CITY OF FERNIE
BRITISH COLUMBIA

REQUEST FOR DECISION (RFD)

Date:	October 22, 2024
To:	His Worship Mayor Milligan and Members of Council
From:	Bryn Burditt, Director of Finance
Subject:	2025-2029 Financial Plan – Policies & Development Guidelines

RECOMMENDATION

THAT Council provide input to and recommendations for the proposed policy and guidelines which will guide the development of the 2025-2029 Financial Plan.

PURPOSE

The purpose of reviewing guidelines and policies for the 2025-2029 Financial Plan is to formalize Council expectations, and to provide a framework in which the financial plan can be developed.

BACKGROUND

The financial planning process determines how the limited resources, financial and human, of the City, are to be allocated and used.

Council is entrusted with significant public tax revenues. Establishing how these funds are to be used and reported on is a way to demonstrate fiscal responsibility, stewardship of public assets, and accountability to the public.

The operating budget is developed for a 5-year period. The capital and reserve fund budgets are developed for a 20-year period, and while typically Council would only see a 5-year outlook, staff will present a 20-year reserve projection as part of the November 26th Regular Meeting of Council.

Finance Department staff have been developing renewed forms and processes to guide the internal work of reviewing budgets against actuals, assessing changes required to maintain current service levels, and for proposing new spending packages or capital projects. While this process has been refined in each of the past three budget cycles, we are also looking to Council for a review of the guidelines below for consideration in addition to the Budget Process Policy.

Reviewed by:			
Chief Administrative Officer	Corporate Officer	Director of Finance	Other:

Guideline 1 – Council Strategic Plan
Each City department be required to align its service programs, strategies, and projects with Council Strategic Plan and be required to directly identify how each program supports the stated priorities.

Guideline 2 – Inflation & Other Contractual Guidelines
Increases in operating expenses and projection for project costs be based on the Consumer Price Index (BC) – all items excluding food, for August 2024 (2.9%), with the following exceptions:

- BC Hydro (August 2024 – 3.7%)
- Increase in contractual obligations, CUPE Collective Agreement (Expired March 2024), IAFF Collective Agreement (Expired December 31, 2023), and Exempt Compensation Policy.

Guideline 3 – Service Levels
The 2025-2029 Financial Plan will be developed based on existing service levels unless specific areas are identified by Council for review. Staff will prioritize recommendations based on maintaining current services, at existing service levels. Proposed new services or changes in service levels will first be determined by funding requirements, including consideration of the ongoing impacts to taxation of required new capital investment programs such as the RMI program. We acknowledge that our current budgeting approach is built around departments rather than city services which presents challenges for staff and Council to make more focused decisions on service level changes.

The next presentation to Council on November 26th, 2024, will include a **draft** tax increase for 2025 that is based on the guidelines if endorsed or modified and endorsed by Council, and further discussion with Council for direction as staff continues to work on budget.

Guideline 4 – Staffing
The 2025-2029 Financial Plan will be developed based on existing staffing levels unless specific positions are identified to be included/removed. Recommendations for changes in staffing levels will be based on projected obligations to continue to meet existing service levels, or projected resourcing constraints to meet growth or other approved service level changes, as directed by Council.

Guideline 5 - Efficiencies
Each City department will investigate cost containment and efficiency strategies. The impacts to service delivery of such efficiencies and cost containment strategies will be assessed. This guideline is provided for consideration, and if included additional details on measures will be brought forward at future budget meetings.

Guideline 6 – Financial Assistance to Organizations/Clubs/Groups/Individuals
The Operational Funding to the following organizations remains consistent with established agreements, or at 2024 funding levels, with the exception of a 6% increase for the library:

- Discretionary Funds: $14,400
- Fernie Chamber of Commerce: $110,934
- Fernie Heritage Library: $265,187

- Fernie Arts Council: $40,835
- Educational Scholarships: $3,000
- Fernie & District Historical Society: $52,000
- Seniors Drop In Centre: $27,000
- Bear Aware Program $7,000
- Access Guardian Program $11,250

Note that the City of Fernie provides financial assistance through direct subsidies to the above noted and several other additional public organizations through partnering agreements, tacit historical arrangements, lease agreements or otherwise.

Guideline 7 – Reserves
The City's 2025-2029 Financial Plan will reflect an ongoing commitment to the funding of reserves to support long-term planning and required infrastructure maintenance and replacement.

The 2018 Asset Management Investment Plan (AMIP) recommended the following contributions to reserves (Scenario 2).

Average Annual Life Cycle Investment			
Asset Category	**Scenario 1: Standard Service Life (SL)**	**Scenario 2: SL Increased by 25%**	**Scenario 3: SL Increased by 50%**
General Fund			
Road	$1,536,000	$1,224,000	$1,023,000
Buildings	$1,171,000	$938,000	$781,000
Fleet	$1,317,000	$1,053,000	$878,000
Equipment	$282,000	$226,000	$188,000
Storm	$356,000	$285,000	$239,000
Total	**$4,662,000**	**$3,726,000**	**$3,109,000**
Water	$780,000	$622,000	$521,000
Wastewater	$575,000	$460,000	$384,000
Total	**$6,017,000**	**$4,808,000**	**$4,014,000**

Since the discovery of the need to address the funding structure for the Operations Facility in 2020 & alongside the 2021 budget cycle, the City has had reduced funding for these reserves due to debt-repayment for the new facility, and the financial restructuring.

For 2024 our contributions are as follows:

2024 Budgeted Contributions to Reserves	
General Fund	Amount
Road	$ 700,000.00
	$ 500,000.00
Fleet	$ 900,000.00
Equipment	grouped in fleet
Storm	$ 150,000.00
Total	$ 2,250,000.00
Water	$ 683,280.00
Wastewater	$ 658,980.00
Total	**$ 3,592,260.00**

The total contribution to reserves is ~ $1.2M lower than the targeted amounts set in 2018. Note that these figures in 2018 were targets and need to be updated for present day dollars.

As mentioned earlier, staff will be bringing forward a 20-year reserve projection at the November 26th Regular meeting of Council, that will be based on this AMIP report and adjusted for an inflationary rate to better reflect today's estimated costs.

Guideline 8 – Debt

Existing Debt Levels for 2025 are to remain at 2024 levels, less 2025 payments. Staff is expecting a borrowing offering for the Firehall but does not expect receipt of funds & related debt payments to begin until 2026.

Current annual debt servicing is $879,986, and our liability servicing capacity available is $4,363,436.

Guideline 9 – Transparency and Public Input

The 2025-2029 Financial Plan meetings will be advertised and open to the public and allow sufficient time for public comment and questions.

The timelines below places the 2025 Budget cycle amongst several engagement initiatives.

2025-2029 Financial Plan Tentative Timeline		
Date	**Meeting**	**Budget Component**
October 22, 2024	Regular Council Meeting	Policies and Development Guidelines
November 26, 2024	Regular Council Meeting	Budget kick-off for Council
December - January	Staff	Budget prep
Late January	Special Meetings of Council	Operating Budget & Capital Plan
Early February	Public Open House (Senior's Centre)	Public input from 6:00 pm to 8:00 pm
Mid February	Special Meeting of Council	Draft Financial Plan
Late February	Regular Council Meeting	Initial bylaw readings

Guideline 10 – Non-Market Change (NMC) & Mine Tax Sharing Revenue

Historically, NMC, which is the amount of new construction each year, has been used to help balance the budget & reduce the immediate impact of cost increases in any given year on the taxpayer.

Many municipalities use this approach, while others elect to dedicate NMC to increased services, new staff, or other purposes.

Treatment of NMC for the 2025-2029 budget cycle will remain consistent with prior years but will be separated and presented to Council for discussion purposes.

The amount of Mine Tax Sharing Revenue will also be separated and presented to Council for similar discussion purposes.

INTERNAL CIRCULATION

The budget guidelines that form this report have been circulated to the Leadership team for review.

LEGAL/STATUTORY AUTHORITY

Section 165 of the *Community Charter* outlines the parameters for the Five-year Financial Plan.

The financial plan must be adopted by council before the Annual Tax Rate bylaw. The deadline to adopt the Annual Tax Rate bylaw is May 15.

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS

Section 165 of the *Community Charter*, specifies that a municipality must have a financial plan that is adopted annually, by bylaw, before the annual property tax bylaw is adopted, which can be no later than May 15th. All proposed expenditures, funding sources and transfers to or between funds must be included in the plan. Legislation requires Council to also make explicit statements about each of the following:

- The proportions of revenue proposed to come from various funding sources
- The distribution of property taxes among property classes; and
- The use of permissive tax exemptions.

COMPLIANCE WITH CORPORATE STRATEGIES & POLICIES

Creating Long Term Financial Sustainability: Choose options that reflect an ongoing commitment to long-term financial sustainability across all areas of the organization while investing in assets and delivering services aligned with community needs.

Council is entrusted with significant public tax revenues. Establishing how these funds are to be used and reported-on is a way to demonstrate fiscal responsibility, stewardship of public assets, and accountability to the public.

Bringing back a policy lens to the budget cycle allows us to establish a consistent approach to the budget. The recommend guidelines will create focus and transparency on how we prepare the budget for your consideration.

FINANCIAL/BUDGETARY CONSIDERATIONS

The financial plan bylaw will summarize the City's Five-year financial plan and will include the estimated revenues and planned expenditures for all functions of the City.

EXTERNAL AGENCY/PUBLIC COMMENTS

A draft timeline is included as part of this report. Between this report and January, staff will work internally to compile the 2025-2029 financial plan. The next scheduled Council meeting specific to the budget is November 26, 2025, and will cover a draft tax increase based on the guidelines adopted by Council, the budget compilation thus far, and a 20-year reserve projection.

COMMUNICATION CONSIDERATIONS

Staff will prepare a "budget-at-a-glance" that will be published before the public open house, which is tentatively scheduled for early February 2025. All materials developed will include a focus on the Council Strategic Plan and how it is being actioned within the budget.

Promotion of the budget consultation will be initiated in print in the paper as well as online on our website and social media.

OPTIONS

1. That Council provide input to and recommendations for the attached policy and guidelines which will guide the development of the 2025-2029 Financial Plan.
2. Refer the matter back to staff for further review and report.

CONCLUSION

The purpose of reviewing guidelines and policies for the 2025-2029 Financial Plan is to formalize Council expectations, and to provide a framework in which the financial plan can be developed.

Respectfully submitted,

