Extension</b>	<b>(1)</b>
<b>Assign grant contingency to Community Services projects and package projects for grant applications</b>	<b>(0.9)</b>
<b>Fire Department Self Contained Breathing Apparatus</b> – Continue saving for replacement and try and extend useful life past 2028 as premised in Draft 1	<b>(0.5)</b>
<b>+ New Projects (heat exchanger crack / leisure pool pump/motor)</b>	<b>+0.035</b>
<b>Net Other Deferral Options</b>	<b>(3)</b>
<b>Draft 2</b>	<b>43</b>

#### Capital Funding Summary

A draft funding strategy has been prepared for \$39M of the \$43M in Draft 2 Capital. The \$4M Asphalt Overlay/Sidewalk Program requires Council direction on the service level and funding strategy (i.e., line in operational budget to fund a reserve for this). The draft funding strategy is summarized in the following graph.

### 2024 – 2028 Capital Funding Strategy \$M



Key grant applications across 2024 – 2028 include the Kengard Well [\$5M], the airport [\$2M] and Hill Street Active Transportation project [\$2M]. Borrowing primarily relates to the MFA equipment financing program for public works equipment [\$3M] and Engine 2 [\$2M]. Long-term debt is currently premised for the sewer pipes in the east utility corridor [\$2M] that are not eligible for DCC funding [\$1M] as the sewer reserve needs to be dedicated for future plant capital. Prepaid or approved grants primarily relate to projects carrying over into 2024 including Voght Street, West Merritt Active Transportation Path, and airport projects.

## WWTP Reserve Update

The WWTP capital has been deferred from the capital plan and replaced with a restricted reserve savings strategy for future infrastructure. Council elected to increase sewer parcel taxes by 5% per year through 2026. If the 5% increases were extended past 2026, the City of Merritt would build a reserve of ~\$11M for the WWTP after ten years of saving at today's interest rates. This contrasts with the estimated plant upgrade capital of \$24M leaving \$13M unfunded. After 2026, Council may elect to increase the parcel tax rates more than 5% to narrow this gap. When the project is sanctioned by Council, grant funding and long-term debt will be required for the remainder.

