

*The City of Quesnel*

# Preliminary Budget Overview

***Initial Budget Estimates for 2010***

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## 1.0 INTRODUCTION

The purpose of this report is to provide Council with the preliminary estimates for the 2010 operating budgets. The report identifies and discusses various budget pressures and challenges faced by the City, both short and longer term.

Due to significant budget pressure this year, staff went to Council ahead of this report to seek direction on what type of tax increase they would support. A tax increase is defined as the amount the taxes for an average folio in each class increases.

This budget was then prepared based on direction given by Council at their January 25th Regular Council Meeting. The direction given was an overall tax increase between 2.4% and 3%.

Due to declining industrial assessments, the City of Quesnel will collect lower tax overall this year, however individual folios will see an increase.

### TAXES COLLECTED BY AREA

	2009	2010	
GENERAL	11,367,000	11,279,639	
AIRPORT	248,537	264,009	
TRANSIT	203,989	214,536	
CAPITAL REINVESTMENT	500,000	500,000	
<b>TOTAL</b>	<b>\$ 12,319,526</b>	<b>\$ 12,258,184</b>	<b>-0.50%</b>

### CHARGE TO AVERAGE HOUSE

\*\*before any decision on tax shifting between classes

	2009	2010	
Average Assessment	<b>\$144,800</b>	<b>\$157,818</b>	
GENERAL	541.15	554.22	
AIRPORT	11.24	12.32	
TRANSIT	9.22	10.01	
CAPITAL REINVESTMENT	22.61	23.33	
<b>TOTAL</b>	<b>\$ 584.22</b>	<b>\$ 599.88</b>	<b>2.7%</b>

Average Business	\$ 1,082.87	\$ 1,111.03	2.6%
(per \$100,000 2009 assesement)			

Average Major Industry	\$ 5,134.11	\$ 5,273.20	2.7%
(per \$100,000 2009 assesement)			

## **1.1 Significant Issues for 2010**

### **Industrial Assessment**

The City of Quesnel remains highly dependent on industrial taxation. The City collected 64.7% of its municipal taxes (not including sub regional recreation) from major industry in 2009. In 2010 the City of Quesnel faces a significant loss (11%) to its major industrial property assessment. This is a loss of almost \$900,000 in municipal revenue based on 2009 tax rates.

A couple issues contributed to the decline in the industrial assessment in 2010

- The application of Northstar Lumber for a partial shutdown allowance - \$6.5 million
- Frozen assessments in 2009 - Depreciation on industrial assessments was not calculated last year, resulting in two years of depreciation occurring this year - \$5 million

There is also a large outstanding appeal on one of our pulp mills that could result in an additional loss of several million in assessment base for both 2009 and 2010. To be fiscally conservative, the City is preparing the budget with the estimated loss due to the outstanding appeal built in. Once the appeal is settled, Council and Staff will decide if any changes to the budget need to be made.

### **West Quesnel Land Stability**

The City received a grant of \$3.14 million from the Building Canada Program for work on the West Quesnel Land Stability Program. The City must contribute \$1.57 million of its own funds towards this project. Council is committed to this project but funding the project does create an additional budget pressure for 2010 of approximately \$250,000. The exact method of funding this program will be discussed in a future council meeting.

## **1.2 Review of Budget 2009**

To review 2009, the key financial impacts are as follows:

- Council approved a budget which resulted in a general tax increase of 0%.
- Council reiterated its commitment to reducing industrial taxation in its Five Year Financial Plan. Council also committed to keeping business rates competitive and looking for alternative non taxation revenue sources.
- The Revitalization Exemption of \$600,000 per year to a West Fraser sawmill continued in 2009, with another seven years remaining.

### 1.3 Summary of Preliminary 2010 Budget

For the 2010 budget year, the assessment base experienced growth due mostly to market increases. The assessment base grew by \$38,000,000.

#### NET TAXABLE ASSESSED VALUES 2010 COMPLETED ROLL

Class	Description	2009 General	2010 General	Change	% Change
1	RESIDENTIAL	524,353,901	576,429,601	52,075,700	9.9%
2	UTILITIES	5,368,616	5,996,841	628,225	11.7%
4	MAJOR INDUSTRIAL	155,634,600	138,441,900	-17,192,700	-11.0%
5	LIGHT INDUSTRIAL	8,369,300	9,043,600	674,300	8.1%
6	BUSINESS	166,550,100	168,390,900	1,840,800	1.1%
8	RECREATIONAL	183,300	157,400	-25,900	-14.1%
9	FARM	150,955	150,955	0	0.0%
		<u>860,610,772</u>	<u>898,611,197</u>	<u>38,000,425</u>	<u>4.4%</u>

In November staff prepared a draft budget based on status quo programs. This budget showed we needed to increase taxes by approximately \$900,000 to continue status quo and pay for the additional funding required for the WQLS program and to set funds aside for the outstanding appeal. This would have represented an 11% tax increase. With direction from Council we went back through the budget process and were able to find approximately \$950,000 in savings through cuts to positions, programs and community support items. A summary of the cuts is attached.

The preliminary budget as presented in this report shows total operating General Fund spending of \$14,837,000. This includes \$15,000 of Supplemental spending items. Supplemental items are spending in new expenditure areas which are included in the budget which Council has to formally approve as part of the budget process. With the supplemental items included, the funding gap for the General, Airport and Transit Fund is \$325,000, if addressed through taxation only this represents a 2.7% tax increase. The funding gap is defined as the amount of funding shortfall to meet budgets if there were no tax increases.

### 2.0 BUDGET PROCESS

The budget process allows the City of Quesnel to make resource allocation decisions, including choices about staffing, service levels, and which priorities will be addressed in the coming fiscal year. All of the budget meetings are open to the public, and there will be a public input session which is intended to bring forward their ideas and concerns.

The budget process is as follows:

- November / December - department heads complete their budget worksheets and assemble their preliminary budget estimates and capital budgets.

- January – discussions with Council regarding level of tax increase
- February 1<sup>st</sup> - the preliminary draft budget, which includes a discussion of key budget pressures, proposed new spending initiatives, and possible reductions, is presented
- February 1<sup>st</sup> – 7pm Public Hearing
- February 15th - the five year capital budget will be presented to Council
- March - the 2009 yearend is closed. Council will get a variance analysis comparing the actual 2009 spending to budget. Disposition of the surplus.
- April – tax shifting scenarios to be discussed
- April - the final revised assessment data is available, final tax rates will be set.
- Prior to May 15 – the budget bylaw and tax rates bylaw to be approved.

### **3.0 BUDGET PRINCIPLES**

Previously, Council has approved a series of financial and budgetary principles to be incorporated into future budgets. These principles, as listed below, have served as guidelines to this budget.

- Current operating expenditures will be paid for with current revenues (including Grant funding);
- Budget emphasis will focus on providing high quality municipal services;
- The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital items. In 2006 Council started contributing towards the Capital Reinvestment Plan reserve (CRP). In 2007 a special levy for this was created on the tax notices, this continued in 2008, 2009 and now 2010;
- Future maintenance needs and costs for all new capital facilities will be included in the operating budget. This will be enhanced with the 5 year capital plan review;
- Strong customer service and productivity improvements with a focus on cost savings remain important budgetary goals;
- With the exception of Building Inspection, all Joint functions shared by the City and the CRD are assumed to be based on the cost sharing methods in the signed MOU's.

### **4.0 BUDGET PREPARATION**

The preliminary 2010 budget reflects essentially the same service levels and quality as approved in 2009, with some reductions to achieve the desired tax rate increase. Minimizing cost increases while maintaining our city's current standards of service continues to be a challenge. The preliminary draft budget was prepared using primarily a "foundation" or "baseline" approach. The baseline philosophy begins with a base budget and adds a growth factor based on inflation and on new costs already approved by Council. In theory, adjustments to the baseline budget allow city programs and services to keep pace with increased costs of doing business. In preparing the preliminary budget for 2010, departments were limited to increases only for the following items:

- All approved salary and benefit increases. Bargaining unit wages increased 4% for the first half of 2009. The union contracts expire in June 2010. Wage increases for June 2010 were estimated at 0%.
- Payroll loading costs (employee benefits costs) were kept the same at 23% of actual wage expenditures.
- Inflation allowance for ongoing supplies and services, as appropriate for known cost increases, otherwise kept at 0% due to minimal inflation in 2010.
- A 0% increase in overtime hours over current year actual. Any manning or increases to hours worked must be approved by Council.
- Hydro and Natural Gas rates are forecast to change by 5% and -5% respectively. Savings which were realized due to using a gas brokerage service are forecast to continue.

## **5.0 MAJOR COUNCIL OBJECTIVES**

The fundamental objective of the budget and Financial Plan is to link what Council wants to achieve over a given period of time with the resources required to do so. Obviously, this approach only has meaning if there is a way of identifying key goals at the beginning of the process. Each of these initiatives listed below will be discussed at greater length later. Council's continuing strategic objectives which have a significant budgetary impact include:

- West Quesnel Land Stability
- Financial Sustainability of the Corporation

## **6.0 FINANCIAL RISKS / CHALLENGES**

There are a several significant risk factors associated with our 5 year budgets which will impact the ability of the City to achieve it long term objectives. The key risks are as follows:

- Risks to the assessment base, related to the impact the Mountain Pine Beetle will have on Industrial operations in Quesnel. Over the next several years the quantity and quality of the fibre base may have an impact on the viability of certain industrial operations. The City's finance department does not have an estimate of when, or if, potential industrial closures are likely to occur.
- Risks to the industrial assessment base due to the meltdown in the US housing market. The lack of housing starts in the US has resulted in downtime to local sawmills. This market downturn is steeper and longer than would be expected in a normal business cycle. Currently one of West Fraser Mills significant assets in town, Northstar Lumber, is on an indefinite shutdown. Another sawmill, Canfor, is on a market related downtime.
- The West Quesnel Land Stability program is reliant on funding from higher levels of government for assistance with the capital component of the project. Our current capital

budgets include \$4,710,000 of spending in 2010, with \$3,140,000 covered by senior government grants.

## 6.1 The Short Term View

### Industrial Taxation

The City remains heavily dependent on property tax revenues from the industrial sector to finance our operations and financial expenditures. The strong industrial base, combined with the city's higher than average Class 4 (major industry) tax rates, has enabled Council to provide excellent local services and to maintain low residential property tax rates. The downside to having high industrial tax rates, is that in the event of a plant closure, a small drop in Class 4 assessments has a disproportionately large impact on the City's tax revenues. This year the partial shutdown allowance given to Northstar Lumber has resulted in a loss of approximately \$335,000 in municipal taxes.

There has been ongoing pressure from the forestry companies to reduce their municipal tax burden. The City has made some substantial progress in reducing the reliance on Class 4 rate payers over the last several years (see the chart below), and is committed to making further progress.

**TABLE 2: TAX ALLOCATION % BY TAX CLASS**

Year	Municipal General Tax %			Muni Incl. Sub-Regional Recreation		
	Residential	Major Industry	Business	Residential	Major Industry	Business
2001	16.4	67.5	13.7	16.4	67.5	13.7
2002	16.1	66.2	15.3	16.1	66.2	15.3
2003	16.4	65.8	15.2	16.4	65.8	15.2
2004	16.7	65.8	15.0	16.7	65.8	15.0
2005	17.0	65.3	14.4	18.6	61.7	16.1
2006	16.9	65.6	14.3	18.5	61.9	16.0
2007	17.0	65.2	14.5	19.3	60.7	16.3
2008	17.3	64.4	15.0	19.8	59.7	16.8
2009	17.2	64.7	14.7	19.9	59.9	16.6

### Tax Shifting

As part of the City's Five Year Financial Bylaw, Council committed to tax shifting 1% of taxes from the major industry class to the residential class for the next five years. Each 1% shifted from industry equals approximately a 6% increase to residential taxes. This shift has not been included in the numbers in this document (such as the cost per average house above) but will be discussed at a later council meeting once the final budget and assessments are known.

## **West Quesnel Land Stability**

West Quesnel Land Stability is still a top strategic priority for 2010. The operating budget includes \$235,000 of expenditures for running the wells and monitoring the results. In addition there is a capital program totaling \$4,710,000 to be spent in 2010 to drill dewatering wells, both horizontal and vertical and connect them to the drainage grid. There are other capital improvement projects in our capital plan for works within the study area as well. The City's capital plan includes the well drilling projects, with the expectation that the City will receive 100% funding from senior governments.

## **Financial Sustainability of the Corporation**

### **Setting Tax Rates and Multiples**

The financial sustainability strategy encompasses a broad range of topics. At its most basic level, sustainability means trying to ensure a level of sustainable taxation to pay for the services the City provides. This is why Council carefully considers tax rates and policies, to try and achieve a balance between the needs of our residents and the needs of the business concerns in our community. We will review this again in April as part of the tax rate setting process.

### **Taking Care of Infrastructure**

In 2007 Council instituted a special line item on the tax notice for funding the Capital Reinvestment Plan. This tax levy was continued in 2008. The objective of this is to financially plan for the orderly replacement of existing City infrastructure. At this point only the General Fund Infrastructure replacement component is included. Our future direction is to do a similar process for other infrastructure particularly Water and Sanitary Sewer. We are anticipating funding the Water and Sanitary sewer components through their respective funding mechanisms (ie. frontage taxes, parcel taxes, user fees) on a user pay basis. For many years the City has contributed to reserve funds to replace our mobile equipment, trucks, and fire equipment.

In 2009 there was a \$499,000 contribution made to the CRP reserve from the special tax levy. In addition, Council decided to allocate the Small Community Protection grant from the Federal Government to this reserve. In 2009 the capital spending from this reserve was approximately \$885,000, leaving an estimated balance of \$1,725,000. The "Quesnel Works" program is the vehicle for spending money from this reserve. Our capital deliberations this year will include discussion about which projects are to be funded from this reserve.

### **Getting More Value from the John Ernst Building**

In 2009 the agreement with the CRD for the sale of the library space was completed. The old lounge area on the mezzanine floor above the library remains the last good development possibility for the Ernst building, although there are a couple of smaller less viable spaces still

vacant. Additional rental revenue was received from renting a portion of the basement to the Quesnel Kennel Club.

## **Casino revenue**

This budget assumes that the City of Quesnel will continue to receive a share of gaming revenue from the Casino, despite the fact that there is no long-term agreement in place with the Province. The estimated contribution to City capital spending for 2010 is \$600,000. This is down from \$688,000 in 2009 as our casino revenues have decreased in 2009. As in the past, staff recommends that these funds be used for capital purposes or other one-time expenditures to minimize the immediate impact if funds from casino gaming are discontinued or reduced in the future. The total funding for capital in this preliminary budget from both sources has been reduced to \$800,000 from the regular \$1,000,000. This is in addition to CRP funding. The total capital program will be discussed later. There is a risk in relying on Casino funding for a large portion of our general capital spending. There is a one year delay in receiving the Casino funds and spending them, so if there was any change to the Casino revenue program, the City would have one year to adapt.

## **6.2 The Longer Term View**

### **City's Financial Health**

The level of reserve funds is one of the most common measures of municipal fiscal health. The City has reserves for many purposes. Many of these reserves are set aside or allocated for a predetermined purpose, typically capital in nature. In addition to special earmarked reserves, the City has accumulated surpluses that essentially are an un-earmarked reserve. This gives the City the ability to respond to emergencies or sudden costs without worrying about the funding aspect. The emergency diking project in West Quesnel in 2007/08 is an example of this usage of accumulated surpluses.

In 2007, Council approved creating a tax reassessment reserve with a contribution of \$100,000 per year to offset large re-assessments. This contribution is included in this budget and has been increased by \$150,000 in 2010 to ensure we have adequate funds available should a current outstanding appeal be successful. As mentioned Council started a contribution toward the Capital Replacement Plan Reserve and this years budget includes a contribution of \$500,000 to the reserve.

### **Tangible Capital Assets**

Starting in 2009, Local Governments are required to report and amortize their tangible capital assets on their annual financial statements. The City of Quesnel is almost complete compiling this information for our statements. At this point, our estimate of total accumulated depreciation is \$45 million on an asset base of \$96 million (historical cost). This indicates our assets are on average almost 50% through their useful lives.

Part of our long term strategic planning will need to include how we are going to fund the replacement of these assets in the future. Current estimates show we should be investing approximately \$4 million per year for replacement of our assets. On average we are funding

capital at approximately 50% of that level each year. This means the gap between the capital funds we will need in the future and what we have in reserves is growing. This gap means the City will have to borrow in the future to meet our capital needs which is an expensive way to fund infrastructure. As always we will continue to pursue grants from other levels of government to assist us in funding our infrastructure. However, we must recognize that all local governments in Canada are facing a similar problem and in the future grants may be harder to obtain and debt more expensive.

The final version of the budget will include depreciation so that it can mirror the format that will be presented on our 2009 financial statements. Since depreciation is a non cash charge, this will have no affect on taxation levels.

## **Controlling Spending**

Like all municipalities, the City of Quesnel is a labour-intensive organization, with employment costs being the dominant portion of City expenses and these costs are rising. 45% of our operating budgets are labour costs, with RCMP labour accounting for another 13% of the budget. In 2005 a 5 year collective agreement was reached with CUPE 1050 and 1050-01 (the Rec Centre employees). The agreement with 1050 increased wage rates by 3% for 2005 to 2007, 2.5% in 2008, and 4% in 2009. In 2010, a new collective agreement will be bargained. At this point we have used a 0% increase for wages in June. This budget reflects a continuation of the status quo with regard to the scope of City services being offered with minor reductions.

## **7.0 TOTAL COMBINED BUDGET SUMMARY**

This section summarizes the preliminary 2010 budget by groups of major funds. Fund accounting is central to local governmental budgeting, with each fund representing a self-balancing set of revenues, expenditures, and transfer accounts. This means that General fund expenditures must be funded through General fund revenue sources.

The City's total combined operating budget is \$16,842,000 for 2010, a 3.6% decrease over 2009 operating budgets (all supplemental items are included). There is a disconnect in our budgeting process due to the timing of capital and operating budgets. Given that both budget are prepared concurrently, it is impossible to know how much of a transfer to capital from operating will be required until we get further along in the process. For the preliminary budget, staff has assumed a general capital program of \$800,000, which will be funded from a transfer from current year revenues of \$200,000 and a transfer from the Casino Capital reserve of \$600,000. Any capital projects designated from special reserves such as the Equipment Replacement Reserve and the CRP Reserve are in addition to these numbers. The five operating funds listed in the table below comprise the majority of the day-to-day operating activities of the City. The remaining four capital funds account for the financial resources that are used for the acquisition or construction of major physical assets and equipment.

## City of Quesnel - Total Combined Budget Overview (in \$000's)

Expenditures	2009 Approved Budget	2010 Preliminary Budget	'10 Budget vs. '09 Budget \$ Increase / % Increase / (Decrease) (Decrease)	
General Operating	14,584	14,037	(546)	-3.7%
General Capital (see note 1 below)	909	800	(109)	-12.0%
Water Operating	1,260	1,176	(84)	-6.6%
Water Capital	357	475	118	33.1%
Sewer Operating	678	709	31	4.5%
Sewer Capital	989	149	(840)	-85.0%
Airport Operating (excl fuel purch. for resale)	558	514	(44)	-7.9%
Airport Capital (see note 2)	102	77	(25)	-24.5%
Transit Operating	390	406	16	4.0%
<b>Combined Operating Budgets</b>	<b>17,470</b>	<b>16,842</b>	<b>(628)</b>	<b>-3.6%</b>

Note 1: the General capital amount only includes the project funding from Operating funds. There are also projects which are funded from Reserves of various natures, grants from various sources, and combinations of grants and reserves.  
 Note 2: The Airport capital only includes Quesnel funded projects, not Federally funded

### 8.0 GENERAL OPERATING BUDGET

The General Operating Budget pays for core City services such as public works, policing, fire protection, corporate and community services, planning, and development services which are utilized across the community. The revenues to pay for these services are comprised of property taxes, as well as fees for licenses and permits, conditional and unconditional grants, rental income, interest earnings on investments, and a variety of other revenues.

The 2010 preliminary budget, including supplementary budget items brought forward by staff, for the general operating fund is \$15,887,000, overall a 2.2% decrease versus the 2009 general operating budget.

## General Operating Budget Summary

	2009 Budget	2010 Preliminary	Net Change Incr / (Decr)	Net Change %
<b>Revenue</b>				
Property Taxes	11,847,163	11,779,639	(67,524)	-0.6%
Grants-in-lieu / 1% Tax / Grants	1,974,029	1,440,559	(533,470)	-27.0%
Fees & Charges	1,724,641	1,711,381	(13,260)	-0.8%
Licences, Permits & Fines	141,200	176,540	35,340	25.0%
Other Revenue	552,680	569,430	16,750	3.0%
Transfer from Reserves	-	209,822	209,822	0.0%
<b>Total Revenue</b>	<b>16,239,713</b>	<b>15,887,371</b>	<b>(352,342)</b>	<b>-2.2%</b>
<b>Expenditures</b>				
Debt Servicing	974,855	969,176	5,679	0.6%
General Government	2,450,156	2,270,387	179,769	7.3%
Protection to Persons and Property	4,933,586	4,977,202	(43,616)	-0.9%
Transportation (Public Works)	4,615,018	4,397,437	217,581	4.7%
Parks & Cultural Services	901,673	831,777	69,896	7.8%
Community & Development Services	603,563	583,521	20,042	3.3%
Transfer to Own funds	1,760,862	1,857,871	(97,009)	-5.5%
<b>Total Expenditures</b>	<b>16,239,713</b>	<b>15,887,371</b>	<b>352,342</b>	<b>2.2%</b>

NOTE: The property tax figures listed above are NET numbers. For 2010, the property tax levy required is \$11,879,000 less the \$600,000 revitalization tax exemption + plus the \$500,000 CRP levy.

### 8.1 Revenue

#### Property Assessments

Residential property assessments have increased due to market factors. There was very little new construction growth in the assessment base this year. Industry assessments have declined due to two years of depreciation and the partial shutdown allowance for Northstar Lumber. The assessment roll totals are listed above on page 4. Below is the average change in assessments by neighbourhood. A house who's assessment rose more than the average in Quesnel will receive a higher than average tax increase.

<b>Neighbourhood</b>	<b>Average Assesement 2009</b>	<b>Average Assessment 2010</b>	<b>Market Increase</b>
West Quesnel	98,142	100,736	2.6%
North Quesnel	195,884	222,433	13.6%
Johnson/Carson	159,823	177,686	11.2%
Fraserview	160,095	162,793	1.7%
North Fraser/Anderson	122,232	125,085	2.3%
Uplands	99,745	109,090	9.4%
Dragon Lakeshore	278,075	361,593	30.0%
Dragon Lake North	146,131	151,184	3.5%
South Hills	224,386	247,730	10.4%
<b>Average</b>	<b>144,800</b>	<b>157,818</b>	<b>9.0%</b>

## Property Taxes

The preliminary baseline budget calls for an increase in tax revenue of 2.7% in order to bring the budget into balance. In order to achieve this level of tax increase we have already had to cut over \$950,000 in operating cuts. Additional cuts of \$325,000 would be required to reduce the tax increase to 0%.

## 8.2 Key Revenue / Expenditure Items

Most of the expenditure items are dealt with later in this report under the departmental reviews. Some key items not discussed at the departmental level include the following:

The Parks and Recreation service agreement with the Subregional Recreation (SRR) function of the CRD is included in General Revenue for \$160,000. In reality the net positive impact is approximately \$53,000 to the City residents, since those residents funds approximately 67% of the SRR budget.

The MOUs which the City has with the CRD have been approved, and are awaiting final copies. These negotiated cost recoveries are included in this preliminary budget.

Wage settlements are up 4% for bargaining unit employees as per the CUPE agreements for the 1st half of the year. The collective agreement expires in June 2010. Staff salary increases are included in the budget at the same rate as the bargaining unit employees.

West Quesnel Land Stability, the estimate for 2010 operational spending is \$235,000, this is fully paid for by the City.

## 9.0 WATER OPERATING FUND

The City's water operations are treated as a separate business entity, and as such are separated into its own fund. The City's Utility Department is responsible for water distribution and production functions, while the Corporate Services Department administers the utility collection activities.

### 9.1 Revenue Sources

The City's Water Operating Fund is supported primarily through the City's water user charges and frontage taxes. Parcel taxes have been used to pay for extensions to new areas. The water fund is currently operating in a surplus position.

### 9.2 Expenditures

The Water Operating Fund supports the Supply and Distribution Services and the Water Administration budget. Total operating expenditures for the water fund total \$1,651,296 of which \$475,000 represents a transfer to the current year capital program. These numbers represent normal operations.

#### Water Operating Budget Summary

	2009 Budget	2010 Preliminary	Net Change Incr / (Decr)	Net Change %
<b>Revenue</b>				
Customer Billings	885,000	883,500	(1,500)	0%
Less: Discounts	(61,000)	(63,000)	(2,000)	3%
Connection Charges / Custom Work	21,000	17,000	(4,000)	-19%
Bulk Water	-	31,000	31,000	
Water Availability Charges	18,000	18,000	-	0%
Provincial Government (MFA grant)	8,000	-	(8,000)	-100%
Frontage Taxes	717,073	717,073	-	0%
Surplus FROM Reserves	28,934	47,723	18,789	
<b>Total Revenue</b>	<b>1,617,007</b>	<b>1,651,296</b>	<b>34,289</b>	<b>2.1%</b>
<b>Expenditures</b>				
Administration	259,790	249,853	9,937	4%
Distribution	410,500	409,925	575	0%
Leak Detection	12,900	13,100	(200)	-2%
Pump Houses	216,700	225,280	(8,580)	-4%
Hydrants	39,800	40,400	(600)	-2%
Bulk Water	-	5,000	(5,000)	
Debt Servicing	320,317	232,737	87,580	27%
Transfer to Water Capital	357,000	475,000	(118,000)	-33%
Surplus TO Reserves	-	-	-	
<b>Total Expenditures</b>	<b>1,617,007</b>	<b>1,651,296</b>	<b>(34,289)</b>	<b>-2.1%</b>
<b>Surplus / (Deficit) as % of Customer Billings</b>				<b>-5.8%</b>

## 10.0 SEWER OPERATING FUND

Like water operations, the City's sewer operations are treated as a separate business entity and, as such, are separated into a unique fund. The City's Utility Division of the Public Works Department is responsible for wastewater collection, while Cariboo Pulp is responsible for wastewater treatment through a contract arrangement with the City (and the CRD for the Red Bluff Sewerage). The Corporate Services Department administers the sewer utility collection activities.

User fees were increased by 30% in both 2008 and 2009. With the payment of the sewer debt completed, the sewer fund will be within reach of being in balance. Funding for long term sustainability of the sewer function still needs to be addressed.

### 10.1 Revenue Sources

The City's sewer operating fund is supported primarily by the City's sewer user fees and frontage taxes.

### 10.2 Fund Expenditures

#### Sewer Operating Budget Summary

	2009 Budget	2010 Prelim. Budget	Net Change Incr / (Decr)	Net Change %
<b>Revenue</b>				
Customer Billings	787,800	791,500	3,700	0%
Less: Discounts	(54,600)	(58,000)	(3,400)	6%
Connection Charges / Custom Work / Other	20,000	20,000	-	0%
Provincial Government (MFA facilities assist)	22,000	-	(22,000)	-100%
MRIF Grant Funding	460,000	-	(460,000)	-100%
Frontage Taxes	206,000	208,447	2,447	1%
Surplus FROM Reserves	225,233	-	(225,233)	-100%
<b>Total Revenue</b>	<b>1,666,433</b>	<b>961,947</b>	<b>(704,486)</b>	<b>-42.3%</b>
<b>Expenditures</b>				
Administration	186,733	216,003	(29,270)	-16%
Collection System	177,500	175,476	2,024	1%
Line Cleaning	51,500	51,750	(250)	0%
Treatment & Disposal	262,200	265,515	(3,315)	-1%
Debt Servicing	-	-	-	
Transfer to Sewer Capital	988,500	148,700	839,800	85%
Surplus TO Reserves	-	104,502	(104,502)	
<b>Total Expenditures</b>	<b>1,666,433</b>	<b>961,947</b>	<b>704,486</b>	<b>42.3%</b>
<b>Surplus / (Deficit) as % of Customer Billings</b>				<b>14.2%</b>

## 11.0 TRANSIT FUND

The Transit Fund is set up to administer all transit operations within the City of Quesnel. The primary service is the citywide fixed route bus service, and also includes a Handy Dart Service, which provides door-to-door service for the elderly and for those with a physical disability. Transit is one of the success stories for the City, with ridership increasing by an average of 16% per year since its re-introduction to Quesnel in 2001. Recent service expansions include an expanded schedule to North Fraser Drive, and a recent expansion to provide service to Wells. The weekly bus run to the Nazko Indian Reserve is now part of the regular budget.

### 11.1 Revenue Sources

The Quesnel Transit system is provided to the community by a partnership between the provincial crown corporation, B.C. Transit, the City of Quesnel, and the operating company, Five Five Transport. The City's share of overall operating expenses is 54.3%, while B.C. Transit's share is 45.7%. The City's contribution is made up of revenue from farebox collections, advertising revenue and property taxes. In addition the CRD supports transit by contributing \$5,560 to Transit and \$10,000 to Handydart. On April 1, 2010, a three zone transit fare system will be introduced for Handydart.

The main source of revenue for the Transit system is taxation. This is done on a separate line on the tax bill and all funds raised are dedicated to Transit. Any budget surpluses are deposited into a reserve to fund future capital projects.

### 11.2 Fund Expenditures

The total projected cost to operate the City's transit system in 2009 is \$405,596, with a net cost to the taxpayers of \$214,536. The vast majority of these costs, \$347,000, cover the contractor's operating costs. B.C. Transit is responsible for providing the necessary fleet equipment.

#### Transit Operating Budget Summary

	2009 Budget	2010 Preliminary	Net Change Incr / (Decr)	Net Change %
<b>Revenue</b>				
Transit Fares	150,283	124,300	(25,983)	-17%
Nazko Contract	24,990	27,300	2,310	9%
Wells Contract	23,400	23,400	-	100%
Advertising Revenue	500	500	-	0%
Transit Property Taxes	185,205	214,536	29,331	16%
CRD Grant-In-Aid	15,560	15,560	-	0%
<b>Total Revenue</b>	<b>399,938</b>	<b>405,596</b>	<b>5,658</b>	<b>1%</b>
<b>Expenditures</b>				
Contract - BC Transit	333,025	347,000	(13,975)	-4%
Other Expenses	66,913	58,596	8,317	12%
<b>Total Expenditures</b>	<b>399,938</b>	<b>405,596</b>	<b>(5,658)</b>	<b>-1%</b>

## **12.0 AIRPORT OPERATING FUND**

The Airport Fund is a self balancing fund which administers the financial operations of the Quesnel Airport. For 2010, the total airport-operating budget is \$736,568 and a further \$77,000 for capital improvements. The Airport Division of the Public Works & Engineering Department is responsible for airport operations, while the Corporate Services Department assists with administering the revenue collection activities.

### **12.1 Revenue Sources**

The City's airport fund is supported through terminal fees, landing fees, rental income, and a property tax levy. Since the City assumed responsibility for airport operations in 1997 from Transport Canada, the airport fund has been operating at a deficit. For the first several years this deficit was eliminated by applying funds from its Airport Reserve fund. When this reserve was depleted in 2003 it became necessary to introduce a dedicated tax levy to balance the budget. The City is reviewing its revenue generation options with the airport, with the assistance of QCEDC.

Fuel sales have increased dramatically over the previous year, skewing the overall budget figures. It is important to consider the margin on these sales, not the total purchases or sales. Fuel sales contribute to the overall cost effectiveness of the airport.

### **12.2 Fund Expenditures**

The City's airport operations are broken into the following categories: Administration, Equipment & Machinery, and Buildings & Grounds.

## Airport Operating Budget Summary

	2009 Budget	2010 Preliminary	Net Change Incr / (Decr)	Net Change %
<b><u>Revenue</u></b>				
Property Tax	248,600	264,009	15,409	6%
Rentals	58,550	55,195	(3,355)	-6%
Parking	2,640	2,640	-	0%
Concessions	28,016	22,016	(6,000)	-21%
Fuel Sales	441,080	284,200	(156,880)	-36%
National Fees	157,300	161,550	4,250	3%
Other Revenue	26,162	23,958	(2,204)	-8%
Transfer from Prior Year Surplus	50,000			
<b>Total Revenue</b>	<b>1,012,348</b>	<b>813,568</b>	<b>(198,780)</b>	<b>-19.6%</b>
<b><u>Expenditures</u></b>				
Administration & Miscellaneous	157,374	135,403	21,971	14%
Fuel For Resale	352,420	222,780	129,640	37%
Equipment & Machinery	57,469	59,800	(2,331)	-4%
Buildings & Grounds	343,085	318,585	24,500	7%
Capital Required (Municipally funded only)	102,000	65,000	37,000	36%
Transfer to Equipment Reserve		12,000	(12,000)	0%
<b>Total Expenditures</b>	<b>1,012,348</b>	<b>813,568</b>	<b>198,780</b>	<b>19.6%</b>

Property taxes generated from the airport lands accrue to the general tax account, although all funds from the airport tax levy are exclusively for airport use.

### 13.0 DEPARTMENTAL BUDGETS – Core City Services

In developing the preliminary draft budget for 2010, city staff reviewed the 2009 budgeted and actual expenditures and estimated the revenues and expenditures anticipated for the coming year. Once the actual results for 2009 are known, a detailed variance analysis comparing the actual to budget figures will be distributed to Council.

#### 13.1 Legislative Services

The Legislative Services budget is a sub-component of the General Government Services budget. The majority of the costs in the Legislative Service’s budget are dedicated toward supporting the activities of the Mayor and Council. The functions of the department are to provide good government to the citizens of Quesnel through the development of policies, consideration of bylaws, budget approval, and appointment of statutory officials and the regional district representative. In addition to the above functions, the Mayor performs other duties which include, among other things: providing leadership for Council, performing various statutory duties, representing the City at local functions, and providing access to City government for the taxpayer.

#### Legislative Services - Budget Overview

<b>Operating Expenditures</b>	<b>2009 Budget</b>	<b>2010 Preliminary</b>	<b>Net Change Incr / (Decr)</b>	<b>Net Change %</b>
INDEMNITIES	120,371	124,536	(4,165)	-3%
EXECUTIVE ASSISTANT	64,719	43,069	21,650	33%
MEMBERSHIPS & SUBSCRIPTIONS	13,000	13,000	-	0%
TELEPHONE	4,000	4,000	-	0%
ADVERTISING	5,000	5,000	-	0%
PUBLIC RELATIONS / HOSTING	10,000	10,000	-	0%
COUNCIL SUPPLIES	2,500	2,500	-	0%
COUNCIL LOBBYING TRAVEL	11,000	11,000	-	0%
COUNCIL TRAVEL & CONFERENCES	28,000	28,000	-	0%
MAYOR TRAVEL & CONFERENCES	11,000	11,000	-	0%
COMMITTEE MEETINGS	6,500	6,500	-	0%
COUNCIL PROJECTS	15,000	15,000	-	0%
<b>Total Expenditures</b>	<b>291,090</b>	<b>273,605</b>	<b>17,485</b>	<b>6%</b>
<b>FTE Allocation</b>	<b>1.0</b>	<b>0.5</b>	<b>(0.5)</b>	

## Community Support

In this year's budget submission, effort has been taken once again to isolate the Community Support Budget to activities that are largely Council initiatives and discretionary in nature. It is felt that Council could exercise closer oversight and scrutiny if these items were grouped on their own.

### Community Support - Budget Overview

<b>Operating Expenditures</b>	2009 Budget	2010 Preliminary	Net Change Incr / (Decr)	Net Change %
INSURANCE	500	500	-	0%
QUESNEL YOUTH SOCCER ASSOCIATION	80,000	70,000	10,000	13%
QUESNEL TILlicum SOCIETY	-	300	-	-
COMMUNITIES IN BLOOM / CIVIC PRIDE	5,000	5,000	-	0%
UBCM TOURISM & MARKETING	-	-	-	-100%
SENIOR CITIZENS PICNIC/CANADA DAY	2,500	2,500	-	0%
CITIZEN OF THE YEAR	4,000	4,000	-	0%
TWIN CITY PROJECTS	10,000	7,000	3,000	30%
PROMOTIONAL SUPPLIES	3,500	3,500	-	0%
QUESNEL FOUNDATION	23,600	23,600	-	0%
SPIRIT COMMITTEE	11,000	5,000	6,000	55%
SECONDARY SCHOOL BURSARY	2,400	2,400	-	0%
GRANTS-IN-AID	4,500	-	4,500	100%
QCEDC FUNDING	191,400	191,400	-	0%
QUESNEL FOUNDATION CONTRACT	3,000	3,000	-	0%
HEALTH ADVISORY COMMITTEE	500	500	-	0%
QUESNEL HIGHWAY RESCUE FUNDING	12,250	12,250	-	0%
MISS QUESNEL SELF-DEVELOPMENT	4,000	4,000	-	0%
FAMILY DAYS	2,850	2,850	-	0%
QUESNEL SEARCH & RESCUE SOCIETY	12,250	12,250	-	0%
BAKER CREEK ENHANCEMENT SOCIETY	10,000	10,000	-	0%
QUESNEL RODEO	1,800	1,800	-	0%
NORTHERN MEDICAL HEALTH TRUST	5,000	5,000	-	0%
<b>COUNCIL DIRECTION REQUIRED</b>		(20,000)	20,000	
<b>Total Expenditures</b>	<b>390,050</b>	<b>346,850</b>	<b>43,500</b>	<b>11%</b>

#### Notable Budget Features – Community Support

- Due to budget challenges in 2010, staff has made several recommendations for reductions in this area, but requests that Council approve the recommended cuts and determines where additional cuts can be made.
- \$191,400 operating grant to the Quesnel and Community Economic Development Corporation, has been the same since 2006.

- Grants-in-aid were awarded in 2009 to a total of \$4,500. The 2010 requests are included in the Appendixes.
- Quesnel Search & Rescue and Quesnel and District Highway Rescue funding are included at \$12,250 of City funding each, this matches the CRD contribution.

### 13.2 City Manager & Corporate Services

The City Manager's and Corporate Services budget represents the resources needed to provide administrative services to the organization and the community. The City Manager's Office and the Corporate Services function is a service-oriented department that provides services to City Council, the community, businesses, other agencies, and City staff. The following areas are represented within the City Manager and Corporate Services' budget: General Administration, Finance, Human Resources, Technology, and other Government Services, which includes such items as: legal, auditing, and other consulting fees.

#### Corporate Services - Budget Overview

<b>Operating Expenditures</b>	<b>2009 Budget</b>	<b>2010 Preliminary</b>	<b>Net Change (Incr) / Decr</b>	<b>Net Change %</b>
ADMINISTRATIVE	484,036	457,498	26,538	5%
FINANCE	561,488	596,122	(34,634)	-6%
CAPITAL ASSET PROJ - note 1	72,050	18,000	54,050	75%
PURCHASING DEPT	165,848	171,150	(5,302)	-3%
HUMAN RESOURCES	203,979	164,400	39,579	19%
TECHNOLOGY - note 2	137,077	181,228	(44,151)	-32%
OTHER GOVERNMENT SERVICES	182,446	185,942	(3,496)	-2%
ELECTIONS & REFERENDUMS	2,000	2,000	-	0%
ADMIN FEES RECOVERY	(482,724)	(482,700)	(24)	0%
<b>Total Expenditures</b>	<b>1,326,200</b>	<b>1,293,640</b>	<b>32,560</b>	<b>2%</b>
<b>FTE Allocation</b>	<b>15.00</b>	<b>12.75</b>	<b>(2.3)</b>	

note 1: Project almost complete

note 2: Increases due to Internet hosting fees/software licensing/disaster recovery planning

#### Notable Budget Features – City Manager & Corporate Services

- The Tangible Capital Asset project will be completed in early 2010. This is a statutory requirement, not optional. The final leg of this project will include some accounting clerical time to make the appropriate entries for our year end statements and to implement a Fixed Asset System for tracking our assets in the future.
- The changes to FTE include the elimination of the tangible capital asset clerk (a supplemental item in 2009) and the elimination of one Finance clerk.

### 13.3 Community Services

The Community Services Department contains such functions as recreation and leisure services, internal and external communications, facility maintenance, museum and archives, and overseeing visitor information activities.

#### Community Services - Budget Overview

<b>Operating Expenditures</b>	<b>2009 Budget</b>	<b>2010 Preliminary</b>	<b>Net Change (Incr) / Decr</b>	<b>Net Change %</b>
CITY BUILDINGS	619,229	539,623	79,606	13%
COMMUNITY SERVICES	143,027	143,830	(803)	-1%
CORP COMMUNICATIONS	138,527	133,750	4,777	3%
TOURIST BUREAU	84,850	73,550	11,300	13%
MUSEUM	237,159	216,391	20,768	9%
<b>Total Expenditures</b>	<b>1,222,792</b>	<b>1,107,144</b>	<b>115,648</b>	<b>9%</b>
<b>FTE Allocation (not incl. bldg mtce)</b>	<b>5.00</b>	<b>4.75</b>	<b>(0.3)</b>	

#### Notable Budget Features – Community Services

- Funding for building maintenance and utilities as follows:
- John Ernst Building - \$290,700
- RCMP Detachment - \$198,000
- CPAC Office - \$6,600
- Hudson Bay Building - \$5,000
- BCR Railstation - \$4,600
- Shiraoui House - \$23,000

Many of the building mentioned above generate lease revenue including:

- JEB (not including the City) - \$117,000
- RCMP Detachment - \$265,000
- Hudson Bay Building - \$8,550
- BCR Railstation - \$7,800

Not included in the costs in the previous table is a payment by the SRR function to the City of \$160,000 for city facilities and parks maintenance.

### 13.4 Planning & Development Services

The Planning and Development Services contains such functions as building permits and inspections, code enforcement, bylaw enforcement, GIS mapping applications, community planning, and the review of development applications.

#### Planning & Development Services - Budget Overview

	2009	2010	Net Change	Net Change
<b>Operating Expenditures</b>	Budget	Preliminary	(Incr) / Decr	%
GIS / MAPPING	122,022	102,600	19,422	16%
BUILDING INSPECTION - note 1	134,739	88,222	46,517	35%
BYLAW / ANIMAL CTRL - note 2	207,631	175,268	32,363	16%
PLANNING	137,542	160,300	(22,758)	-17%
SUSTAINABILITY PLANNING	-	16,000	(16,000)	
<b>Total Expenditures</b>	<b>601,934</b>	<b>526,390</b>	<b>75,544</b>	<b>13%</b>
<b>FTE Allocation</b>	<b>6.00</b>	<b>5.50</b>	<b>(0.5)</b>	<b>-8%</b>

note 1: lower contractor charges/eliminated admin allocation

note 2: SPCA contract in 2009 include a \$40,000 supplemental

#### Notable Budget Features – Planning & Development

- The Building Inspection function for the City has continued to evolve. The function is now manned by one full-time inspector who performs all Level 1 duties and is training for, and assists with, level 2 & level 3 duties. The department is assisted by a contract senior inspector.
- Building permit fees are forecast to total \$100,000, an increase of \$40,000 from 2009 budget due to the construction of the College.

## 13.5 Emergency Services

The Quesnel Volunteer Fire Department is a composite department (a combination of career and volunteer fire fighters). Currently there are 5 career fire fighters and 34 volunteer fire fighters. The City has two firehalls, and one contract firehall which is located outside the municipality in the Red Bluff area. Fire Department services include fire suppression, special industrial rescue, fire prevention, training, public education, and disaster preparedness activities.

The department's service area is the City of Quesnel, as well as a portion of Electoral Area "A" within the Cariboo Regional District. The contract with the CRD for Red Bluff Fire Protection has been included at the new contract rate.

### Emergency Fire Services - Budget Overview

	2009	2010	Net Change	Net Change
<b>Operating Expenditures</b>	<b>Budget</b>	<b>Preliminary</b>	<b>(Incr) / Decr</b>	<b>%</b>
ADMINISTRATION	338,396	344,827	(6,431)	-2%
VOLUNTEER SERVICES	54,000	57,750	(3,750)	-7%
SUPPRESSION	70,043	53,804	16,239	23%
PREVENTION	75,423	74,064	1,359	2%
COMMUNICATION	7,300	4,550	2,750	38%
TRAINING	113,816	113,304	512	0%
FIRE TRAINING FACILITY	13,800	10,840	2,960	21%
FIRE HALL MAINTENANCE	45,439	46,326	(887)	-2%
VEHICLES	169,998	152,736	17,262	10%
SPECIAL RESCUE	18,000	13,000	5,000	28%
EMERGENCY MEASURES	9,050	10,700	(1,650)	-18%
<b>Total Expenditures</b>	<b>915,265</b>	<b>881,902</b>	<b>33,363</b>	<b>4%</b>
<b>FTE Allocation (not incl. Volunteers)</b>	<b>6.00</b>	<b>5.60</b>	<b>(0.4)</b>	<b>-7%</b>

#### Notable Budget Features – Emergency Services

- The revenue associated with the Red Bluff Fire contract is \$197,000. This is booked as a revenue item that is not included in the numbers on the previous table.

## 13.6 RCMP

This section of the budget represents the costs of contracting for police services with the Royal Canadian Mounted Police (RCMP). It also covers the costs for Community Policing and Victims Assistance. The Municipality picks up 70% of the fully loaded cost of the police officers. We are maintaining the authorized complement of 21 RCMP officers.

### RCMP Quesnel Detachment - Budget Overview

<b>Operating Expenditures</b>	<b>2009 Budget</b>	<b>2010 Preliminary</b>	<b>Net Change (Incr) / Decr</b>	<b>Net Change %</b>
RCMP OPERATIONS - see note	3,002,546	3,144,764	(142,218)	-5%
COMMUNITY POLICING	111,714	109,239	2,475	2%
VICTIMS ASSISTANCE - see note	104,514	95,375	9,139	9%
BUILDING MAINTENANCE - DETACHMENT	191,013	197,932	(6,919)	-4%
BUILDING MAINTENANCE - CPAC	6,600	6,600	-	0%
<b>Total Expenditures</b>	<b>3,416,387</b>	<b>3,553,910</b>	<b>(137,523)</b>	<b>-4%</b>
<b>Staffing Allocation - Muncipal FTE's (note 1)</b>	<b>15.30</b>	<b>15.30</b>	<b>-</b>	<b>0%</b>
<b>Staffing Allocation - Police Officers, Municipa</b>	<b>21.00</b>	<b>21.00</b>	<b>-</b>	<b>0%</b>

Note 1: the policing budget includes full officer complement, avg in 2009 was 92%

Note 2: Victims assistance spending increases are offset by higher grant funding

NOTE: The building maintenance for the RCMP and CPAC building are shown above to indicate the full cost of providing policing services. In reality, they are managed by our facilities manager and remain his budget responsibility along with other city buildings.

### Notable Budget Features – Royal Canadian Mounted Police

- Not detailed in the above cost statement is the revenue generated from the police station lease of \$265,000. As well we receive Prisoner cost assist grants.
- No extra officers in budget. Complement at 21. We are required to show the full budget amount for the RCMP officers. In the previous four years the actual officer complement was less than the 21 FTE due to transfers, sick leaves, other leaves, etc. In 2009 the average actual officer numbers were 19.4. This generates a consistent positive variance to budget.
- Costs for the Victims Services function are partially offset by a higher grant amount to the City. Our grant is forecast to be \$47,000. This grant is not included in the numbers on the table above.

## 13.7 Public Works & Engineering

### Public Works & Engineering - Budget Overview

	2009	2010	Net Change	Net Change
Operating Expenditures	Budget	Preliminary	(Incr) / Decr	%
FLOOD CONTROL	6,900	5,192	1,708	25%
PROTECTION TO PERSONS	45,650	48,650	(3,000)	-7%
ADMINISTRATION	423,956	395,852	28,104	7%
GENERAL EQUIPMENT	85,000	90,390	(5,390)	-6%
SHOP & YARD	211,064	209,760	1,304	1%
OTHER SHOPS & OFFICES	23,400	23,350	50	0%
STREET MAINTENANCE	427,575	429,497	(1,922)	0%
DITCHING	9,000	11,179	(2,179)	-24%
ASPHALT PATCHING	217,200	165,723	51,477	24%
STREET STABILIZATION	27,300	24,800	2,500	9%
WINTER SHIFT WORK	119,800	121,602	(1,802)	-2%
STREET CLEANING	175,100	176,799	(1,699)	-1%
SNOW REMOVAL	350,200	366,563	(16,363)	-5%
DRIVEWAY ENTRANCE CLEARING	34,700	34,900	(200)	-1%
SANDING	159,550	154,420	5,130	3%
SIDEWALKS	71,400	70,685	715	1%
LEGION MEMORIAL CENOTAPH	3,000	2,750	250	0%
STORM SEWERS	82,800	63,000	19,800	24%
DRAGON LAKE	12,800	13,000	(200)	-2%
BRIDGE MAINTENANCE	41,600	26,800	14,800	36%
STREET LIGHTING	242,921	252,100	(9,179)	-4%
TRAFFIC CONTROL	118,470	117,010	1,460	1%
GARBAGE COLLECTION - COMMERCIAL	235,000	235,000	-	0%
GARBAGE COLLECTION - RESIDENTIAL	160,542	163,350	(2,808)	-2%
RESID GARBAGE - STARTUP COSTS	19,700	-	19,700	100%
SANITARY LANDFILL	634,603	614,700	19,903	3%
COMPOSTING	100,000	5,000	95,000	95%
ENVIRONMENTAL COMMITTEE	32,200	32,200	-	0%
CLEAN UP CAMPAIGN	38,250	38,650	(400)	-1%
RECYCLING	255,938	252,800	3,138	1%
CEMETERIES	108,147	110,112	(1,965)	-2%
CEMETERY - BURIALS	41,500	42,100	(600)	-1%
PARKS AND PLAYGROUND	586,950	530,487	56,463	10%
PIONEER & COMMEMORATIVE TREES	4,600	4,600	-	0%
WF TIMBER PARK	66,100	60,800	5,300	8%
CITY BEAUTIFICATION	162,400	153,100	9,300	6%
SPRAY PARK	5,900	7,400	(1,500)	-25%
RIVERFRONT TRAIL	35,450	35,210	240	1%
BALL PARKS	37,273	37,430	(157)	0%
<b>Total Operating - General Public Works</b>	<b>5,413,939</b>	<b>5,126,962</b>	<b>286,977</b>	<b>5.3%</b>
WQ LAND STABILITY (operations only)	235,000	235,000	-	0%
WATER OPERATING	1,260,007	1,176,296	83,711	7%
SEWER OPERATING	677,933	708,745	(30,812)	-5%
AIRPORT OPERATING	557,928	513,788	44,140	8%
TRANSIT OPERATING	389,938	405,596	(15,658)	-4%
<b>Total Public Works Operating - All Divisions</b>	<b>8,534,745</b>	<b>8,166,387</b>	<b>368,358</b>	<b>4.3%</b>
<b>Staffing Allocation - Muncipal FTE's</b>	<b>56.40</b>	<b>54.15</b>	<b>(2.3)</b>	<b>-4%</b>

## Notable Budget Features – Public Works & Engineering

- There are no additional FTE requests for Public Works. FTE's have been decreased by 2.3 by year end due to the elimination of two seasonal positions, reduction of backup for one position, and the retirement of one salary employee who will not be replaced.
- Asphalt patching is \$50,000 lower than in 2009 due to budget constraints.
- City Beautification costs have been reduced by \$11,700. This includes removing some flower beds and reducing flower baskets by 20.
- WQ Land Stability, as mentioned earlier in this report, has been broken into an operating and capital component depending on the type of work. The operating portion is estimated at \$235,000
- Not included in the above costs are the following revenue items:
  - The CRD contribution towards the landfill of \$120,500
  - The CRD contribution towards recycling of \$153,000
  - The CRD contribution towards cemetery park maintenance of \$63,000
  - The CRD contribution towards Parks and Recreation of \$160,000
  - Landfill fees / tradewaste container rentals of \$183,000
  - Garbage collection fees of \$359,000
  - Shop rental fees at the dump of \$6,300

## 14.0 STAFFING SUMMARY

All staff changes for 2010 have been discussed in their various departments. To recap the numbers, here are the 2010 FTE changes proposed in this budget:

Reduce assistant to part time - 0.5 FTE

Reduce one bylaw officer to seasonal – 0.5 FTE

Retirement of one public works supervisor – no replacement – 1.0 FTE

Eliminate two seasonal public works employees plus backup for pw admin – 1.25 FTE

Elimination of one Finance Clerk - 1.0 FTE

Reduction in hours of part time HR support – 0.25 FTE

Reduction of Casual Help at Firehall – 0.40 FTE

Reduction of Hours at Museum – 0.25 FTE

Total Changes – Reduction of FTE by 5.15

## 15.0 RESERVES

The City maintains several reserves for its operations, and these funds form an essential part of sound financial management. The funds are set aside for both planned and unplanned future expenses. Reserves provide flexibility against uncertainties, which inevitably arise in today's challenging local government environment. The obvious downside to reserve accumulation is that they increase the tax burden on the taxpayers in the year they are collected. However, the appropriate use of reserves will reduce financial risks to taxpayers in the future.

In 2009 Council made the following resolutions impacting the City reserves:

- To add \$500,000 to the CRP reserve from taxation, with a further transfer from the Small Communities Protection grant of \$112,000.

The City has a number of reserves for various functions. Some reserves are statutory including: DCCs, City property sales, Tax Sale, and Cemetery Care funds. Other reserves are to take care of recognized future needs on a proactive basis, such as the Landfill Closure reserve account, and Capital Equipment Replacement reserves. The chart below highlights these reserve allocations which have been ordered by previous Councils.

### Continuing Transfers to Capital Funds - Budget Overview

Transfers	2009 Budget	2010 Preliminary	Net Change (Incr) / Decr	Net Change %
LANDFILL CLOSURE	55,000	-	55,000	100%
P/W YARD RELOCATION	50,000	-	50,000	100%
GENERAL CAPITAL	221,000	200,000	21,000	10%
FIRE CAP. RESERVE	30,000	30,000	-	0%
TAX STABILIZATION RESERVE	100,000	250,000	(150,000)	-150%
TAX LEVY TO CRP RESERVE	495,000	500,000	(5,000)	-1%
SCPG TO CRP RESERVE	324,000	112,015	211,985	65%
NEW DEAL - COMMUNITY WORKS	469,128	426,122	43,006	9%
CEMETERY CAPITAL - CRD	5,000	35,000	(30,000)	-600%
CITY HALL RESERVE	22,500	22,500	-	0%
WEST QUESNEL LAND STABILITY RESERVE		250,000	(250,000)	
<b>Total Transfers to Reserves</b>	<b>1,771,628</b>	<b>1,825,637</b>	<b>(54,009)</b>	<b>-3%</b>
CAP TRANS FROM CASINO FUND	676,000	600,000	76,000	11%

## 15.1 Surplus

In 2010 there will be a transfer from surplus to fund part of general operating expenses for a few reasons

- In 2009, the traffic fine revenue sharing from the BC government was accelerated. We received \$338,822 versus the budgeted amount of \$229,000. In 2010, we will only receive \$88,120. The amount received over budget in 2009 will be carried forward to 2010 to average these funds.
- A large portion of our expected capital expenditures last year was our portion (\$400,000) for the upgrade to the footbridge. Since this work was not completed in 2009 the funds flowed into surplus. We will take these funds from 2009 prior year's surplus in 2010 to complete the work.
- Full year effect of cuts. Due to the fact that it is already February and a few of the cuts we have proposed will not have a full year effect in 2010, we are proposing to take an additional \$100,000 from prior surplus for this difference.

## 16.0 DEBT FINANCING

No new debentures were entered into in 2009.

The following table summarizes the debt payments from the general, water, and sewer operating funds. The debt payment totals include principal and interest payments.

### Debt Servicing Summary - Budget Overview

	2009	2010	Net Change	Net Change
Operating Expenditures	Budget	Preliminary	(Incr) / Decr	%
GENERAL DEBT	967,955	964,926	3,029	0%
WATER DEBT	320,317	232,737	87,580	27%
SEWER DEBT	-	-	-	0%
<b>Total Debt Servicing Costs</b>	<b>1,288,272</b>	<b>1,197,663</b>	<b>90,609</b>	<b>7%</b>

## 16.1 Current Debt Status

As of December 31, 2009 the City of Quesnel has the following outstanding debenture balances, all through the Municipal Finance Authority:

- General Fund Debt \$8,222,000
- Water Fund Debt \$2,321,000
- Sewer Fund Debt \$ 0
  
- Total Debenture Debt \$10,544,000

At the beginning of 2009 our total debenture debt was \$11,249,000. Principal payments and actuarial adjustments during the year totaled \$705,000.

## **17.0 CAPITAL EXPENDITURE PROGRAM**

Capital expenditures are made to purchase, develop, and renovate assets that support City services and whose lives extend beyond one year. What the City spends on these activities forms the City's capital funding requirement.

On February 15th staff will review the 5 year capital plan with Council. This report will be distributed to Council in advance of the meeting for their review. Capital projects related to the City's water system are funded through the water fund. Projects related to the City's sewer system are funded through the sewer fund, and projects relating to the Municipal Airport are funded through the Airport Fund. The City's water and sewer utilities and the municipal airport all charge user fees, and these fees are intended to cover the full cost of these respective functions.

All other capital expenditures are funded through the general operating budget fund, including the annual top-up from the Casino reserve, from special reserves which have been created in the past, and from the Capital Replacement reserve. Other revenue, such as government grants and Development Cost Charges reduce the City's funding requirements from general revenue. There will be much more discussion of the various capital funds at the upcoming Capital Budget meeting.

## **18.0 STRATEGIES FOR BALANCING THE BUDGET**

As mentioned earlier in this report, a zero tax increase budget would require additional cuts of \$325,000. At this point additional cuts will be harder to find and we need to be aware that any cutting to our capital programs has future consequences.

## **19.0 CONCLUSION**

The preliminary budget reflects a concerted effort on the part of staff to maintain existing levels of service within the constraints of our revenue resources, except where specifically noted for Council's attention.

Our task is to deliver a budget that balances our community's desire for improved services and infrastructure with the taxpayers ability and desire to pay higher taxes. As we move through the budget development process, Council will need to address the following questions; for these questions represent the key budget issues that we face as a City:

- What level of funding is available to fund ongoing services and programs? Is a tax increase appropriate considering the economic climate in Quesnel?
- How do we deal with lowering industrial taxation while losing assessment base?
- How do we do a better job maintaining the City's physical infrastructure, recognizing that deferred maintenance has an inherent cost and that currently we are not setting aside enough in reserves to fund future infrastructure requirements.

- What should we be doing to help protect ourselves against an uncertain future? What levels of reserves are appropriate for a cushion against Assessment Appeals, funding cuts from senior governments, and economic downturn.

In preparing the preliminary budget submission for Council's initial consideration, staff has attempted to highlight the key budget pressures and challenges faced by the City in both the short and longer term. It is now Council's time to undertake a detailed review; for it is Council, as the governing body, that has the ultimate responsibility for setting the policy direction for City departments.

## **20.0 RECOMMENDATIONS**

***20.1 THAT the preliminary 2010 budget estimates as set out in the body of this report be received for information.***

***20.2 THAT Council indicates to staff any cost reduction strategies that Council wishes to pursue for discussion and ratification at future budget meetings..***

***20.3 THAT Council reviews the list of new spending initiatives enumerated in the list identified as Supplemental items and approves those items which Council deems appropriate.***

***20.4 THAT Council indicate to staff whether there is any further expenditure information that they would like brought for review by Council.***

### **Attachments –**

Appendix 1 – Actuals 2008 and Estimate 2009

Appendix 2 – List of Proposed Cuts

Appendix 3 – Supplemental Spending Items Listing / Grants-In-Aid / Fee-for-Service

Respectfully submitted,

Kari Bolton