

COUNCIL REPORT

Date: 12 January 2022
File: 2.10.3
To: Mayor and Council
From: Warren Waycheshen, CAO
Re: 2022 Budget Deliberations (Third Report)



Recommendations:

Action: That Council discuss the 2022 budget and if prepared to provide direction, motions are provided below for consideration.

BACKGROUND:

Community group's operational grants: Community groups presented their budgets 22 November 2021 and the amounts were referred to the budget. Council waived the Tamitik Status of Women / BC Housing mixed-housing project building permit fees of \$87,000 on 20 December 2021 (the amount is included on the attached Appendix B but does not require approval). All other grants are included on Appendix B for consideration. Some groups kept the 2022 requests to a 2% increase over 2021, and some requested larger increases.

Direction was provided at the 4 January 2022 meeting staff to contact the Public Art Alliance, Mt. Elizabeth Cycling Association (MECA), Kitimat Understanding the Environment, and the Kitimat Community Development Centre regarding the increase or size of their grant requests. The responses received to date are summarized below:

1. Public Art Alliance: Correspondence is included with Appendix B.
2. Mt. Elizabeth Cycling Association (MECA): Letter is included with Appendix B.
3. Healthy Babies Program through the Kitimat Community Development Centre (CDC): The \$30,000 grant approved earlier through the Community Resiliency Fund allowed the CDC to increase the hours from 20 to 35 hours per week and that amount lasted six months. The \$30,000 request is to operate the service at the higher number of hours until 31 March 2022. The second request of \$60,000 is for the upcoming fiscal year of 1 April 2022 – 31 March 2023 to continue offering that level of service. This funding is intended to support the CDC in continuing to deliver this program until such time that they either secure funding from Northern Health or receive funding from a yet unidentified funding source. If no additional funding is received for the upcoming year they will only be able to provide the program at 15 hours per week, with this low amount of hours effectively ending the ability to staff the program.
4. Kitimat Understanding The Environment: A response will be circulated prior to the 17 January meeting.

The Museum, Library and Mt. Elizabeth Theatre capital grants are included in the Capital spreadsheet for consideration.

Once discussion is complete the following are provided for consideration:

1. If Council wishes to approve the grants as presented (or amended) in Appendix B, which includes some groups at higher than a 2% increase, the following is provided for consideration:

THAT the 2022 operating grants to community groups, as listed in Appendix B, be approved. AND THAT grants be approved for (\$20,000 or TBD) to the Kitimat Public Art Alliance for the creation of a mural, (\$250,000 or TBD) to the Mount Elizabeth Cycling Association (MECA) for trail development, (\$90,000 or TBD) to the Kitimat Community Development Centre for the Healthy Babies Program, and (\$300,000 or TBD) to Kitimat Understanding the Environment.

2. Any grant requests may be further discussed by Council. Staff can provide wording for motions depending on the direction.
3. Another option as decided by Council.

My Mountain Coop and Snow Valley Nordic Ski Club: As buses have not operated and are not expected to operate this season, at the 13 December 2021 meeting Council resolved to provide an operational grant to in an amount to be determined through budget deliberations. Grants of up to \$15,000 can be accommodated in existing operational budgets as this amount is included currently for busing.

Revenue and Operational Expense Options:

At the 4 January 2022 meeting the following direction was adopted:

The grant requests of \$35,446 for the Community Rental Subsidy Program through the Kitimat Community Services Society (KCSS), and \$30,778 for an upgraded fire monitoring system at Kiwanis Village be tentatively approved for funding from the Affordable Housing Fund if that reserve is amended later in 2022. This change has been made.

A breakdown of the Council training, travel and other account is below:

Mayor and Council travel represents travel, training and other expenses. The breakdown of the conference travel account is as follows:

- Federation of Canadian Municipalities (FCM): \$10,000
- North Central Local Government Association (NCLGA): \$ 3,000
- Union of BC Municipalities (UBCM): \$24,000

Conference expenses are projected based on flights, accommodations, food/per diems, and conference registration for all of Council to attend. This year, organizations have announced that they are anticipating in-person conferences and trade shows with the exception of NCLGA, where they expect to have a hybrid model of both in-person and virtual meetings.

The budget includes \$10,000 for additional Conferences, courses or webinars for other travel that may be required, including for Mayor and Council to attend up to \$1,000 each annually without pre-approval as per policy C-25 (Council Attendance at Conventions & Education).

Included in this budget is the delivery of Council Packages and budgeted allocation for the annual van expenses.

2021 included \$35,000 for planning or other meetings, which, for 2022, is expected to be used for any planning sessions and orientation for the newly elected Council. The orientation will prepare newly elected Council members for their roles and responsibilities and provide information that will help them meet the municipal needs.

Property Taxes: this budget incorporates a 4% increase in municipal property taxes as directed by Council, with the actual increase and distribution of property taxes will be determined when the budget is finalized. In 2021, the property tax increase was 3.25%.

For reference, every 1% increase in property tax rates increases property tax revenues by about \$305,000.

This is the fourth year of the LNG Canada property tax agreement and those increases are included in the budget (the increase is set in the bylaw and independent of other decisions.)

As of 31 October 2021 the Coastal Gas Link pipeline within the Kitimat borders was assessed as 10% complete as per the BCAA Regulation 203/86. The value given to this pipeline was \$1,571,600 or an increase of \$1,159,200 from 2021 Assessed value. This value multiplied by 2021 Class 2 rate of \$47.58 would yield \$55,174 in new taxes. There is also an increase to the metering station of \$1,263,000 or \$60,093 in new taxes. The 2022 budget as presented has a factor applied for estimated new construction and a final number will be available after 31 March 2022.

LNGC Tax Bylaw				
Year	Base Amount	Bridge Credit	Net Bylaw Taxes	Incremental Increase
2019	1,620,000	216,667	1,403,333	1,403,333
2020	3,230,000	433,333	2,796,667	1,393,334
2021	4,850,000	650,000	4,200,000	1,403,333
2022	6,470,000	866,667	5,603,333	1,403,333
2023	8,080,000	1,083,333	6,996,667	1,393,334
2024	9,700,000	1,300,000	8,400,000	1,403,333
2025*	9,913,400	1,326,000	8,587,400	187,400
2026*	10,111,668	1,352,520	8,759,148	171,748
2027*	10,313,901	1,379,570	8,934,331	175,183
2028*	10,520,179	1,407,162	9,113,018	178,687

*CPI inflation assumed at 2%

Residential Flat Tax: In 1990, the Municipal Act was amended to allow for the residential flat tax system. The residential flat tax amendment was repealed in 1992, but municipalities using the system were permitted to continue using it. The flat tax has been used here for over 30 years and is an established part of the property taxation system. Please note, once a local government ceases using the Flat Tax, it cannot be reinstated in the following years. Staff will bring forward options and analysis for consideration in early 2022, when property tax rates are finalized.

Utility user fees: Refuse pick up was \$120 annually for 2021, with the rates increasing to \$146 annually on January 1, 2022. In 2020, the rates were increased to \$95 from \$62. Both water and refuse pick up fees are billed on the property tax notice. Commercial water charges are invoiced

separately.

Current residential water fees are \$144 annually.

Reserves: At the 4 January 2022 meeting it was directed to repurpose the following amounts from the Reserve for Future Fund Expenditures (RFFE):

“THAT staff repurpose the funds of the following Reserves line-items:

- *No. 45 - \$123,466 for the Kitimat Ice Rink roof replacement*
- *No. 48 - \$163,281 for Radley Park Shoreline Protection*
- *No. 50 - \$47,500 for Campground Registration Software”*

“THAT staff return with a list ranking the remaining reserve line-items marked “repurpose” to identify which items can be easily repurposed without impacting projects scheduled for completion in 2022.”

The three items above have been repurposed and the further staff recommendations for repurposing are included below (the complete RFFE, surplus and other reserves are attached in Appendix C). During the discussion, staff will propose motions as, or if, needed.

RFFE Project Name	WO	Remaining
LIB - Passageway Cladding	621002	(30,000)
LIB - Outside Painting	621006	(44,321)
R/L - Exterior Sealant Replacement (BAS)	627073	(12,652)
R/L - Painting of Siding (BAS)	627055	(11,778)
R/L - Upgrade Secondary Power	627075	(19,351)
TAM - Review of Cracked Concrete (BAS)	627059	(4,458)
KIR - New Mycom Compressor - (BAS)	971606	(45,000)
CPD - 740 Lahakas - Development Potential	626028	(20,000)
SEW - Dyke Culverts / Draining Replacement	623601	(60,000)
WAT - Lead Sampling Program Public Outreach	623117	(40,000)
BLD - Backflow preventer main water line (BAS)	622505	(10,000)
BLD - Storage Container on Mounted Base	627056	<u>(17,500)</u>
Total		(315,060)

Capital: At the 4 January 2022 meeting it was resolved:

“THAT the following motion be tabled to the next budget meeting:

“THAT the Reserves line-item No. 60 of \$30,000 for a Community Engagement Manual be reallocated.”

Once this item is removed from the table Council can discuss and provide direction.

With the capital spreadsheets (Appendix D), staff have proposed projects; however, it is Council’s decision on the capital items to be completed in 2022 and the staff list is respectfully submitted for discussion purposes (Alternative Project Initiatives are included after the projects that have been proposed and are not included in the budget). As presented, the capital budget items are funded

from reserves, and grants, with \$310,079 from current year revenues (the 2017 to 2021 five-year average was \$2,198,359.)

As presented, the capital has a shortfall of \$109,312 as there are items being proposed that do not have existing funding sources (such as a reserve) and, depending on the discussion and Council's preferences, options will be provided, including increased use of reserves and surplus, and/or increasing/reducing revenues and expenses.

Early Approval: If Council is prepared to consider approval of some capital items the following is provided for consideration: **THAT staff bring a list of capital projects** (*list of projects to be determined at the meeting*) **for consideration of early approval.**

Tentative Operational Budget approval after discussion of outstanding items:

1. During the meeting Council may make motions to remove, amend or approve individual items. If Council is prepared to consider the operational revenue and expenses, the following is provided for consideration: **THAT the 2022 revenues and general operating expenses, as summarized in Appendix A (and amended if any changes are made through discussion), be tentatively approved, with final approval in spring 2022 when the five-year financial plan is adopted.**
2. If Council is not ready to consider the operational revenue and expenses no further motions are required.

Budget Implications: Establishing the 2022 municipal budget.

“DR”

Director of Finance Initials

Council Initiative:

Establishing the 2022 municipal budget and five-year financial plan.

“Warren Waycheshen”

Approved for Submission

Warren Waycheshen, CAO

Attachments:

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| Appendix A: | Revenues and General Operating Expenses |
| Appendix B: | Grants sheet, MECA letter and Kitimat Public Art Alliance correspondence |
| Appendix C: | Surplus and Reserve Funds 2022 |
| Appendix D: | 2022 Capital Budget |