

Report

City of Merritt
Committee of the Whole
May 2, 2023

File Number: 1700

To: Sean Smith, Chief Administrative Officer
From: Sheila Thiessen, Finance Consultant
Date: May 1, 2023
Subject: 2023 Financial Plan – Draft Operating Budget

RECOMMENDATION:

Council accepts this report for information and discussion.

Background:

The Financial Plan and Tax Rate bylaws are required to be adopted by May 15th, 2023. The bylaws are scheduled to be brought forward for the first three readings on May 9, 2023.

During the budgeting process, there have been discussions related to the following items:

- Infrastructure Deficit and the need to fund reserves and capital projects to maintain and renew existing assets.
- Increases in costs due to inflation, supply chain issues and increased regulations.
- Assessments and the impact on revenue sources
- Taxation and the impact on the taxpayers
- Other funding sources like grants and user fees.
- Merritt is still in recovery mode after the flooding of 2021. The full impact has not been determined.
- Outstanding grant applications

Discussion:

The attached 2023 Draft Financial Plan (Operations) is provided for Council's information to provide a backdrop for the capital discussions required before the Financial Plan can be drafted.

There are several items that have been highlighted.

- A. **Taxation** – the amount for 2023 was calculated with a 5% increase for residential properties and adjusted rates for the other classes to result in similar increases where possible. Actual increase (decrease) in taxes will depend on the changes to the individual properties assessment.
- B. **Government Grants** – the amount of government grants depicts the difference between extra payments for Small Community Grants and Carbon Reporting that are not likely to be received this year. In addition, some grants that were received are being carried forward, but at a lesser amount as the related projects have been proceeding. For example, Economic Development Grants, Firesmart\Fuel management, and post COVID funding.
- C. **Regional Grants** – the amount has increased as per contract with the TNRD
- D. **Sale of Service** – these are user fees, and they are recovering to pre pandemic\flood levels
- E. **Return on Investments** – this amount is increasing due to higher interest rates and the fact that much of the grant funding is being paid up front vs collected at the end of the projects. This amount is conservative.
- F. **Other Revenue** – this amount is increased to show amounts that are confirmed, actual for 2022 was impacted by an accrual issue.
- G. **General Government** – the major increase for this section is wages, this includes the position of Records Coordinator, Finance Analyst, and Co-op student in IT. In addition, all positions are budgeted for the full year, and may be adjusted before the final budget. Property Insurance has risen significantly as well this year.
- H. **Protective Services** – this difference is related to the increased RCMP costs as the retro payments are made.
- I. **Transportation Services** – the increase for this department includes the increasing costs of contracted services, fuel prices and the addition of consultant, and engineering charges.
- J. **Development Services** – the overall decrease in this department is related to some projects being completed, the OCP for example.
- K. **Public Health and Welfare** – the minor change here is related to interment costs, the budget is for a conservative number of interments, if there are more, the additional costs will be covered by the related revenue.
- L. **Recreational and Cultural** – the increase here is related to contracted wage increases and increased costs as the facilities are returning to full utilization.
- M. **Water Utility** – this amount is related to wage costs and increases in chemical pricing
- N. **Sewer Utility** – this increase is related to wage costs and increases in chemical pricing
- O. **Short Term Principal Payments** – this change is lower than expected, due to the variable interest rate on short term financing, resulting in more of the payment going towards interest and less towards principal.
- P. **Transfer to Reserves** – this line includes the annual transfer of the Community Works Gas Tax grant (\$372,081) to reserve as well as a transfer of extra funds in the Water Utility (\$367,995) and Sewer Utility (\$605,238) to reserve for 2023.
- Q. **Transfer (to) from Surplus** – 2022 activity shows an operating surplus of \$1,159,433 now, which is offset by the transfer from surplus in 2023 to balance the operating budget \$841,629 for both the general and the transit fund. This operating surplus may change as year-end is completed and all costs and revenues are fully accounted for.

Summary:

This report is to provide background information for Council's discussions at the May 2, 2023, Committee of the Whole meeting, when final decisions will be made in relation to the capital projects that will be proceeded with for 2023. It is important to note, that if a capital project is not funded by taxation revenue, it can be introduced at any point in the year, as grant funding is confirmed and/or there are available reserves or surpluses to cover the expenditure. A Council resolution to proceed with the capital project and amend the budget is required to authorize the expenditure.

Staff will be recommending that only those projects where the funding is fully in place be advanced with the Financial Plan at this time. Once year-end is complete other projects can be added with the confirmed reserves and surpluses.

Respectfully submitted,

**Sheila Thiessen, CPA, CMA
Finance Consultant**

Attachments:

2023 Draft Financial Plan - Operations