2021 Service Review Council Questions

SERVICE AREA: Governance

PAGE NUMBER:

ELECTED OFFICIAL: Poole

QUESTION:

I'd like to know what might shift in your service areas (staffing, contracting, programs) if there were roughly a 5% or 10% cut in the tax revenue available to your department, compared to 2019, for your service areas.

I'm asking this question of all departments during this pandemic period. Many of us in business are forced to tighten our belts. While there may be arguments at higher-levels of government for fiscal spending to stimulate the economy, at our municipal level, by reducing taxes we help reduce the burdens on our residents.

What operations could be reduced for 2021, perhaps deferred by a year or two?

Operations and capital projects are intertwined. A new capital project typically needs people to oversee it. Are there capital projects, which, if deferred, might free up some of your staff time to deliver current services you would prioritize?

ANSWER:

Administration takes guidance for the service review and budget from the Governance and Finance Committee during the review of the Financial Plan. The service review is this Committee's opportunity to review the services offered by the Town and either enhance or reduce service levels based on based on the needs of their constituents. Administration has adjusted budgets and work plans for the targets set out in the financial plan in July 2020 and reconfirmed in December 2020.

Operating impacts resulting from capital projects can be found at the end of each of the previously approved capital project descriptions included throughout the service review. During the service review presentations administration will highlight individual operating impacts as we go through each capital project.

2021 Service Review Council Questions

SERVICE AREA: Introduction to Service Review - Capital Transfer Reduction Phase Out

PAGE NUMBER: 1

ELECTED OFFICIAL: Olver

QUESTION:

1. How would it look if we changed the transfer to capital phase in to 3 years instead of 2 years?
2. How would it look if we weighted it so that the municipal tax increases in 2022 and 2023 were the same? The thought is that in 2023 we will be further along in our economic recovery and therefore the community would be better able to handle an increase to the municipal tax.

ANSWER:

1) Below is a chart detailing out the differences between phasing back in the reduced transfer to capital made during the COVID 2020 budget over 3 years vs 2 years:

2 Year Phase in (assumption in proposed budget)	**2020**	**2021**	**2022**	**2023**	**Total Reduction in Transfer to General Capital Reserve**
Decreased transfer to General Capital Reserves (tax savings)	$(1,903,000)	$(1,266,000)	$(633,000)	$0	$1,899,000 *2020 reduction was mitigated by MOST grant
Municipal Tax increase from prior year (based on proposed budget)		-4.67% from 2019	8.32%	5.34%	

3 Year Phase in	**2020**	**2021**	**2022**	**2023**	**Total Reduction in Transfer to General Capital Reserve**
Decreased transfer to General Capital Reserves (tax savings)	$(1,903,000)	$(1,425,000)	$(950,000)	$(475,000)	$2,850,000 *2020 reduction was mitigated by MOST grant
Municipal Tax increase from prior year (based on proposed budget)		-5.44% from 2019	7.58%	4.68%	

2) If the method of phasing back the transfer to reserves was adjusted to balance the annual tax impacts over 2022 & 2023 rather than an equal annual increase, the phase in would look as follows:

2 Year Phase in (smoothing 2022 & 2023 tax impacts)	**2020**	**2021**	**2022**	**2023**	**Total Reduction in Transfer to General Capital Reserve**
Decreased transfer to General Capital Reserves (tax savings)	$(1,903,000)	$(1,266,000)	$(930,000)	$0	$2,196,000 *2020 reduction was mitigated by MOST grant
Municipal Tax increase from prior year (based on proposed budget)		-4.67% from 2019	6.81%	6.81%	

3 Year Phase in (smoothing 2022 & 2023 tax impacts)	**2020**	**2021**	**2022**	**2023**	**Total Reduction in Transfer to General Capital Reserve**
Decreased transfer to General Capital Reserves (tax savings)	$(1,903,000)	$(1,425,000)	$(1,237,500)	$(475,000)	$3,137,500 *2020 reduction was mitigated by MOST grant
Municipal Tax increase from prior year (based on proposed budget)		-5.44% from 2019	6.11%	6.11%	

2021 Service Review Council Questions

SERVICE AREA: General

PAGE NUMBER: General

ELECTED OFFICIAL: Christensen

QUESTION:

As some of last year's reductions in budget came from transfers from reserves, is it correct that a substantial portion of operating costs for 2021 will also be derived from reductions to reserve transfers?

Could another approach involve no increases in staff and a 5% to 10% overall reduction in expenditures for 2021, 2022 and 2023 budgets with no further reductions in reserves? Adjustments in service levels and staffing would be recommended by administration who understand their departments best and then presented for a council decision.

ANSWER:

In order reduce the total budget expenditures in 2020, one of the changes to the amended 2020 operating budget was to reduce the transfer to the capital reserve by $1.9M. Based on direction provided by the Governance & Finance Committee at the September 21, 2020 meeting and reconfirmed by the Governance & Finance Committee at the December 16, 2020 meeting the decrease to the transfer to capital reserves is being phased out over 2 years. The total reduction of transfer to capital reserve in the proposed operating budget is $1,266,000 in 2021 and $633,000 in 2022. In 2020 there was no net decrease in transfer to capital reserves as Council voted to use a portion of the Municipal Operating Stimulus Grant (MOST) to replace the decreased reserve transfers as a result of COVID in 2020.

In the current proposed budget for 2021, based on direction from Governance & Finance Committee at the September 21, 2020 and December 16, 2020 meetings, there is a 1.4% cost of living adjustment applied to wages/benefits. If this adjustment were not applied there is potential for an approximate tax savings of $152,000 in 2021. The new positions in 2021 currently total to $114,400.

If Council chooses to fund the decrease in transfer to capital reserve through a 5% to 10% overall reduction in expenditures, administration would request that Council utilizes the service review process to review the services offered by the Town and reduce service levels balancing the goal of decreased budget expenses and the needs of their constituents.

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SERVICE AREA: Governance

PAGE NUMBER: 8

ELECTED OFFICIAL: Christensen

QUESTION:
This is an ongoing question regarding payment for repairs on the sulphur mountain sewage line which I believe has to be recovered by increasing the costs to the end users.
ANSWER:
The replacement of the sulphur mountain sanitary line was completed in 2020. Council voted for a cost share for the project that would see 50% recovered directly from the three end users of the line to be collected as a quarterly surcharge with the remaining 50% to be recovered through consumption fees from the collective utility.

2021 Service Review Council Questions

SERVICE AREA: Introduction to Service Review - Transfer to General Capital Reserves

PAGE NUMBER: Intro to Service Review pg 3 of 4, General Capital Reserves Projects

ELECTED OFFICIAL: Olver

QUESTION:

If we moved a large capital project funded from General Reserves from 2022 to a later year would that reduce the amount transferred to general capital reserves in 2022? The goal would be to reduce the proposed municipal tax levy in 2022 with the thought that in 2023 we will be further along in our economic recovery and therefore the community would be better able to handle an increase to the municipal tax.

ANSWER:

It is difficult to answer this question without completing a full reserve analysis, which administration will be completing in Q2/Q3 of 2021. At this point, administration would recommend that pushing out a large capital project from 2022 a few years would likely not result in decreasing the transfer to capital reserves significantly due to the following:

1. Based on our last reserve analysis which was completed in 2016, our annual transfer to capital reserves was below the targeted transfer and we are currently increasing the amount each year in the proposed budget. This combined with the reduction in transfers to reserves due to COVID, and the reduced transfers to reserves due to the anticipated reduction in MSI capital funding would suggest that our reserves are not at a point of being fully funded.
2. Transfers to reserves are based on the full life-cycle of an asset. For example, roadway overlays are budgeted to last 25 years. If the cost to replace a roadway overlay was $100,000 then we would need to be transferring $4,000 per year to the capital reserve. If the roadway overlay project was pushed forward a few years, it wouldn't mean that the transfer to capital reserves could be $100,000 less, it might only be $4,000 less. Additionally, each year that the project is pushed forward, the total cost increases due to inflation, further reducing the potential reduction of transfer to capital reserves.