

AGENDA

Special Council Meeting

**Monday, January 18, 2020
9:00 a.m.**

**Council Chamber of City Hall
500 – 2 Avenue NE**



Carl Bannister, Chief Administrative Officer

Page #	Item #	Description
	1.	CALL TO ORDER
	2.	DECLARATION OF INTEREST
	3.	PRESENTATIONS
	4.	INTRODUCTION OF BYLAWS
1 – 34	1.	City of Salmon Arm 2021 to 2025 Financial Plan Bylaw No. 4429 – First, Second and Third Readings
	5.	OTHER BUSINESS
	6.	IN-CAMERA SESSION
35 – 36	7.	ADJOURNMENT

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Item 4.1

CITY OF SALMON ARM

Date: January 18, 2021

Moved: Councillor

Seconded: Councillor

THAT: the bylaw entitled City of Salmon Arm 2021 to 2025 Financial Plan Bylaw No. 4429 be read a first, second and third time.

Vote Record

- ☐ Carried Unanimously
- ☐ Carried
- ☐ Defeated
- ☐ Defeated Unanimously

Opposed:

- ☐ Harrison
- ☐ Cannon
- ☐ Eliason
- ☐ Flynn
- ☐ Lavery
- ☐ Lindgren
- ☐ Wallace Richmond

CITY OF SALMON ARM

Date: December 24, 2020
 To: Mayor Harrison and Members of Council
 From: Chelsea Van de Cappelle, Chief Financial Officer
 Subject: 2021 Budget

Recommendation

THAT: Bylaw No. 4429 cited as "City of Salmon Arm 2021 to 2025 Financial Plan Bylaw No. 4429" be given 3 readings.

Background

The 2021 Budget reflects a 3.07% tax increase and a 1.30% new growth factor. New growth is based on the previous year's development to October 31st. The new growth factor is estimated new tax revenue as a result of new assessments on construction.

Summarized below is the impact of a 3.07% tax increase for each multiple of \$100,000.00 of assessed value:

- Residential - \$11.97
- Business - \$32.63

Historically, the City's new growth factor has been fairly strong and has assisted in providing funding for new services and initiatives as opposed to funding existing services. Normally, the cost of existing services will remain constant for a period of time and then spike once the service hits its capacity. An example of this would be in the area of roads - as new roads develop existing labour and associated equipment is able to absorb new infrastructure to a certain limit or capacity then it spikes and additional equipment and manpower is required. In other words, the City has been able to utilize tax revenue from new growth (as opposed to raising property taxes) which should have been used 'theoretically' for the expansion of existing services, with minimal increases to existing labour and equipment for other community minded initiatives.

Historical Growth Rates:

Year	Rate	Year	Rate	Year	Rate
2021	-	2014	2.33%	2007	3.64%
2020	2.03%	2013	2.32%	2006	2.80%
2019	2.01%	2012	1.53%	2005	3.06%
2018	2.15%	2011	1.20%	2004	2.38%
2017	1.91%	2010	0.20%	2003	1.30%
2016	2.07%	2009	2.53%	2002	4.04%
2015	1.24%	2008	3.66%	2001	1.55%

The 2021 Budget also includes a 2% increase in Water and Sewer User Fees as approved by Council in August 2020. It should be noted, however, that the 2021 Budget does not reflect an increase to the Water and Sewer Frontage Taxes. Similarly, the Transportation Parcel Tax and the Solid Waste Recycling levies remain unchanged.

The following sections outline some of the more significant issues affecting the budget.

2020 Municipal Tax Increase

In April 2020, Council approved a reduction to the 2020 tax increase from 2.52% to 0% in response to the COVID-19 pandemic. A one-time transfer from the Emergency Reserve of \$470,460.00 funded this. However, the reduced revenues and increased costs that made up this budget increase in 2020 remain built into the City's budget and form, in part, the tax increase being proposed for 2021.

In addition, Council approved the 'parking' of several capital projects in 2020, majority of which have been released. There remains two (2) projects that have not yet been released including the Bump Out (5 Ave Se – 2 Ave SE) and Beverage Recycling Canisters. These have been carried forward and included in the 2021 budget, pending Council's approval to proceed.

COVID 19 Safe Restart Grant

The City was fortunate to receive a COVID-19 Safe Restart Grant in 2020 equal to \$3,598,000. The funding was provided to assist local governments to address operational issues and fiscal pressures as a result of COVID-19. Eligible costs were left quite broad to provide latitude for local governments to address priorities that are being experienced locally. The cost categories identified by the Ministry of Municipal Affairs was non-exhaustive and includes:

- Revenue Shortfalls;
- Facility Reopening and Operating Costs;
- Emergency Planning and Response Costs;
- Bylaw Enforcement and Protective Services;
- Computer and Technology Costs;
- Services for Vulnerable Persons; and
- Other Related Costs.

At this time, it is difficult to quantify the result that the pandemic has had on the City's financial position in 2020. However, it is estimated that up to \$730,000.00 could be required and it is therefore recommended to leave at least this amount in the COVID 19 Grant Reserve.

In regards to 2021, \$450,100.00 is being proposed to be utilized to offset operating deficits, increased COVID related costs and capital upgrades. The following is a summary of the proposed uses of the grant, with more detailed explanations within respective budget sections below.

Operational:

General – COVID Leave Wages	\$30,000.00
General – Administration – Postage	3,500.00
General – Sidewalk Café Fees	900.00
Bylaw Enforcement	45,200.00
Fire – Burning Permits	7,000.00
Parks – Baseball Field Recovery	7,500.00
Shaw Centre – Operating Deficit	87,500.00
Recreation Centre – Operating Deficit	98,000.00
	<u>\$279,600.00</u>

Capital:

Public Works Building – OH&S Upgrade	\$157,000.00
Shaw Centre – Recreation Management Software	3,000.00
Recreation Centre – Recreation Management Software	3,000.00
Recreation Centre – Turnstiles	7,500.00
	<u>\$170,500.00</u>
	<u>\$450,100.00</u>

In 2020, Council authorized the waiving of the Sidewalk Café Application (\$300.00) and Rental Fee (\$150.00) for two (2) businesses for 2021 in response to the COVID 19 pandemic. There is concern that this may fall under the general prohibition against assistance to business outlined in the Community Charter. Rather than waiving fees in an effort to support businesses during this time, it is recommended that the City amend the Fee for Service bylaw to allow for a temporary fee removal. This would “waive” the 2021 fee for all businesses applying for a Sidewalk Café. A motion of Council is required. Suggested Motion:

AND THAT: Bylaw No. 2498 cited as “City of Salmon Arm Fee for Service Bylaw No. 2498” be amended to reduce the Sidewalk Café Application Fee and Associated Rental Fee to \$0 for the 2021 year or until such time as deemed reasonable to re-instate.

It is estimated that this would result in a \$900.00 reduction in Revenue (two applications), for which is proposed to be funded in 2021 by the COVID 19 Safe Restart Grant.

Moreover, staff expect to receive a number of requests for funding related to COVID 19 hardships from not-for-profit organizations which provide municipal services or the like. It is therefore recommended that a portion of the COVID 19 Grant Reserve be withheld to address these requests. In 2020, Council authorized the reallocation of expense savings (\$20,000.00) to a “COVID 19 Emergency Grant Fund” to assist other registered charities and not-for-profit organizations in providing community support work during the pandemic. An allocation for this has not been included in the 2021 budget.

Further to the general prohibition against assistance to business, requests for funding from the business community should be provided instead to a partner not-for-profit organization (i.e. Shuswap Community Foundation) to administer.

Strategic Planning

A number of assessments and plans were completed in 2020 including:

- Housing Needs Assessment;
- Community Housing Strategy;
- Community Emissions/Energy Plan;
- Cultural Master Plan; and
- Poverty Reduction Strategy.

At present, the City is undertaking an update to its Corporate Strategic Plan. It is envisioned that this plan will provide an opportunity to create a shared vision and set a strategic direction for future decision-making. As this plan will likely be a key driver in the implementation strategy of the above noted plans and no other direction has been provided by Council thus far, no allocation has been in the 2021 budget.

Asset Management

In November 2020, staff presented Council with an update on the City's current Asset Management work. To assist Council in its decision making, it was requested that staff identify any items identified through our asset management process as they relate to the proposed 2021 budget. In response to this, the departmental capital budgets now include a column identifying capital requests related to Replacements (R), Improvements or Upgrades (U), and New Infrastructure (N). While we continue to fill data gaps and compile the information, staff have provided more detail on larger projects identified through the Asset Management Summaries in the respective sections below.

Other Revenue – Interest Income

The COVID 19 crisis has lead the Bank of Canada to decrease its benchmark rate in an effort to minimize the economic impact. As a result, the City has seen a significant reduction in the earning rate of its investments in 2020. Given the uncertainty surrounding the economic recovery, the interest rates used for estimation of revenues has been reduced from 1.5-2% to 0.5% to agree to current earning rates. This has resulted in a net reduction in interest revenue utilized within the general budget of \$77,000.00.

While the net effect of the interest earned on the City's various reserve accounts is nil (i.e. interest earned is transferred to the originating investment), the City could see a negative impact on its Long Term Financial Plan and Debt Strategy as reserve balances take longer to accrue.

Rental Revenue – Law Courts/Crown Counsel/Corrections

In accordance with the lease agreements held with the British Columbia Buildings Corporation, the City will see a reduction in rental revenue for the above three (3) leases as follows:

- During the first fifteen (15) years of the lease, the Crown Counsel and Corrections leases required the tenant to repay the Tenant Improvement Allowance. Effective April 1, 2021, this allowance has been paid in full and the

rental payments will be reduced accordingly. This has resulted in a combined reduction in rental revenue of \$16,000.00.

- As part of the lease agreements, the tenant advanced the City, as a rental balloon prepayment, \$1,000,000.00 to assist with the construction of the current City Hall building. Beginning in year sixteen (16) of the lease, April 1, 2021, this prepayment is to be used to offset the tenants obligation to pay base rent, operating costs and taxes. The tenant will still be responsible for repayment of the Tenant Improvements associated with the Law Courts, as well as parking fees and associated GST. This will result in a decrease in rental revenue in 2021 of approximately \$301,120.00.

Over the past fifteen (15) years, the City has been annually transferring funds to reserve to offset this reduction in revenue. This transfer will be required in 2021 and 2022, with a review of final balances required in 2023. The current balance in this reserve is \$858,000.00. The 2021 budget recommends a transfer to this reserve of \$70,000.00, as done in prior years; and a transfer from the reserve to offset the reduction in revenue equal to \$301,120.00.

Wages and Benefits

The 2021 Budget contains changes relative to exempt staff salaries, CUPE wages and benefits. As this issue has staffing and collective bargaining implications - staff will review this component "In-Camera" with Council, if necessary.

Small Community Grant

As in past years, the budget includes an allocation (\$190,000.00) for the receipt of the Small Communities Protection Grant. Small community grants are unconditional grants for municipalities to assist in providing basic services and is available for municipalities with populations up to approximately 19,000. The last census information (2016) reflected the City's population at 18,698. The next Census of Population will take place in May 2021, at which time the City may have a population over the threshold established by this grant. As a result, there is a risk that the City will no longer qualify for the grant.

Debenture Debt

The 2021 Budget reflects the costs of borrowing for the following debentures as approved by Council in 2019.

- Airport Taxiway Charlie \$ 845,000.00 – General Fund

The Airport Taxiway Charlie debt servicing cost in 2021 represents annual interest and principal repayments, funded by revenues generated from new construction.

Solid Waste and Recycling

The 2021 Budget reflects a user fee levy of \$101.00 (no change from 2020) and the estimated number of residential users is 6,666.

As Council is aware, the City introduced Food Waste Collection in July of 2019. The program has been running successfully and as expected, the City has seen a reduction in garbage tonnage taken to the landfill.

Historical Data:

No. of Users:

No. of Units	2016	2017	2018	2019	2020	2021 (Estimate)
Garbage	6,157	6,297	6,393	6,559	6,666	6,666
Food Waste	-	-	-	6,573	6,688	6,696

Tipping Fees Rates (Rate Per Unit):

	2016	2017	2018	2019	2020	2021 (Estimate)
Garbage	\$1.93	\$2.14	\$2.28	\$1.60	\$2.30*	\$1.30
Food Waste	-	-	-	\$0.73	\$1.90*	\$1.50

*2020 Budget Estimate

Amount of Tonnage:

	2016	2017	2018	2019	2020
Garbage	2,035,865	2,138,835	2,184,690	1,572,455	1,137,107*
Food Waste	-	-	-	481,770	955,579*

*Year-end Estimate

The 2021 budget proposes a reduction in the garbage tipping fee to \$1.30 per unit and a decrease to the food waste tipping fee to \$1.50 per unit. The reduction in the garbage tipping rate is the result of reduced tonnage, while considering actual number of users. The food waste tipping rate has been adjusted to reflect tonnage and tipping data collected to date. The net result is an anticipated decrease in tipping fees of approximately \$105,000.00.

In addition, the budget reflects an anticipated reduction (\$16,700.00) in curbside collection costs due to lower diesel fuel prices and an increase in administrative costs (\$4,900.00) and bin purchases costs (\$8,000.00). As a whole, the Solid Waste and Recycling function is projecting a deficit in 2021 resulting in a transfer from reserve of \$28,000.00.

Given the anticipated function deficit and corresponding transfer from reserve in 2021, the levy has not been reduced. The reserve was established as a result of past surpluses within the Solid Waste and Recycling function. The intent of the reserve is to absorb further increases to expenditures associated with the collection of solid waste and recycling and service changes. The reserve also serves as a contingency plan when and if the Recycle BC program is phased out or eliminated. The reserve also provides the City with flexibility to address future issues or cost implications without impacting the users in terms of:

- Opportunities to gather user data and establish historical trends for decision-making;
- Tipping fee increases to projected expenditure levels;
- Contract changes and increases;
- Cushion future cost increases associated with:
 - Conversion of sanitation vehicles from diesel fuel to natural gas;
 - Program expansion;
 - Further expansion of the organic yard waste collection;
 - Continued advertising/educational campaign to enhance and promote recycling and reduction of solid waste; and
 - Recycling audit, etc.

The estimated balance in the Solid Waste and Recycling Reserve is approximately \$371,000.00; although the actual tipping fee costs for 2020 are anticipated to result in savings of approximately \$125,000.00.

Protective Services – Law Enforcement

The primary focus of Bylaw Enforcement since inception has been managing parking and traffic violations. With the City's growth nearing 20,000 citizens, the volume of bylaw violations and complaints have increased and so has the complexity of complaints and expectations by the community for the City to handle a wider array of issues and bylaw infractions. The present focus of the Bylaw Enforcement Officer is somewhat narrow and challenged to effectively manage a growing list of regulations and expectations (e.g. irrigation/sprinkling, panhandling, smoking in parks, camping in parks, pesticide use, zoning, land use, unsightly premise complaints, unlawful secondary suites, chickens, noise and other nuisance complaints). Other bylaws potentially on the horizon, such as the regulation of vacation rentals, will only add to this list and strain.

The current Bylaw Enforcement position has been augmented by a part-time summer student position since 2000. While animal control continues to be contracted (Commissionaires), when looking at other communities, such as Penticton with eight (8) Bylaw Enforcement positions for a population of 40,000, it becomes clearer that Salmon Arm is lacking in this department.

As a result, the 2021 budget includes an allocation for an additional full-time Bylaw Enforcement Officer offset in part by the elimination of the part-time summer position. Moreover, with the onset of the COVID 19 pandemic, the bylaw enforcement function has seen an increase in land use complaints, squatting/camping on both private and public land and increased expectations related to Ministerial Orders. As a result, \$45,200.00 of the COVID 19 Restart Grant has been used to offset approximately 30% of both officers time as it relates to COVID 19. It should be noted however, that these costs will eventually need to be funded by general tax revenue in the future.

Fire Protective Services

The Fire Services budget essentially reflects the same level of service.

At this time, the bylaw relating to Fire Prevention and the Fire Department requires residents to obtain a permit to conduct a campfire. The City's permitting process requires residents to physically attend City Hall to complete the necessary paperwork and obtain a permit. Permits are issued on an annual basis and generally results in a significant amount of traffic within the building. Given the current Provincial Health Orders (PHO's) related to COVID 19, staff are recommending suspending the requirement for campfire permits only for 2021 in an effort to reduce the in-person contact at City Hall. It is estimated that this would result in a \$7,000.00 reduction in Burning Permit Revenue, for which is proposed to be funded in 2021 by the COVID 19 Safe Restart Grant.

The City will be required to amend both the Fire Prevention and the Fire Department and Fee for Service bylaw to allow for this temporary adjustment. A motion of Council is required. Suggested Motion:

THAT: Bylaw No. 3792 cited as "City of Salmon Arm Fire Prevention and Fire Department Bylaw No. 3792" be amended to allow campfires to be conducted without the issuance of a permit for the 2021 year or until such time as deemed reasonable to re-instate.

AND THAT: Bylaw No. 2498 cited as "City of Salmon Arm Fee for Service Bylaw No. 2498" be amended to reduce the Campfire Burning Permit Fee to \$0 for the 2021 year or until such time as deemed reasonable to re-instate.

The 2021 budget includes an allocation to reserve for a Paid On Call Remuneration Review, last completed in 2017. As this issue has staffing implications, staff will review this component "In-Camera" with Council, if necessary.

The Capital Budget proposes to replace Unit No. 224 – 2005 Dodge Ram Truck for an estimated \$60,000.00 pursuant to the Fire Truck Replacement Schedule. It is proposed to fund \$25,000.00 of the purchase from the Fire Emergency Apparatus Reserve and the remaining \$35,000.00 from General Revenue.

The budget includes a transfer to the Fire Emergency Apparatus Reserve of \$205,000.00 (estimated 2021 balance following budgeted transfers - \$13,000.00) and the Fire Buildings and Equipment Reserve of \$40,000.00 (estimated 2021 balance - \$300,000.00). It should be noted, even with the annual reserve allocation noted above; the Fire Emergency Apparatus Reserve is still significantly underfunded.

Building Services

The 2021 Budget reflects the same level of service.

Police Services

Overall, the Police Services budget reflects an increase of \$120,290.00. The Police budget has consistently over the past years, been a prominent factor behind the tax increases and this year is no exception. As outlined by E Division (report to Council June 2020), the Police Force budget projects an increase of \$113,733.00 which is largely attributed to increases in wages and pensions, training, and software.

As approved by Council in 2020, the proposed budget includes an increase in member strength from nineteen (19) to twenty (20) members. As discussed with Staff Sargent West, the majority of the Provincial Approvals have been received and it is anticipated that this member will be active in February 2021. The budget increase has been adjusted to reflect a one month vacancy in this regard (approximately \$11,600.00).

Further in July 2020, Council accepted the repayment options of the Earned Retirement Benefits (ERB) and Retroactive Green Timber Accommodation obligations (GT). The annual repayment costs associated with this Settlement Agreement of \$36,000.00 have been included and funded from the Police Operating Reserve.

Based on historical data, the detachment has never been at full complement, typically averaging 1-2 position vacancies experienced throughout the year. Consequently the budget allocation has been reduced by \$140,000.00 (as per Council past practice). When dealing with scarce dollars it is not prudent to budget for items that likely will not materialize. There is a risk with this practice; however, Council has sufficient funds within the Special Investigations and Major Maintenance Reserves to cover the shortfall in the event that the City is billed for twenty (20) members.

2021 Police Force Budget Summary:

Estimated Annual Cost of Additional Member	\$140,200.00
Less: One Month Vacancy	(11,600.00)
Less: Part Year Allocation from 2020	(61,680.00)
Budget Increase – Additional Member	66,920.00
E Division Projected Budget Increase (Adjusted to Calendar)	110,300.00
Plus: Earned Retirement Benefit Settlement	23,080.00
Plus: Retroactive Green Timber Accommodation Settlement	12,840.00
Change in Estimate for Vacancies (Increase)	(52,000.00)
Change in Vehicle Estimate (Increase) (Budgeted Separate)	(2,600.00)
E-Division Budget Changes/Rounding Estimates	(6,540.00)
Net Budget Increase	\$152,000.00

As per past practice, to mitigate the tax increase, a transfer from the Police Operating Reserve of \$59,000.00 (total \$95,000.00 including the ERB and GT payments) was included to help soften and phase increasing Police Force costs. However, it is important to note that the RCMP pay contract is still under negotiation and when settled the City will have an outstanding obligation for retroactive wages. Currently E-Division has estimated that this could be \$30,500.00 per member from January 1, 2017 to December 31, 2020. Assuming the obligation is based on nineteen (19) members, the

City would be responsible for \$579,500.00. The City currently has \$400,000.00 remaining in the Police Operating Reserve to address retroactive pay and intends to allocate any police cost savings and additional funding to reserve during the 2020 yearend process.

The Capital Budget reflects that three (3) vehicles are scheduled for replacement in 2021, one of which is carried forward from 2020. The vehicles are funded from reserve.

The Capital Budget includes two projects funded from General Revenue, Police Building Cell Bay Door (\$16,000.00) and an upgrade to the Card Swipe System (\$30,000.00).

Transportation Services

Operation and Maintenance

The increases to the Transportation Services budget are as a result of a number of factors such as:

- Administration Revenue – \$43,300.00 – Attributed to increased costs associated with shared administration, assessments and studies and capital of the public works function;
- Transfer In From Reserves – (\$107,000.00) – Attributed to the change in funding from reserves;
- Common Services - \$29,000.00 – Attributed to the reallocation of labour and equipment charges related to Gravel Pit Operations from Inventory;
- Machinery and Equipment - \$0 – Increase of \$100,175.00 attributed to new equipment and vehicles added to the fleet and increased repair and maintenance costs. Net impact is zero has the increased costs are reflected in the charge out rate of the equipment and expensed within the equipment accounts throughout all of the City's departmental budgets;
- Engineering – Surveys – (\$10,000.00) – Attributed to a reduction in survey costs.
- Road Allowances – (\$35,000.00) – Attributed to reduced costs in Weed Control – Roadside Mowing (\$10,000.00) and Road Allowance Maintenance (\$25,000.00);
- Bridges and Crossings – (\$100,500.00) – Attributed to the reduction in CP Rail grade crossing rehabilitation requirements. Nothing scheduled for 2021;
- Street Lighting - \$20,000.00 – Attributed to increasing hydro costs;
- Major Maintenance – (\$10,000.00) – Attributed to reduced costs associated with Restoration of Gravel Roads;
- Long-Term Debt – (\$102,180.00) (net) - Attributed to interest savings on the Ross Street Underpass debenture (\$93,280.00) and on the Drainage Short Term Borrowing debenture (\$8,900.00). The savings on the Ross Street Underpass debenture have been transferred to the Ross Street Underpass Reserve to offset future costs of the project;
- Transfer to Reserves – (\$67,720.00) (net of ERRF) – Attributed to decreased allocation to the Drainage reserve (\$141,000.00) and elimination of the allocation to the Shuswap & 10 Ave Round-A-Bout (\$15,000.00) and Gateway Signage (\$10,000.00). Also includes a \$15,000.00 transfer to a new reserve for the construction of a Greenhouse; and
- Capital – \$305,750.00 (net of asphaltic overlays) – To address priority projects, discussed below.

Transportation Capital Projects

The issue of General Revenue funding for transportation capital projects has been brought to the attention of Council for a number years and it cannot be stressed enough. The City has been able to fund some of its capital projects from the Community Works Fund (e.g. Gas Tax) or reserves. However, the amount of General Revenue funding being allocated to transportation and, in particular, transportation capital must be increased. The allocation is too low and it is simply not sustainable. It is strongly recommended that this budget be increased to better reflect the needs of the community. The 2021 budget allocation reflects an increase of \$305,750.00. In an effort to soften the impact on the tax rate, the following capital projects as identified through asset management work were removed by staff from the budget:

• 16 Avenue NE (Lamb Subdivision – 30 Street NE) – Extension	\$200,000.00
• 10 Street SW (22 Avenue SW – 1881 10 Street SW) – Extension	\$145,000.00
• 45 Avenue NE (25 – 30 Street NE) – Paving and Upgrade	\$150,000.00
	\$495,000.00

Based on past budget requests and actual expenditures it was recommended that transportation projects funded from General Revenue should be approximately one (1) million dollars (inclusive of sidewalks, curb and gutter, major maintenance for public works buildings, drainage, road studies, new machinery and equipment, roads). The initial projections from the Asset Management Summaries suggest that overall annual ‘replacements’ for these asset classes will be five (5) to six (6) million dollars. This does not consider any ‘improvements or new infrastructure’, but does include two (2) million per year in asphaltic overlays.

The Pavement Management System, which refers largely to roads and asphaltic overlays, recommends an annual allocation of \$2.7 million to improve its network rating, which is currently on the low side of a “poor” rating. The Transportation Parcel Tax, which funds the current Asphaltic Overlays program, was increased in 2019 to \$150.00 per parcel to assist with the funding deficit. While the increase did provide additional revenues, it is still significantly below the recommended level to maintain or improve the City’s road network. It was proposed to phase in the required increases, resulting in an additional \$200,000.00 being allocated in 2020. As in 2020, the 2021 budget proposes an additional \$200,000.00 towards this program.

Historical funding from General Revenue (net of Transportation Parcel Tax Funding):

- 2016 – \$467,000.00
- 2017 – \$813,000.00
- 2018 – \$499,000.00
- 2019 – \$415,000.00
- 2020 – \$856,500.00 (Budget)
- 2021 – \$1,162,250.00 (Proposed Budget)

The transportation capital budget includes the phase 1 upgrade of the public works building as related to operational, health and safety requirements. Phase 1 includes an upgrade to the existing office areas, a parts, lunchroom, washroom and first aid room addition and a locker room upgrade. The total estimated cost of the project is

\$903,000.00, including a 10% contingency as the estimates are from 2017. As both the water and sewer functions make use of the shared space, the cost has been split proportionately (60% General, 20% Water and 20% Sewer). Reserves for this project were established a number of years ago and are being used to offset \$560,000.00 of the total cost.

The common areas of the public works building are cramped and do not easily allow for proper physical distancing as required by the COVID 19 PHO's. The upgrade of the building is timely and will help to improve the physical distancing space and safety of staff members. Given this, it is recommend that the remaining cost of the project be funded as follows:

• General Capital	\$100,000.00
• Safety Initiative Reserve	\$ 86,000.00
• COVID 19 Safe Restart Grant	<u>\$157,000.00</u>
	\$343,000.00

Machinery & Equipment – Public Works

The 2021 budget includes the trade in of a recently purchased 2019 John Deere Backhoe for a 2021 model. Following receipt of the unit, it was discovered that the hydraulic operation of the backhoe as quoted in the RFP and supplied was not the same as the backhoe provided for demonstration by staff prior to purchase. Staff are recommending the trade in of this unit for a model with the appropriate hydraulic pump to ensure quick and safe operation. The trade in cost is \$25,665.00, due to depreciation of the current backhoe.

Transit Services

The Transit Services budgets reflect no change in anticipated revenues/expenditures related to COVID 19, but does include the allocation as previously approved by Council for enhanced transit options.

As advised by BC Transit, the Federal and Provincial governments have committed to providing joint contributions under the 'Safe Restart' program to support transit services. These funds are to provide relief to Local Government Partners to help meet their share of costs to maintain transit service levels during the COVID 19 recovery period. The City has been allocated \$130,646.00 under this contribution agreement. It is anticipated that approximately 50% (\$65,323.00) will be used to offset reduced revenues/increased expenses experienced in 2020 with the remainder being carried forward to 2021. The funds are held by BC Transit. Given the grant funding available, the Transit Services budget has not been reduced at this time.

Downtown Parking

In keeping with the Long Term Debt Strategy and Capital Plan (LTDS), the budget proposes to decrease the Specified Area Tax Levy while increasing the General Revenue funding for this function. Otherwise, the operational budget is relatively unchanged.

As per council resolution, to allow for credit card pay parking, the capital budget includes an allocation of \$8,500.00 to purchase EMV3 card readers for six (6) recently purchased "Pay by Plate" parking stations. The budget also includes funding of \$5,200.00 for anticipated software licenses and bank charges.

As in 2020, the budget includes a transfer to the Smart Parking Meters Reserve of \$25,000.00 for the purchase of new downtown parking metering technology. Modernized equipment offers convenience by allowing users to pay with credit/debit and smart phone apps. In addition, the equipment could streamline the monitoring, administration and enforcement of parking control; however the cost to purchase these types of meters is significant.

Airport Services

The Shuswap Regional (Salmon Arm) Airport function largely reflects regular operations. Major Maintenance projects include a Weather Station Upgrade, NAV System Upgrade and Removal of the Old Underground Fuel Tanks, all funded from reserves.

As per the CSRD Establishment Bylaw, their contributions towards the Airport are exclusive of capital. As such, the additional funding for the Gas Shack Replacement (\$20,000.00) is to be born by the City.

Cemetery Services

The 2021 budget includes a 1% increase in Cemetery Fees as approved by Council in December 2020.

The Mt. Ida Cemetery function reflects the same level of service with a small reduction in Columbarium demand now that the Shuswap Memorial Cemetery is open. As previously communicated with Council, the digitization of Cemetery records is underway and a reserve established for this purpose is no longer required. The 2021 budget proposes the closure of the Cemetery Digitization Reserve for \$21,500.00. These funds are proposed to offset \$9,000.00 in Irrigation Upgrades with the remainder being transferred to a Cemetery Major Maintenance Reserve (\$13,500.00).

The Shuswap Memorial Cemetery reflects decreases in revenue projections and expenses. Now that the Cemetery has been open for a full year, historical data is available to assist in budgetary projections. The net increase to the cost of the function is \$18,025.00.

Planning and Development

Overall, the Planning and Development budget reflects an increase of \$34,900.00. In June 2019, Council approved changes and increases to the Development Services Fee Schedule. Now that a year has past, historical data is available to support a more refined budget estimate of revenue. This practice has resulted in a net decrease in revenue of \$9,900.00.

In addition, there are new costs associated with ALC Exclusion Applications (\$7,000.00) and increasing advertising costs (\$4,000.00). The 2021 budget also includes an allocation for Heritage Projects (\$5,000.00) and membership in the Community Energy Association (\$2,500.00), previously funded from the Climate Action Reserve. Finally, it is proposed to complete an Ortho-photo Update in 2021, funded from reserve for same.

Park Services

The Park Services budget essentially reflects the same level of service with an overall increase of \$88,210.00 attributed to the following:

- Rental Revenue – (\$12,750.00) – Attributed to reduced Canoe Beach Rental Revenue as a result of surrendered leases (\$10,550.00) and elimination of Little Mountain Park Naming Revenue (\$2,400.00) which is now paid to the Shuswap Recreation Society. The Canoe Beach Rental Agreements are due to expire in 2021 and will not be renewed. The City will see a net reduction in revenue of \$59,140.00 (\$109,140.00 less transfer to reserve for Canoe Beach - Rental Lot Area of \$50,000.00).
- Park and Facility Maintenance - \$20,645.00 – Attributed to various small increases throughout the budget;
- Major Maintenance - \$29,500.00 – Largely attributed to the re-keying of washroom/concession locks (\$25,000.00);
- Assessments and Studies - \$10,000.00 – To provide for a dangerous tree assessment on the west slope of Little Mountain Park;
- Transfer to Reserves – (\$20,000.00) (net) – Attributed to decreased and eliminated allocations to reserves as account balances are considered sufficient; and
- Capital – \$33,500.00 – To address priority projects.

Included in the Parks Major Maintenance budget is the costs associated with the recovery of the baseball infields for \$7,500.00. In response to COVID 19, the City enforced a hiring freeze in 2020. As a result, reduced staff allowed for only essential maintenance of City parks thereby neglecting the up-keep of the baseball infields. Given this cost is entirely the result of COVID 19 pressures; it is proposed to fund the expense from the COVID 19 Safe Restart Grant.

Similar to the Transportation budget, the following major maintenance and capital projects as identified through asset management work were removed by staff from the budget:

Marine Park Landscaping and Retaining Wall	\$10,000.00
Klahani Park – New Parking Gravel	8,000.00
Canoe Beach Tree Removal and Replacement	7,000.00
McGuire Lake Landscaping	10,000.00
Washroom Light Retrofits	5,000.00
Hanging Basket Repair and Replacement	7,500.00
Raven Community Park – Basketball Court Replacement	50,000.00
Ayles Parking Lot Landscape Replacement	9,500.00
Foreshore Trail Turn Around	10,000.00
Marine Park Paved Path Extension	16,000.00

McGuire Lake New Parking (West Side)	40,000.00
McGuire Lake New Rose Garden	6,000.00
McGuire Lake Memorial Walkway Extension	24,000.00
Blackburn Park Path Extension (to 10 Avenue)	15,000.00
	<u>\$218,000.00</u>

Greenways

The Greenways Committee has recommended that \$52,000.00 be included in the 2021 Budget as follows:

• SASS Bypass Trails – Legal & Surveying	\$20,000.00
• Shuswap Memorial Cemetery – Parking Improvements	\$16,000.00
• Foreshore Trail Improvements to Wet Sections	<u>\$16,000.00</u>
	\$52,000.00

Given the constraints on funding in the 2021 Budget, this amount has been reduced to \$36,000.00 thereby eliminating \$16,000.00 for the Foreshore Trail Improvements. Further, the Shuswap Memorial Cemetery Parking Improvements are being funded from the Greenways Initiatives Reserve.

While the capital budget does not propose any projects as related to the Canoe Beach, Blackburn Park or Klahani Park Master Plans, it does include allocations to reserves established to assist in funding these initiatives in the future.

Shaw Centre

The Shaw Centre function reflects a nominal net increase, however the operating budget has increased \$109,000.00 which is largely attributed to COVID 19. At the time the 2021 budget was prepared by the Shuswap Recreation Society (SRS), facility use had resumed and was demonstrating improvement in terms of both PHO's and user comfort levels. At this time, it was estimated that 2021 revenues would decline approximately 30%. Expectations were capped based on 2020's actual usage, unless there was concrete information to support a different assumption. However, recent changes as related to COVID 19 (i.e. current PHO's), has brought forward concerns that the estimates used were too optimistic given the volatile environment. While the budget proposed is based on original assumptions, the SRS estimates a further increase in the deficit of approximately \$258,000.00 due to revised revenue expectations. Given the uncertainty of realization, it is recommended that \$260,000.00 remain within the COVID 19 Grant Reserve to offset the potential increase in operating deficit.

The increases to the operating budget are a result of a number of factors; most directly related to COVID 19. The net operating effect of the pandemic (\$87,500.00) is proposed to be funded from the COVID 19 Safe Restart Grant. A detailed summary is as follows:

- Ice Revenues – (\$34,000.00) – Attributed to reduced revenue expectations from COVID 19 for Men's Hockey (\$3,000.00), Figure Skating (\$10,000.00), Hockey Tournaments (\$5,000.00) and all other various users (\$16,000.00);
- Facility Rentals – (\$10,000.00) – Attributed to new lease rental rate;

- Food Services - \$9,000.00 – Food services was closed due to significant COVID 19 restrictions. The SRS estimated a fall 2021 reopening allowing for additional revenues to be generated;
- Special Events – (\$27,000.00) – Attributed to the inability to host BC Hockey, hockey tournaments and other events due to COVID 19;
- Naming Rights Revenue – (\$10,000.00) – Attributed to newly negotiated fees;
- Vending Machine Sales – (\$5,000.00) – Attributed to reduced public traffic for events etc. due to COVID 19;
- Remote Sports Complexes – (\$9,000.00) – Attributed to loss in a regular user for which is not expected to be recovered until after the pandemic;
- Energy Costs – (\$10,000.00) – Attributed to the new ice plant;
- Cleaning Costs and Labour - \$16,000.00 – Attributed to enhanced cleaning protocols as required by the PHO's;
- Other – \$4,000.00 (net) – Attributed to changes in wages, CPP and annual software licensing costs;
- Major Maintenance - \$14,000.00 (net) – Attributed to Seat Back Replacements (\$3,000.00), Compressor Motor Replacement (\$12,000.00), Hockey Net Replacements (\$2,500.00), Kick Strips for Hucal Pond (\$2,500.00), and two (2) Water Bottle Filling Stations (\$4,500.00). The use of water fountains is not in accordance with WCB and the COVID 19 PHO's orders. These stations are proposed to be funded from the COVID 19 Safe Restart Grant.

The capital budget includes the replacement of decking (\$80,000.00) and the Zamboni (\$131,000.00), both of which are funded from reserve. The budget also includes new Facility Management Software. The current software has been discontinued and is no longer supported. The new software will allow for online booking and account management to support reduced face-to-face interaction. The cost of the software has been split equally between the Shaw and SASCU Recreation Centre and 30% is proposed to be funded from the COVID 19 Safe Restart Grant (\$3,000.00 each).

Recreation Centre

The Recreation Centre function reflects a nominal net increase, however the operating budget has increased \$90,425.00 which is largely attributed to COVID 19. As was the case for the Shaw Centre, the Recreation Centre budget is also based on a 30% decline in revenues, capped based on 2020's actual usage. Given this, the SRS estimates a further increase in the deficit of approximately \$184,500.00 due to revised revenue expectations. Given the uncertainty of realization, it is recommended that \$185,000.00 remain within the COVID 19 Grant Reserve to offset the potential increase in operating deficit.

The increases to the operating budget are a result of a number of factors; most directly related to COVID 19. The net operating effect of the pandemic (\$98,000.00) is proposed to be funded from the COVID 19 Safe Restart Grant. A detailed summary is as follows:

- Pool Programs and Rentals – (\$108,000.00) – Attributed to reduced revenue expectations from COVID 19;
- Facility Rentals – (\$5,000.00) – Attributed to the anticipated loss of irregular and more significant event rentals due to the pandemic;

- Sales of Service – (\$1,000.00) (net) – Attributed to net loss in Fun Guide Advertising, swimming product and vending machine sales as a result of COVID 19;
- Programs – (\$5,000.00) – Attributed to reduced type and size of programs due to COVID 19;
- Cleaning Costs and Labour – \$4,000.00 – Attributed to enhanced cleaning protocols as required by the PHO's.
- Aquatics Labour – (\$27,000.00) – Attributed to capacity restrictions as required by COVID 19;
- Other – \$13,000.00 (net) – Attributed to changes in administrative costs, wages, CPP and annual software licensing costs;
- Maintenance and Utility Costs – (\$18,000.00) – Attributed to reduced patron usage;
- Major Maintenance – (\$2,800.00) (net) – Attributed to Belimo Valves (\$5,000.00), Alarm System (\$5,000.00), Chair Replacement (\$8,000.00), and one (1) Water Bottle Filling Stations (\$2,000.00). The use of water fountains is not in accordance with WCB and the COVID 19 PHO's orders. This station is proposed to be funded from the COVID 19 Safe Restart Grant.

The capital budget includes new Facility Management Software as previously discussed. The cost of the software has been split equally between the Shaw and SASCU Recreation Centre and 30% is proposed to be funded from the COVID 19 Safe Restart Grant (\$3,000.00 each). The budget also includes Turnstiles (\$15,000.00), supported by the Facility Management Software, which will reduce face-to-face interaction and improve physical distancing of users at reception. It is proposed to fund 50% (\$7,500.00) of this cost from the COVID 19 Safe Restart Grant.

In May of 2019, Council supported, in principal, the Salmon Arm Recreation Campus Redevelopment Feasibility Study prepared by HCMA Architecture + Design. This report produced a building program and concept options that could be used to make decisions for future progression of this project. The next step to consider is the completion of a Pre-Design and Schematic Design, estimated to cost approximately \$300,000.00. In anticipation of these costs, \$50,000.00 has been transferred to the Recreation Amenities Reserve, funded as follows:

- Transfer to the Recreation Centre Major Maintenance Reserve of \$55,000.00 has been reduced by \$30,000.00 and redirected to the Recreation Amenities Reserve; and
- Transfer to the Civic Building Major Maintenance Reserve of \$20,000.00 has been redirected to the Recreation Amenities Reserve.

Wharf

The 2021 Budget reflects the same level of service, however includes \$30,000.00 for a Wharf Tenure Study and \$15,000.00 for phase 2 of the Canoe (Old Federal) Wharf. In an effort to minimize the tax increase, both expenditures are to be funded by the Wharf/Float Major Maintenance Reserve.

Long Term Debt Strategy and Capital Plan

Council has been apprised that many of the initiatives contained in the Long Term Debt Strategy and Capital Plan (LTDS) adopted by Council on March 26, 2018, have been implemented into the Financial Plan including the early payout of debenture debts, undertaking new debenture debts, redirecting reserves towards new projects, completing major capital works, etc. It is anticipated that an update to the LTDS will be completed in the coming year.

Specific Referrals

Please refer to the Specific Referral Summary to review which allocations have been included in the budget.

Water and Sewer Funds

As noted above both the Water and Sewer Funds reflect an increase of 2% to address increasing costs pertaining to labour, equipment and materials; maintain reserves and adequate annual capital upgrades. The City has been a very good steward regarding user fee increases and as a result they have been infrequent. For the most part increases have been absorbed as a result of development and reducing reserve allocations.

The impact of the residential water and sewer user fee increase is as follows:

	2020	2021	Difference
Sewer	\$314.70	\$321.00	\$6.30
Water	\$280.70	\$286.30	\$5.60
	\$595.40	\$607.30	\$11.90
Discount	(\$ 59.54)	(\$ 60.73)	(\$1.19)
Net	\$535.86	\$546.57	\$10.71

The annual increase to a residential user is \$10.71 in 2021.

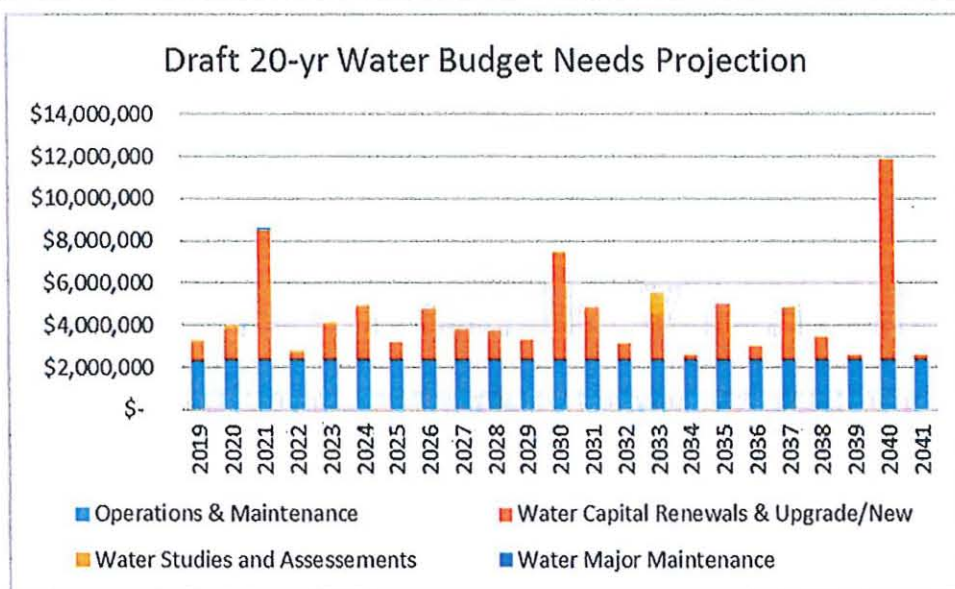
The increase in user fees will result in new water and sewer revenue of approximately \$51,631.00 and \$44,507.00 respectively.

Capital Expenditures

For the most part, the Utility Funds are funding approximately \$700,000.00 in infrastructure upgrades from water/sewer revenues. This reflects that user fees and frontage taxes are not 'only' funding maintenance and debenture payments, but are also contributing to capital infrastructure thus reducing the need to borrow funds for smaller scale upgrades.

Water Fund

The Water Asset Management planning process has significantly advanced allowing a draft projection of the water funding requirements over a twenty (20) year planning horizon based on preliminary 'useful life' estimates for infrastructure. More detailed condition assessments will be prioritized for assets that are nearing the end of their anticipated useful life and those deemed critical. This will adjust the anticipated required expenditures. The draft twenty (20) year Water Budget Needs Projection is illustrated below.



Water infrastructure started to be installed within the City prior to 1950 resulting in many water assets reaching their anticipated useful life within the twenty (20) year planning horizon. The majority of the spikes in the chart above are a result of aging infrastructure; however, some are capacity related upgrades. A few projects are discussed below:

Zone 2 Booster Station - 2020

The Zone 2 Booster Station, located at Canoe Beach, is one of two main boosters that feeds the treated water from the Water Treatment Plant into the water system. As discussed in the prior year, the Zone 2 Booster Station has reached it's anticipated useful life and is subject to failure under multiple modes such as outdated MCC (support and parts no longer available), flooding, age related failure and most concerning to staff, corrosion of the external piping which could lead to substantial service outages (months). Through the Asset Management Risk Evaluation process, the Zone 2 Booster was considered to be a "Very High" risk with immediate corrective action required.

The Zone 2 Booster Station upgrade was approved in the 2020 budget estimated at \$2 million of which it was proposed to borrow \$1.7 million. This estimate has since been revised to include borrowing costs for an additional \$20,000.00. The repayment of this debt is estimated to be \$115,570.00 annually and can be absorbed within the existing budget by reducing the transfer to the Water Major Maintenance Reserve Fund.

The project is ongoing and a staff report, including the Loan Authorization Bylaw, will be forthcoming to Council in 2021 and will outline the public assent process that must be undertaken prior to this project commencing.

Zone 5 Booster Station - 2021

The Zone 5 Booster Station feeds into the Zone 5 reservoir providing water to large portions of the SE quadrant of the City including the Industrial Park. The existing booster station has exceeded its useful life and the existing reservoir is incapable of providing volumes required for four (4) hour fire flows. Upgrades to the booster station

include pumps capable of providing domestic and fire flows without necessary reliance on the reservoir volumes.

Through the Asset Management Risk Evaluation process for 2021, the Zone 5 Booster Station was revised from “High” to a “Very High” risk due to increased development in the lower SE quadrant putting further usage pressure on the system.

The Zone 5 Booster Station upgrade has been included in the 2021 budget estimated at \$2,315,000.00 (inclusive of borrowing costs) of which it is proposed to borrow \$1,315,000.00. The repayment of this debt is estimated to be \$88,360.00 annually and could, in part, be absorbed within the existing budget and otherwise offset by a one-time use of reserves. That said however, water fees will need to be reviewed further for 2023 to ensure they are sufficient to support future repayments.

Future Capital Expenditures

As previously noted, the City’s water infrastructure is starting to reach its anticipated useful life. Not all will require replacement on schedule (where possible, condition assessments will be used to delay investments until truly necessary); however, the scale of potential replacements is significant. Specifically there were incredible investments into water infrastructure between 1966 and 1970 that will be potentially aging out within the planning horizon.

The estimates below are based on \$350.00 per meter pro-rated from a detailed cost estimate of the Trans Canada Highway East project.

Date Range	Pre 1950	1951 – 1955	1956 – 1960	1961 – 1965	1966 - 1970
Kilometers	6.4	3.0	6.6	8.0	30.0
Est. \$ Million	\$2.2	\$1.0	\$2.3	\$2.8	\$10.5

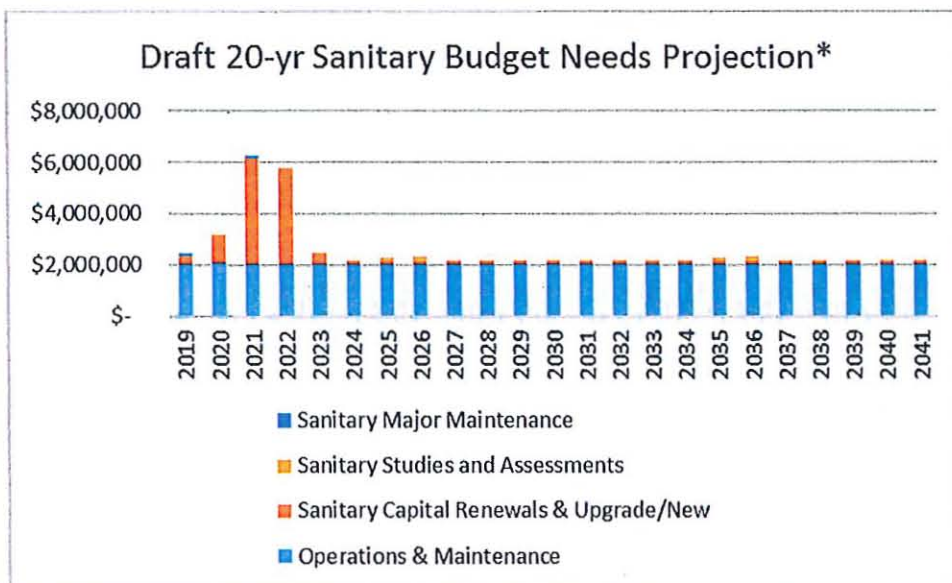
The City’s Water Master Plan was completed in 2010. Some significant future projects of note are listed below:

- Trans Canada Highway East (from 20 Ave NE to 50 St NE), installed in 1949, 3.8 kilometers in length and replacement cost is estimated at \$1.3 million dollars;
- Highway 97B from Countryside Mobile Park to 20 Ave SE, installed between 1948 and 1962 is 1.9 kilometers in length and replacement cost is estimated at \$1.5 million dollars;
- Foothills Road from 10 Ave SE and 10 St SW, installed in 1955 and 1.3 kilometers in length and replacement cost is estimated at \$1.35 million (partially completed in 2017);
- Zone 5 Booster Station relocation and reconstruction, estimated construction cost at \$5 million dollars; and
- Zone 2 Reservoir Reconstruction, estimated construction cost at \$1 million.

As a result, \$140,000.00 has been transferred to the Water Major Maintenance Reserve Fund in 2020.

Sewer Fund

The Sanitary Asset Management planning process has significantly advanced and similar to Water, has allowed for a draft projection of sewer funding requirements over a twenty (20) year planning horizon. More detailed condition assessments will be prioritized for assets that are nearing the end of their anticipated useful life and those deemed critical. This will adjust the anticipated required expenditures. The draft twenty (20) year Sewer Budget Needs Projection is illustrated below.



**The 2022 budget does not include the WPCC Stage IV Upgrade, as the scale of the chart renders other years illegible.*

Unlike the water system, the majority of the sanitary sewer infrastructure is not expected to age out over the twenty (20) year project horizon having been installed in the 1970's and newer. However there are upgrades required to increase capacity due to development; as well as some infrastructure that is not performing up to anticipated useful life and will require 'early' replacement (i.e. Sanitary Foreshore Main).

WPCC Stage IV Upgrade

The WPCC is quickly reaching its design capacity of 15,000 people with the most recent study indicating capacity will be reached in 2020, after which a deterioration in effluent quality can be expected. Planning for the Stage IV Upgrade has been ongoing. The site selection study is now complete and will be presented to Council in the new year. Current estimates indicate the Stage IV upgrade will cost between \$50 and \$100 million dollars depending on location.

This project is likely to have a significant impact on the City's debt position and the Long Term Debt Strategy and as discussed above is restricted by Provincial Legislation on the City's ability to pay.

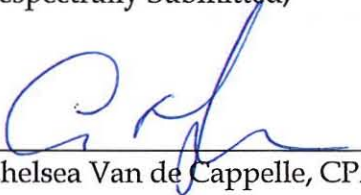
Future Sewer Capital Expenditures

The City completed its Sanitary Sewer Master Plan in 2016, as part of this process a risk evaluation was completed on the City's 125 km of sanitary sewer mains. Findings estimate that 1,200 metres of clay tile pipe will have exceeded its useful life in 2034. In addition, promoted by growth, the City may need to address system capacity constraints resulting in capital upgrades to gravity mains, pump stations and forcemains, etc.

Some significant future projects of note are listed below:

- Water Pollution Control Centre - Stage IV Upgrade, estimated construction cost of \$50 - \$100 million; and
- Foreshore Main - Stage 2 (of 4), estimated construction cost at \$3.6 million, and stage 3 (of 4) at \$3 million.

Respectfully Submitted,



Chelsea Van de Cappelle, CPA

Shuswap Recreation Society

Memo

To: City of Salmon Arm Council
From: Darby Boyd
CC: Shuswap Recreation Society – Board of Directors, Chelsea Van de Cappelle, CFO
Date: December 21, 2020
Re: Budget estimation risks - 2021

I am writing to provide a summary of the significant estimation risks for our most variable and volatile revenue streams in the Shaw Centre and the SASCU Recreation Centre for 2021.

Scenario 1:

When we started budget preparation in August 2020 regional and national Covid-19 conditions were stabilizing and facility use had resumed and was demonstrating continuous improvement of both sanctions and user comfort levels. Based on these trends and discussions with both staff and users our outlook was optimistic. Based on the conditions and analysis at that time we estimated that 2021 revenues would decline by approximately 26% (Shaw 30%; SASCU 18%) in 2021. Based on these assumptions we provided the following budgeted deficits:

- **Shaw Centre: \$760,347;**
- **SASCU Recreation Centre: \$750,260;**

Scenario 2:

Changing conditions over the past 2 months have cast significant doubt about achieving the original revenue expectations. In discussing the matter at the CSA it was decided that we would provide an estimation range of possible revenue declines rather than changing the originally approved and submitted budget. Some of the more significant areas of change are as follows:

Shaw Centre:

- Ice rentals (January – August): We lost 6 of 17 adult hockey teams and recovered 2 after October only to have all teams banned after the most recent December 2020 Orders. The SAMHA is going to try and continue their usual booking levels by hosting games between local teams only if permitted in January. The SAMHA has concerns though that not hosting out of town teams may result in less funds to maintain ice rental hours as in prior years. Total budgeted revenue loss: \$170,281;
- Hockey School: Budgeted revenue loss: \$28,253;
- Silverbacks (January – April): This revenue is contractual, but collection is doubtful if the team is unable to play games in SA. Budgeted revenue loss: \$17,600;

- Facility rentals (January – June): This includes mainly the Home Show in April and Grad in June. Budgeted revenue loss: \$13,107;
- Memorial Indoor Sports Field rentals (January – March): Budgeted revenue loss: \$29,017;

Total at risk revenues in the first 8 months of 2021 at the Shaw Centre is \$258,258. This estimation utilized specific identification of at-risk revenue streams for a specific period. This estimate assumes the resumption of non-sanctioned play and activities in September of 2021.

SASCU Recreation Centre:

- Public Swimming: Pool capacity approaches up to 300 patrons for our busiest Public Swimming events. Under the new Orders we are limiting this amount to 30 persons. Lap swimming which under cramped conditions could host 8 swimmers per lane is restricted to 2 patrons per lane. Budgeted revenues are stated at \$137,746 (20% below 2019 budget) while actual revenues are down 72% since re-opening in August. A full 72% reduction would increase our budgeted deficit by an additional \$89,357;
- Swim Lessons: Public demand has been lower but as expected and when combined with the decline in staff levels during the Covid-19 shut down we have a diminished capacity to offer lessons at the same levels achieved in previous years. Budgeted revenues are stated at \$59,170 (35% below 2019 budget) while actual revenues are down 69% since re-opening in August. A full 69% reduction would increase our budgeted deficit by an additional \$31,000;
- Aquafit: Attendance used to reach 80 patrons during popular sessions that are now capped at 20 persons. Budgeted revenues are stated at \$48,905 (12% below 2019 budget) while actual revenues are down 50% since re-opening in August. A full 50% reduction would increase our budgeted deficit by an additional \$21,036;
- Programs: Budgeted revenues are stated at \$20,656 (18% below 2019 budget) while actual revenues are down 95% since re-opening in August. A full 95% reduction would increase our budgeted deficit by an additional \$19,390;
- Facility Rentals: Budgeted revenues are stated at \$85,457 (6% below 2019 budget) while actual revenues are down 24% since re-opening in August. A full 24% reduction would increase our budgeted deficit by an additional \$16,602;
- Field Rentals: Budgeted revenues are stated at \$28,796 (5% below 2019 budget) while actual revenues are down 24% since re-opening in August. A full 24% reduction would increase our budgeted deficit by an additional \$5,863;

Total at risk revenues in 2021 at the SASCU Recreation Centre is \$183,248. This estimation utilized the realized decline in capacity and demand since re-opening for the entire 2021 year. Overall the total at risk revenues in 2021 at the both the Shaw Centre and the SASCU Recreation Centre is \$441,506.

Recommendation:

I believe that the original budgets contain significant revenue estimation risk and I would recommend that a reserve of \$450,000 be established to cover declines in revenues as result of extended PHO sanctions, user comfort levels and other restrictions (i.e. staffing) on the use of our facilities into 2021.

Darby Boyd

CITY OF SALMON ARM

BYLAW NO. 4429**A bylaw respecting the 2021 to 2025 Financial Plan**

WHEREAS in accordance with the provisions of Section 165 of the Community Charter, the Council is required, by bylaw, to adopt a financial plan for the period of at least five years;

NOW THEREFORE the Council of the City of Salmon Arm, in the Province of British Columbia, in an open meeting assembled, hereby enacts as follows:

1. "Schedule "A" attached hereto, and forming part of the bylaw is hereby declared to be the 2021 to 2025 Financial Plan of the City of Salmon Arm.

2. SEVERABILITY

If any part, section, sub-section, clause of this bylaw for any reason is held to be invalid by the decisions of a Court of competent jurisdiction, the invalid portion shall be severed and the decisions that it is invalid shall not affect the validity of the remaining portions of this bylaw.

3. ENACTMENT

Any enactment referred to herein is a reference to an enactment of British Columbia and regulations thereto as amended, revised, consolidated or replaced from time to time.

4. EFFECTIVE DATE

This bylaw shall come into full force and effect upon adoption of same.

5. CITATION

This bylaw may be cited for all purposes as "City of Salmon Arm 2021 to 2025 Financial Plan Bylaw No. 4429".

READ A FIRST TIME THIS DAY OF 2021

READ A SECOND TIME THIS DAY OF 2021

READ A THIRD TIME THIS DAY OF 2021

ADOPTED BY COUNCIL THIS DAY OF 2021

MAYOR

CORPORATE OFFICER

Schedule "A" - Bylaw #4429

City of Salmon Arm**2021 - 2025 Financial Plan**

	2021 Budget	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Consolidated Revenues					
Property and MRDT Taxes - Net	\$20,077,050	\$20,478,591	\$ 20,888,163	\$ 21,305,926	\$ 21,732,045
Frontage & Parcel Taxes	3,673,055	3,746,516	3,821,446	3,897,875	3,975,833
Sales of Service	8,528,585	8,699,157	8,873,140	9,050,603	9,231,615
Revenue From Own Sources	2,277,045	2,322,586	2,369,038	2,416,419	2,464,747
Rentals	467,735	477,090	486,632	496,365	506,292
Federal Government Transfers	-	-	-	-	-
Provincial Government Transfers	363,100	370,362	377,769	385,324	393,030
Other Government Transfers	227,615	232,167	236,810	241,546	246,377
Transfer From Prior Year Surplus	570,520	581,930	593,569	605,440	617,549
Transfer From Reserve Accounts	1,354,535	1,381,626	1,409,259	1,437,444	1,466,193
Transfer From Reserve Funds	-	-	-	-	-
Total Consolidated Revenues	\$37,539,240	\$38,290,025	\$ 39,055,826	\$ 39,836,942	\$ 40,633,681
Consolidated Expenditures					
General Government Services	\$ 3,752,660	\$ 3,827,713	\$ 3,904,267	\$ 3,982,352	\$ 4,061,999
Protective Services	6,089,270	6,211,055	6,335,276	6,461,982	6,591,222
Transportation Services	5,400,205	5,508,209	5,618,373	5,730,740	5,845,355
Environmental Health Services	55,010	56,110	57,232	58,377	59,545
Environmental Development Service	2,671,025	2,724,446	2,778,935	2,834,514	2,891,204
Recreation and Cultural Services	4,910,130	5,008,333	5,108,500	5,210,670	5,314,883
Fiscal Services - Interest	1,272,088	1,297,530	1,323,481	1,349,951	1,376,950
Fiscal Services - Principal	1,204,180	1,228,264	1,252,829	1,277,886	1,303,444
Capital Expenditures	4,162,250	2,332,092	3,034,371	2,929,967	3,063,500
Transfer to Surplus	-	-	-	-	-
Transfer to Reserve Accounts	2,003,422	3,956,893	3,380,394	3,613,091	3,610,419
Transfer to Reserve Funds	1,088,700	1,110,474	1,132,683	1,155,337	1,178,444
Water Services	2,708,950	2,763,129	2,818,392	2,874,760	2,932,255
Sewer Services	2,221,350	2,265,777	2,311,093	2,357,315	2,404,461
Total Consolidated Expenditures	\$37,539,240	\$38,290,025	\$ 39,055,826	\$ 39,836,942	\$ 40,633,681

Schedule "A" - Bylaw #4429

2021 - 2025 Financial Plan**City of Salmon Arm**

2021 Budget	2022 Budget	2023 Budget	2024 Budget	2025 Budget
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Capital Projects**Finances Acquired**

General Operating Fund	\$ 2,676,250	\$ 1,305,092	\$ 1,959,371	\$ 1,954,967	\$ 1,871,500
Water Operating Fund	766,000	500,000	500,000	800,000	391,000
Sewer Operating Fund	720,000	527,000	575,000	175,000	801,000
Federal Government Grants	2,297,956	-	-	-	1,000,000
Provincial Government Grants	4,772,956	-	-	-	1,000,000
Prior Year Surplus	18,000	-	-	-	-
Reserve Accounts	9,918,365	15,000	340,000	1,200,000	3,300,000
Reserve Funds	4,548,965	710,000	550,000	1,122,000	2,000,000
Development Cost Charges	1,612,750	3,335,000	3,445,000	3,373,000	1,000,000
Short Term Debt	-	-	-	-	-
Long Term Debt	7,824,925	-	-	500,000	2,000,000
Developer Contributions	2,306,000	44,000	40,000	40,000	-

Total Funding Sources

\$ 37,462,167	\$ 6,436,092	\$ 7,409,371	\$ 9,164,967	\$ 13,363,500
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Finances Applied

Transportation Infrastructure	\$ 21,045,892	\$ 3,622,000	\$ 3,619,500	\$ 5,219,500	\$ 7,193,000
Buildings	1,500,365	144,000	458,500	140,000	20,000
Land	-	-	300,000	-	-
IT Infrastructure	257,800	55,000	65,000	185,000	70,000
Machinery and Equipment	1,691,965	513,092	443,871	397,967	1,761,000
Vehicles	1,704,000	-	-	-	135,000
Parks Infrastructure	1,835,030	260,000	262,500	782,500	212,500
Utility Infrastructure	9,427,115	1,842,000	2,260,000	2,440,000	3,972,000

Total Capital Expense

\$ 37,462,167	\$ 6,436,092	\$ 7,409,371	\$ 9,164,967	\$ 13,363,500
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Departmental Summary:

2021 Budget	2022 Budget	2023 Budget	2024 Budget	2025 Budget
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General Government Services	\$ 193,770	\$ 122,500	\$ 138,500	\$ 208,500	\$ 120,000
Protective Services	2,159,550	140,000	55,000	55,000	125,000
Transportation Services	23,106,202	3,918,500	4,233,500	5,518,500	8,849,000
Environmental Health Services	53,510	2,500	327,500	27,500	2,500
Environmental Development Services	-	-	-	-	-
Recreation and Cultural Services	2,104,520	335,592	319,871	840,467	275,000
Water Services	6,380,000	1,390,000	1,760,000	2,340,000	691,000
Sewer Services	3,464,615	527,000	575,000	175,000	3,301,000

Total by Department

\$ 37,462,167	\$ 6,436,092	\$ 7,409,371	\$ 9,164,967	\$ 13,363,500
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06/01/2021

2021-2025 FP Bylaw (Cap)

Schedule "B" – Bylaw #4429
2021 Revenue Policy Disclosure

1. Table One (1) reflects the proportion of total revenue proposed to be raised from each funding source in 2021. Property taxes form the greatest proportion of revenue of the City. The first column details the proposed percentage of revenue including Conditional Government Transfers and the second column shows the proposed percentage of revenue excluding Conditional Government Transfers. Conditional Government Transfers are funds provided by other levels of government or government agencies to fund specific projects. The absence of this funding would result in an increase to property taxes, debt borrowing or funding from reserves or other sources (ie. developers, donations, etc.) or result in the project not being undertaken.

The City collects three (3) types of parcel tax; a water frontage tax; a sewer frontage tax and a transportation parcel tax. The water and sewer frontage tax rate is applied to each parcel of land taxable foot frontage. The frontage rate is comprised of a capital debt repayment component plus 10% of the water and sewer operation and maintenance budget for preventative maintenance of the utilities infrastructure. The City introduced a transportation parcel tax in 2003. The transportation parcel tax is collected to maintain the City's transportation network to an adequate level to minimize future reconstruction costs and ensure the network is safe from hazards and disrepair. To this end, the transportation parcel tax provides a stable and dedicated source of funding. The transportation parcel tax was specifically implemented on a "flat rate per parcel" rather than an "ad velorum tax" basis recognizing that all classes of property are afforded equal access to the City's transportation network and should contribute to its sustainability equally. This method directed tax dollars away from business and industry to residential.

The City also receives a Municipal Regional District Tax (MRDT) which is levied and collected by the Provincial Government on all daily accommodation rentals within the City. Under the direction and approval of the Accommodation Industry, the City has applied to the Provincial Government to levy a 2% MRDT which will be utilized on initiatives that will increase exposure/awareness of Salmon Arm as a tourism destination with emphasis on off-season event expansion.

The City endorses a 'user pay' philosophy in its collection of fees and charges. Such fees and charges (ie. development, building, plumbing and fire permits, recreational program and rental fees and cemetery services) are reviewed annually to ensure adequate cost recovery for the provision of services. The policy of the City is to work towards full cost recovery for services provided. The objective in reviewing fees and charges periodically is to measure the cost of providing municipal services versus the cost recovery established through user fees and charges. Development Cost Charges are based on the City's Long Term Financial Plan. Included in this percentage is the City's investment income. The City exercises a stringent cash management plan to maximize investment and interest income.

Other sources of revenue provide funding for specific functions such as the Columbia Shuswap Regional District's contribution to the Shuswap Regional Airport, Recreation Centre, Shaw Centre, Cemeteries and Fire Training Centre.

The proceeds from borrowing and developer contributions fund capital projects pursuant to the City's Long Term Financial Plan.

Schedule "B" – Bylaw #4429
2021 Revenue Policy Disclosure

Table 1: Proportions of Total Revenue

Revenue Source	Percentage to Total Revenue	Percentage to Total Revenue
	Includes Conditional Government Transfers	Excludes Conditional Government Transfers
Property Taxes	38.02%	46.48%
Parcel Taxes	6.95%	8.50%
User Fees, Charges and Interest Income	21.34%	26.10%
Other Sources	18.87%	0.81%
Proceeds From Borrowing	14.82%	18.11%
	100.00%	100.00%

2. Table Two (2) reflects the distribution of property tax between the different property classes. The objective of the City is to set tax rates in order to maintain tax stability while maintaining equality between the property classes. The policy of the City is to develop a tax rate which maintains the proportionate relationship between the property classes. Inflationary increases in assessments are reduced to reflect only the 'real' increase attributed to new construction for each property class. This allows the property owner to be confident that, in any year, their property tax bill will only increase as much as their proportion of the increase in tax revenue required year to year.

The City has reviewed the property tax multiple structure and adjusted the property tax multiple for Class 4 (Major Industry) by shifting \$50,000.00 in general municipal taxes from Class 4 (Major Industry) to Class 1 (Residential) for the taxation year 2020 in keeping with its objective to maintain tax stability while maintaining equality between property classes.

The City reviewed the property tax multiple structure and equalized the general municipal property tax rate and associated multiple for Class 5 (Light Industry) and Class 6 (Business) by shifting general municipal property taxes from Class 5 (Light Industry) to Class 6 (Business) commencing in 2017. This property tax stability strategy is in keeping with its objective to maintain tax stability while maintaining equality between property classifications.

Assessment values fluctuate as market values change in one class or another. It is this market value change that may precipitate an amendment to the class multiple.

The Provincial Government has legislated a municipal taxation rate cap for the Class 2 (Utilities) assessments. The City of Salmon Arm Class 2 (Utilities) general municipal property tax rate adheres to this legislation.

Schedule "B" – Bylaw #4429
2021 Revenue Policy Disclosure

Table 2: Distribution of Property Taxes Between Property Classes

Property Class	2020 Tax Rate	Class Multiple	Percentage to Total Property Tax	Percentage to Total Property Assessment Value
Residential	3.8984	1.00:1	66.25%	85.27%
Utilities	23.7386	6.09:1	0.83%	0.18%
Supportive Housing	0.000	0.00:1	0.00%	0.00%
Major Industry	66.4164	17.04:1	2.81%	0.21%
Light Industry	10.6288	2.73:1	2.47%	1.17%
Business	10.6288	2.73:1	26.93%	12.72%
Managed Forest Land	7.9356	2.04:1	0.00%	0.00%
Recreational/Non Profit	2.8219	0.72:1	0.12%	0.22%
Farm	12.7025	3.26:1	0.59%	0.23%

3. The City adopted a Permissive Tax Exemption Policy in 1998 which outlines the eligibility criteria to receive a permissive tax exemption. The Annual Municipal Report for 2019 contains a schedule of permissive tax exemptions granted for the year and the amount of tax revenue exempted.

Commencing in 1999, the City provided a three (3) year permissive tax exemption for each eligible organization. These include religious institutions, historical societies, some recreational facilities, service organizations and cultural institutions.

Table 3: Permissive Tax Exemptions

Organization	General Municipal Tax Exemption	Other Government Tax Exemption	Total
Churches	\$ 44,379.50	\$ 19,529.00	\$ 63,908.50
Non Profit Societies	399,877.00	175,351.00	575,288.00
Senior Centers	18,462.00	5,603.00	24,065.00
Other	3,837.00	1,266.00	5,103.00
Sports Clubs	283,064.00	85,211.00	368,275.00
Total	\$ 749,619.50	\$ 286,960.00	\$ 1,036,579.50

Schedule "B" – Bylaw #4429
2021 Revenue Policy Disclosure

4. The Official Community Plan for the City of Salmon Arm identifies the revitalization of the downtown as a priority. As a result, in 2005, the City established a Downtown Revitalization Tax Exemption Program pursuant to City of Salmon Arm Revitalization Tax Exemption Bylaw No. 3471.

The Revitalization Tax Exemption Program is a tool that Council is using to encourage property investment in the downtown area (hereinafter referred to as the Revitalization Area). Council's objective is to stimulate and reinforce development initiatives in the Revitalization Area by promoting property investment within the C-2, "Town Centre Commercial Zone" and to reinforce the City's investment in infrastructure upgrades and beautification projects.

City of Salmon Arm Revitalization Tax Exemption Bylaw No. 3741 establishes property tax exemptions in respect of construction of a new improvement or alteration of an existing improvement where the alteration has a value in excess of \$75,000.00 to encourage revitalization in the Revitalization Area.

Table 4: Revitalization Tax Exemptions

Area	2015 General Municipal Tax Exemption	2016 General Municipal Tax Exemption	2017 General Municipal Tax Exemption	2018 General Municipal Tax Exemption	2019 General Municipal Tax Exemption	2020 General Municipal Tax Exemption
C-2 "Downtown Commercial Zone"	\$ 45,846.66	\$ 34,828.47	\$ 29,851.20	\$ 24,304.74	\$ 24,657.03	\$ 18,939.56

5. The Official Community Plan for the City of Salmon Arm identifies the revitalization of the "Industrial Zones" as a priority. As a result, in 2014, the City established an Industrial Revitalization Tax Exemption Program pursuant to City of Salmon Arm Revitalization Tax Exemption Bylaw No. 4020.

The Revitalization Tax Exemption Program is a tool that Council is using to encourage property investment in the "Industrial Zones" (hereinafter referred to as the Revitalization Area). Council's objective is to stimulate and reinforce development initiatives in the Revitalization Area by promoting property investment within the "Industrial Zone" and to reinforce the City's investment in infrastructure upgrades and beautification projects.

City of Salmon Arm Revitalization Tax Exemption Bylaw No. 4020 establishes general municipal property tax exemptions in respect of construction of a new improvement or alteration of an existing improvement where the alteration has a value in excess of \$300,000.00 to encourage revitalization in the Revitalization Area.

This bylaw shall have an expiration date of five (5) years from the date of adoption.

Schedule "B" – Bylaw #4429
2021 Revenue Policy Disclosure

Table 5: Revitalization Tax Exemptions

Area	2016 General Municipal Tax Exemption	2017 General Municipal Tax Exemption	2018 General Municipal Tax Exemption	2019 General Municipal Tax Exemption	2020 General Municipal Tax Exemption
"Industrial Zone"	\$ 0.00	\$ 0.00	\$ 5,425.51	\$ 5,400.26	\$ 7,614.60

Item 7.1

CITY OF SALMON ARM

Date: January 18, 2021

Moved: Councillor Cannon

Seconded: Councillor Wallace Richmond

THAT: the Special Council Meeting of January 18, 2021, be adjourned.

Vote Record

- ☐ Carried Unanimously
- ☐ Carried
- ☐ Defeated
- ☐ Defeated Unanimously

Opposed:

- ☐ Harrison
- ☐ Cannon
- ☐ Eliason
- ☐ Flynn
- ☐ Lavery
- ☐ Lindgren
- ☐ Wallace Richmond

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