The agenda for the Freestanding Committee of the Whole (Corporate Administration and Finance Committee - Budget) meeting to be held in the Council Chambers of the Municipal Hall, 8645 Stave Lake Street, Mission, British Columbia on Thursday, October 20, 2016, commencing at 1:00 p.m. immediately followed by a Closed Freestanding Committee of the Whole Meeting.

1. CALL TO ORDER

2. ADOPTION OF AGENDA

3. CORPORATE ADMINISTRATION AND FINANCE

   (a) Agenda Overview Presentation

   (b) Municipal Comparisons of Residential Property Taxes and Charges

       This report is to show the Committee how Mission’s 2016 municipal property tax levy on an averaged assessed home compares with the 2016 property tax levy on averaged assessed homes in other Lower Mainland municipalities for both the total property taxes levied on a tax notice and the levy for municipal purposes only. This report is provided for the Committee’s information only, with no recommendations or action required.

   (c) 2017 General Operating Fund Draft Budget Status

       Recommendation:

       1) That the hiring of one new RCMP officer in 2017 and one in 2018 be postponed to one new RCMP officer in 2018 and one in 2019; and
       2) That this option be presented at the Public Budget Consultation for input.

   (d) Projected 2017 Property Tax, Drainage Levy and Utility User Fees Impact on Average Assessed Home in Mission

       This report provides information to the Committee on the approximate dollar impact the various budget recommendations will have on the average assessed home’s property tax notice. This information is to assist the Committee in making 2017 budget decisions, no recommendation accompanies this report, and no action is required.

   (e) Debt Servicing Cost Savings (deferred from September 14, 2016)

       Recommendation:

       That $230,400 of debt servicing cost savings that will be realized in 2017 and annually thereafter, resulting from the Municipal Finance Authority of British Columbia refinancing the District’s existing debt issues #95 and #99, be redirected to the Debt Retirement Reserve Fund.
4. RESOLUTION TO EXCLUDE PUBLIC

That, pursuant to Sections 90 and 92 of the Community Charter, this Freestanding Committee of the Whole Meeting be closed to the public as the subject matter being considered relates to the following:

- Section 90(1)(c) of the Community Charter – labour relations or other employee relations

5. ADJOURNMENT
DATE:  October 20, 2016
TO:    Mayor and Council
FROM:  Kerri Onken, Deputy Treasurer/Collector
SUBJECT:  Municipal Comparisons of Residential Property Taxes and Charges

This report is to show the Committee how Mission’s 2016 property tax levy on an averaged assessed home compares with the 2016 property tax levy on averaged assessed homes in other Lower Mainland municipalities for both the total property taxes levied on a tax notice and the levy for municipal purposes only. This report is provided for the Committee’s information only, with no recommendations or action required.

PURPOSE:
The purpose of this report is to show the Committee how Mission’s 2016 property tax levy on an averaged assessed home compares with the 2016 property tax levy on averaged assessed homes in other Lower Mainland municipalities for both the total property taxes levied on a tax notice from all taxing authorities and the levy for municipal purpose only. This information also provides as context for any 2017 tax increase being considered by Council.

DISCUSSION AND ANALYSIS:
Each year the Provincial government collects data from all the municipalities in the province in order to provide statistical information. One of the comparison data tables identifies property taxes levied and other charges on an averaged assessed home within each municipality. As services provided in each community can be unique and regional, this report will focus on those municipalities in the lower mainland only.

Home values can vary greatly from community to community. For 2016 the averaged assessed value home in the Lower Mainland ranges from the lowest (Hope) at $227,420 to the highest (W. Vancouver) at $2,758,473. In Mission, the average assessed home is $414,523. For the most part, each community provides similar level of services for policing, fire, recreation, development etc. Thus, property taxes charged on the average assessed home is a fairly practical statistic to compare.

While this comparison is a good tool, it should be noted that certain costs are included in the municipal budget of some municipalities while in other municipalities, those costs are charged by another taxing authority. For instance transit costs for municipalities in the Fraser Valley Regional District (FVRD) is funded as part of general municipal property taxes and thus included in Graph 1 – General Municipal Taxes on Averaged Assessed Home. For communities in Metro Vancouver Regional District (Metro), transit costs are levied by Translink under “Other Taxing Authorities” and are thus included in Graph 2 – Total Property Tax on Average Assessed Home.
The two following graphs shows Mission listed as eighth lowest out of twenty-two municipalities for the general municipal taxes on the averaged assessed home, and fourth lowest for the total property tax on the average assessed home, which includes the general municipal taxes and other taxing authorities taxes.

Staff have indicated in each graph whether or not a municipality is located within Metro Vancouver (Metro) or the Fraser Valley (FVRD) Regional District.

Graph 1 – General Municipal Taxes on Averaged Assessed Home

Graph 1 shows the 2016 property taxes for general municipal services that are levied on the average assessed home in each community. In Mission, the average assessed home of $414,523 paid $1,980 in general municipal taxes to pay for services such as Police Services, Recreation programs, Development services, Fire/Rescue, Engineering and Public Works, etc.

This graph does not include charges for Local Improvements, special area taxes or user fees for water, sewer, or curb side collection of garbage and recycling nor does it take into consideration the Provincial Home Owner Grant program where eligible home owners can apply to the Province and deduct $570 or $825 from their property tax notice.
Graph 2 – Total Property Tax on Average Assessed Home

Graph 2 shows the total 2016 property taxes for municipal services and from other taxing authorities that are levied on the average assessed home in each community. This includes levies for local general municipal services, regional district services, school taxes and other taxing authorities before eligible the Provincial Home Owner grant is deducted. In Mission, the average assessed home of $414,523 paid $2,972 for property taxes on their annual property tax notice.

This graph does not include charges for Local Improvements, special area tax or user fees for water, sewer, or curb side collection of garbage and recycling.

COUNCIL GOALS/OBJECTIVES:
This report relates to Council’s Excellence in Financial Management and Planning objective by managing our finances ensuring that Mission property owners are paying property taxes comparable to other neighbouring municipalities.

FINANCIAL IMPLICATIONS:
There are no financial implications associated with this report.

COMMUNICATION:
The graphs shown in this report will be included within the 2017 budget information provided to the public for the budget consultation meeting.
SUMMARY AND CONCLUSION:
This report outlines how Mission’s 2016 property tax levy on an averaged assessed home compares with the 2016 property tax levy on averaged assessed homes in other Lower Mainland municipalities for both the total property taxes levied from all taxing authorities on a tax notice and the levy for municipal purpose only. This information also provides as context for any 2017 tax increase being considered by Council.

While this comparison is a good tool, it should be noted that certain costs are included in the municipal budget of some communities while in other municipalities, those costs are charged by another taxing authority. For instance transit costs for municipalities in the Fraser Valley Regional District are funded as part of general municipal property. For communities in Metro Vancouver Regional District, transit costs are levied by Translink.

The graphs in this report indicate Mission’s standing among the Metro Vancouver and the Fraser Valley Regional District municipalities.

SIGN-OFFS:

Kerri Onken, Deputy Treasurer/Collector

Reviewed by:
Kris Boland, Director of Finance

Comment from Chief Administrative Officer:
Reviewed
DATE: October 20, 2016
TO: Mayor and Council
FROM: Kerri Onken, Deputy Treasurer/Collector
SUBJECT: 2017 General Operating Fund Draft Budget Status
ATTACHMENTS: Appendix A General Operating Fund Budget Summary

RECOMMENDATION: Council consider and resolve:
1. That the hiring of one new RCMP officer in 2017 and one in 2018 be postponed to one new RCMP officer in 2018 and one in 2019, and
2. That this option be presented at the Public Budget Consultation for input.

PURPOSE:
This report provides an updated overview of the status of the 2017 draft operating budget for the general operating fund as at October 20, 2016.

DISCUSSION AND ANALYSIS:
At the last Freestanding Committee of the Whole meeting on September 14, 2016, staff reported to Council on the latest status of the budget. Appendix A of the report presented showed the net proposed changes to the general operating fund budget as at September 14th to be $616,916, or a 2.16% increase to property taxes. This would have an impact of approximately $38.89 for the averaged assessed home in Mission. One item, the increase in payroll overhead of $81,000, was removed leaving a revised balance of $535,916 or an approximate 1.88% increase in property taxes.

Budget Information Presented September 14, 2016

<table>
<thead>
<tr>
<th></th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Increases (-) or Decreases (+)</td>
<td>$-755,529</td>
<td>-2.64%</td>
</tr>
<tr>
<td>Expenditure/Transfer to Reserve Changes</td>
<td>771,013</td>
<td>2.70%</td>
</tr>
<tr>
<td>Other Budget Increases Approved by Council</td>
<td>584,000</td>
<td>2.04%</td>
</tr>
<tr>
<td>Budget Reductions (includes postponing the one RCMP officer)</td>
<td>$-234,468</td>
<td>-0.82%</td>
</tr>
<tr>
<td>Place Holders for Council's Consideration</td>
<td>251,900</td>
<td>0.88%</td>
</tr>
<tr>
<td><strong>Proposed Changes as Presented at September 14, 2016</strong></td>
<td><strong>$616,916</strong></td>
<td><strong>2.16%</strong></td>
</tr>
<tr>
<td>0.88% increase in payroll overhead not required</td>
<td>$-81,000</td>
<td>-0.28%</td>
</tr>
<tr>
<td><strong>Net Proposed Changes to General Operating Fund Budget Presented at September 14, 2016</strong></td>
<td><strong>$535,916</strong></td>
<td><strong>1.88%</strong></td>
</tr>
</tbody>
</table>
Since the September 14, 2016 meeting, staff have continued to review and analyze the budget trends and the following budget impacts have been noted (increases in revenues and decreases in expenditures reduce the budget, while increases in expenditures and decreases in revenues increase the budget):

- An increase in building permits and inspections revenue is expected - $90,700 budget reduction
- An increase to subdivision inspections fee revenue is expected - $64,075 budget reduction
- An increase in several other revenue projects is expected - $15,574 budget reduction
- An increase in contractual obligations is projected - $535,000 budget increase
- An increase in natural gas rates, hydro rates and other budget impacts - $20,470 budget increase

These budget impacts total $385,121 as a budget increase, for an accumulated total of $921,037 revised projected budget impact for 2017, which represents a 3.22% increase in property taxes.

There were two issues arising from the September 14, 2016 meeting that were deferred:

- $135,000 budget savings by deferring the new RCMP member by one year. Council wanted public input on this issue and this question is currently being put to the residences in a survey and will be highlighted at the November 7th Public Consultation meeting. The results will be brought back to the November 16th Freestanding Committee of the Whole budget meeting.
- $230,400 budget savings from debt servicing costs, which will be realized after refinancing of two of the District’s existing debt issues, being redirected to the Debt Retirement Reserve fund. This would build-up the reserve over the next few years to reduce future debt required, plus if future debt is incurred this amount can be redirected back to funding debt servicing costs reducing the need to increase taxes in that year. There is a separate report on today’s agenda.

Appendix A summarizes the changes to the 2017 draft provisional budget starting with the financial balances included on the report from September 14, 2016 and includes the two items listed above. At the bottom of Appendix A are impacts to the property tax notice of the averaged assessed home in Mission based on three options:

A. The net proposed changes of $921,037 to the general operating fund budget.
B. The net proposed changes of $1,056,037 to the general operating fund budget including the one new RCMP officer in 2017.
C. The net proposed changes of $825,637 to the general operating fund budget including the one new RCMP officer in 2017 plus electing not to transfer the debt servicing costs to the reserve.

It should be noted that information on two budget issues will be received by staff by the end of October that could impact the 2017 budget:

1. The 2017/2018 budget projections from BC Transit incorporating the costs of the changes that occurred in 2016, and

2. The preliminary non-market changes from BC Assessment. Early indicators are suggesting a more favourable result than first anticipated.

FINANCIAL IMPLICATIONS:

The following chart summarizes the changes from the 2016 final budget to the 2017 provisional budget and categorizes the change into, impacts to maintaining existing service levels and impacts to increase existing services (leaving the one new RCMP officer in the budget).

<table>
<thead>
<tr>
<th>Maintain Existing Service Levels</th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Increases</td>
<td>-925,878</td>
<td>-3.24%</td>
</tr>
<tr>
<td>Expenditure and Transfer to Reserve Changes</td>
<td>1,333,983</td>
<td>4.67%</td>
</tr>
<tr>
<td></td>
<td>$ 408,105</td>
<td>1.43%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increased Service Levels</th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>New RCMP Officer</td>
<td>135,000</td>
<td>0.47%</td>
</tr>
<tr>
<td>Career Firefighters - increased costs to provide 24 hr/day coverage</td>
<td>245,000</td>
<td>0.87%</td>
</tr>
<tr>
<td>Career Firefighters - lower rates increasing in future years</td>
<td>-99,468</td>
<td>-0.35%</td>
</tr>
<tr>
<td>Operating costs for Fire equipment (changing life cycle of equipment)</td>
<td>27,000</td>
<td>0.09%</td>
</tr>
<tr>
<td>Development Services Restructuring</td>
<td>177,000</td>
<td>0.62%</td>
</tr>
<tr>
<td>Spending Packages</td>
<td>163,400</td>
<td>0.57%</td>
</tr>
<tr>
<td></td>
<td>$ 647,932</td>
<td>2.27%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For Council's Consideration</th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elect not to transfer Debt Servicing cost savings to Reserves</td>
<td>-230,400</td>
<td>-0.81%</td>
</tr>
<tr>
<td></td>
<td>$ -230,400</td>
<td>-0.81%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Proposed Changes to General Operating Fund Budget</th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presented October 20, 2016</td>
<td>$ 825,637</td>
<td>2.89%</td>
</tr>
</tbody>
</table>

* Estimated $ impact on Average Tax Notice - using average assessed home value of $414,500 (2016)

To maintain the current level of services to the residents of Mission, an increase to the budget of estimated at $408,105 is required which represents a 1.43% increase to the budget. This increase will affect the property tax notice of the average assessed home in Mission by $25.74.

Increasing the level of services to the residents of Mission is estimated at $647,932 which represents a 2.27% increase to the budget. This increase will affect the property tax notice of the average assessed home in Mission by $40.87.

The estimated accumulative budget impact of $1,056,037 represents a 3.7% increase to the budget and will increase the property tax notice of the average assessed home by approximately $66.61.
On today’s agenda is a separate report discussing the $230,400 budget savings from debt servicing costs, which will be realized after refinancing of two of the District’s existing debt issues, being redirected to the Debt Retirement Reserve fund.

COMMUNICATION:

Highlights of the 2016 general operating budget along with the utility funds and capital budgets will be communicated to the public at the upcoming Public Consultation session that is tentatively scheduled for November 7, 2016.

SUMMARY AND CONCLUSION:

At the last Freestanding Committee of the Whole meeting on September 14, 2016, staff informed Council on the latest status of the budget presenting the net proposed changes to the general operating fund budget and one item, the increase in payroll overhead was removed leaving a revised balance of $535,916 or an approximate 1.88% increase in property taxes.

Since the September 14, 2016 meeting, staff have continued to review and analyze the budget trends and the revised budget impacts have an accumulated total of $921,037 for 2017, which represents a 3.22% increase in property taxes.

Appendix A of this report summarizes the changes to the 2017 draft provisional budget including new budget information. At the bottom of Appendix A are impacts to the property tax notice of the averaged assessed home in Mission.

To maintain the current level of services to the residents of Mission, an increase to the budget of $408,105 is required which represents a 1.43% increase to the budget. This increase will affect the property tax notice of the average assessed home in Mission by $25.74.

Increasing the level of services to the residents of Mission totals $647,932 which represents a 2.27% increase to the budget. This increase will affect the property tax notice of the average assessed home in Mission by $40.87.

It should be noted that information on two budget issues will be received by staff by the end of October that could impact the 2017 budget:

- the 2017/2018 budget projections from BC Transit incorporating the costs of the changes that occurred in 2016, and
- the preliminary non-market changes from BC Assessment

SIGNOFFS:

Kerri Onken, Deputy Treasurer/Collector

Reviewed by:
Kris Boland, Director of Finance

Comment from Chief Administrative Officer:
Reviewed

G:\FINANCE\MINUTES\2016\20150909 - Operating\Memo Budget Status 2016 General Operating.docx
## APPENDIX "A"

### General Operating Fund Budget Summary

#### Budget Information Presented September 14, 2016

<table>
<thead>
<tr>
<th>Budget Information Presented September 14, 2016</th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Increases (-) or Decreases (+)</td>
<td>-755,529</td>
<td>-2.64%</td>
</tr>
<tr>
<td>Expenditure/Transfer to Reserve Changes</td>
<td>771,013</td>
<td>2.70%</td>
</tr>
<tr>
<td>Other Budget Increases Approved by Council</td>
<td>584,000</td>
<td>2.04%</td>
</tr>
<tr>
<td>Budget Reductions (includes postponing the one RCMP officer)</td>
<td>-234,468</td>
<td>-0.82%</td>
</tr>
<tr>
<td>Place Holders for Council’s Consideration</td>
<td>251,900</td>
<td>0.88%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$616,916</td>
<td>2.16%</td>
</tr>
</tbody>
</table>

#### New Budget Information

- Building permits and inspections increase in revenue: -$90,700, -0.32%
- Subdivision inspection fees increase in revenue: -$64,075, -0.22%
- Additional revenue from several sources: -$15,574, -0.05%
- Contractual obligations impacts for 2017: $535,000, 1.87%
- Increase in natural gas/hydro and other costs: $20,470, 0.07%

### Subtotal New Information

**Total New Information:** $385,121, 1.35%

#### Net Proposed Changes to General Operating Fund Budget

<table>
<thead>
<tr>
<th>Proposed Changes as Presented at September 14, 2016</th>
<th>Budget Dollars</th>
<th>Potential Tax Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.88% increase in payroll overhead not required</td>
<td>-81,000</td>
<td>-0.28%</td>
</tr>
<tr>
<td><strong>Net Proposed Changes to General Operating Fund Budget Presented at September 14, 2016</strong></td>
<td>$535,916</td>
<td>1.88%</td>
</tr>
</tbody>
</table>

#### Deferred Budget Decisions

- Do not postpone new RCMP Officer by 1 year: $135,000, 0.47%
- Elect not to transfer Debt Servicing cost savings to Reserves: $-230,400, -0.81%

### Estimated $ Impact on Average Tax Notice - using average home value of $414,500 (2016)

<table>
<thead>
<tr>
<th>Net Proposed Changes to General Operating Fund Budget</th>
<th>$ 921,037</th>
<th>$57.97</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Proposed Budget with RCMP Officer Added Back</td>
<td>$1,056,037</td>
<td>$66.61</td>
</tr>
<tr>
<td>Net Proposed Budget with RCMP &amp; Reduced Debt Servicing Costs</td>
<td>$825,637</td>
<td>$52.03</td>
</tr>
</tbody>
</table>
DATE: October 20, 2016
TO: Mayor and Council
FROM: Kerri Onken, Deputy Treasurer/Collector
SUBJECT: Projected 2017 Property Tax, Drainage Levy and Utility User Fees Impact on Average Assessed Home in Mission
ATTACHMENT(S): Appendix A Project 2017 Property Tax & Utilities Impacts on Average Home

This report provides information to the Committee on the approximate dollar impact the various budget recommendations will have on the average assessed home’s property tax notice. This information is to assist the Committee in making 2017 budget decisions, no recommendation accompanies this report, and no action is required.

PURPOSE:
The purpose of this report is to summarize the various 2017 budget recommendations and to provide information on the approximate dollar impact these recommendations will have on the average assessed homes’ 2017 property tax notice.

BACKGROUND:
Over the past seven weeks at the Freestanding Committee of the Whole budget meetings, staff have reported on various 2017 budget issues and recommended potential increases to three 2017 utility user fees and the 2017 property taxes.

DISCUSSION AND ANALYSIS:
Over the past seven weeks at the Freestanding Committee of the Whole budget meetings, staff have reported on the status of the 2017 general operating fund and the 2017 utility operating funds for water, sewer, drainage and waste management. During these meetings, various budget issues were discussed and several recommended potential increases to 2017 utility user fees and property taxes were presented. These include:

- Drainage levy increase of 4.9%
- Water utility user fee of 1%
- Sewer utility user fee of 4%
- General operating budget increase of up to 3.7%, (see separate report on today’s agenda).

Appendix A summarizes these impacts on the averaged assessed home in Mission estimated at $414,500 (2016). For presentation purposes, the highest potential property tax increase of 3.7%, as outlined in a separate report on today’s agenda, is used to show the worst case impact at this time. This would be the information that is presented to the public for input.
FINANCIAL IMPLICATIONS:
The financial implications associated with this report are the potential property tax increases to Mission residences as outlined in Appendix A. The total increase on the 2017 property tax notice of the average assessed home in Mission is estimated at $91.35 which represents an increase estimated at 2.91% for all taxes and utility user fees. Should Council choose an option for the general operating fund that is lower than 3.7%, then the impact to the average assessed home will be lower.

COMMUNICATION:
The dollar impacts from the 2017 budget increases on the local residences’ property taxes will be included in the information provided to the public for the Public Budget Consultation document.

SUMMARY AND CONCLUSION:
Over the past seven weeks at the Freestanding Committee of the Whole budget meetings, staff have reported on the status of the 2017 general operating fund and the 2017 utility operating funds for water, sewer, drainage and waste management.

Appendix A summarizes the 2017 impacts on the averaged assessed home in Mission estimated at $414,500 (2016). For presentation purposes, the highest potential property tax increase of 3.7%, as outlined in a separate report on today’s agenda, is used to show the worst case impact at this time. This would be the information that is presented to the public for input.

SIGN-OFFS:

Kerri Onken, Deputy Treasurer/Collector
Reviewed by:
K. Klassen

Comment from Chief Administrative Officer:
Reviewed
## Appendix "A"
### Projected 2017 Property Tax & Utilities Impacts on Average Home

<table>
<thead>
<tr>
<th>Estimated 2017 Tax Notice Increases on Average Home</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes Only</strong></td>
<td><strong>Drainage Only</strong></td>
</tr>
<tr>
<td>2016</td>
<td>3.70%</td>
</tr>
</tbody>
</table>

### Municipal & Library Property Taxes

1. **Municipal Taxes**
   - 2016: 1,800.31
   - 2017: 1,866.92

2. **Drainage Levy**
   - 2016: 95.89
   - 2017: 100.59

3. **Subtotal Municipal & Library Property Taxes**
   - 2016: 1,979.68
   - 2017: 2,046.29

4. **Increase in Municipal & Library Taxes Only**
   - 2016: 66.61
   - 2017: 4.70

### Flat Rate Municipal Utilities

1. **Water**
   - 2016: 489.00
   - 2017: 489.00

2. **Sewer**
   - 2016: 382.92
   - 2017: 398.16

3. **Refuse**
   - 2016: 165.24
   - 2017: 165.24

4. **Recycling**
   - 2016: 130.08
   - 2017: 130.08

5. **Subtotal Municipal Utilities**
   - 2016: 1,167.24
   - 2017: 1,167.24

6. **Increase in Utility Charges Only**
   - 2016: 20.04
   - 2017: 20.04

### Total Municipal & Utility Charges

   - 2017: 3,213.53
   - 2018: 3,151.62
   - 2019: 3,166.96
   - 2020: 3,238.27

2. **Total Increase on Property Tax Notice in Dollars**
   - 2016: $66.61
   - 2017: $4.70
   - 2018: $20.04
   - 2019: $91.35

3. **Increase in Property Tax Notice as a Percentage**
   - 2016: 2.12%
   - 2017: 0.15%
   - 2018: 0.64%
   - 2019: 2.91%

---

1. Property tax calculation for 2017 subject to change when the assessment values for the 2017 Completed Roll are finalized.
2. The impacts of the Provincial Home Owner Grant is ignored in this example.
3. Using the highest potential tax impact from the October 20, 2016 report entitled "2017 General Operating Fund Draft Budget Status"
RECOMMENDATION: Council consider and resolve:

That $230,400 of debt servicing cost savings that will be realized in 2017 and annually thereafter, resulting from the Municipal Finance Authority of British Columbia refinancing the District’s existing debt issues #95 and #99, be redirected to the Debt Retirement Reserve Fund.

PURPOSE:

The purpose of this report is to advise Council of savings in debt servicing costs due to recent refinancing of the District’s long-term debt issues, and recommend those savings be redirected to the Debt Retirement Reserve Fund.

BACKGROUND:

The term “debt servicing costs” refers to the cash required to make principal and interest payments on debt.

The Municipal Finance Authority of British Columbia (MFA) was created in 1970 to contribute to the financial well-being of local governments throughout BC. The MFA pools the borrowing and investment needs of BC communities through a collective structure and is able to provide a range of low cost and flexible financial services to municipalities equally, regardless of the size of the community.

When required, the District would typically enter into long-term debt for a 20-year period through the MFA. The MFA usually finances these 20-year debt issues through an initial 10-year term, which is then refinanced in five-year increments for the remainder of the term. Depending on prevailing interest rates at the time of any refinancing, debt servicing costs may increase or decrease as a result.

The District currently has three long-term debt issues outstanding:

1. Issue #68: matures in 2018, no further refinancing will occur;
2. Issue #95: matures in 2025, and was refinanced in October, 2015; and
3. Issue #99: matures in 2026, and is due to be refinanced in October, 2016.

DISCUSSION AND ANALYSIS:

Issue #95

In 2005, the District borrowed $3 million over 20 years at an interest rate of 4.17% through MFA debt issue #95, to provide funding towards the redevelopment of the leisure centre, sports park, and water park. As is typical with a 20-year debt issue, the MFA finances this with an initial 10-year interest rate, and refinances it in five-year increments at years 10 and 15 based on prevailing interest rates at that time.
Issue #95 was refinanced in October 2015 at a rate of 1.80%, in the midst of the District’s 2016 budget discussions. Unfortunately the details of the refinancing weren’t known in time to be incorporated into the 2016 financial plan. The following table shows the changes that occurred as a result of refinancing and the resulting savings to the District:

<table>
<thead>
<tr>
<th>Term</th>
<th>Interest Rate</th>
<th>Annual Debt Servicing Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2005 to October 2015</td>
<td>4.17%</td>
<td>$225,845</td>
</tr>
<tr>
<td>October 2015 to October 2020</td>
<td>1.80%</td>
<td>$164,285</td>
</tr>
<tr>
<td>Savings as a result of refinancing</td>
<td></td>
<td>$61,560</td>
</tr>
</tbody>
</table>

Issue #99

In 2006, the District borrowed $6.3 million over 20 years at an interest rate of 4.43% through MFA debt issue #99, to provide funding towards the redevelopment of the leisure centre, sports park, and water park. Issue #99 is due to be refinanced in October 2016. MFA has confirmed they have already secured a rate of 1.75% for the upcoming refinancing, as they worked to secure that rate throughout the spring and summer.

The following table shows the changes that will occur as a result of refinancing, and the resulting savings to the District:

<table>
<thead>
<tr>
<th>Term</th>
<th>Interest Rate</th>
<th>Annual Debt Servicing Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2006 to October 2016</td>
<td>4.43%</td>
<td>$490,655</td>
</tr>
<tr>
<td>October 2016 to October 2021</td>
<td>1.75%</td>
<td>$321,815</td>
</tr>
<tr>
<td>Savings as a result of refinancing</td>
<td></td>
<td>$168,840</td>
</tr>
</tbody>
</table>

Future Considerations – Issue #68

Debt issue #68 will mature in March 2018. The District borrowed $1.7 million through this debt issue in 1998, to provide funding towards the construction of Fire Station #1 and the Emergency Operations Centre. No further refinancing of this debt issue will occur, as the existing interest rate of 4.65% is committed until maturity in 2018.

The current annual budget for debt servicing payments for issue #68 is $130,462. A partial payment of $90,937 is due upon maturity in 2018, meaning $39,525 of the existing budget in 2018 will no longer be required to service this debt (i.e. $130,462 – 90,937). For 2019 and beyond, the full budget of $130,462 will no longer be required.

COUNCIL GOALS/OBJECTIVES:

The recommendations put forward in this report support Council’s values of sustainability and future-focused planning, Council’s core objective of excellence in financial management and planning, and two of Council’s goals, which are:

1. Securing our finances, assets and core infrastructure; and
2. Planning for the future.

More specifically, the recommendations in this report are designed to provide a portion of the funding towards the imminent need to replace or expand certain municipal facilities that are at or near capacity, as noted in the strategic action as strategy 4.3, “to develop a plan for facility replacement and expansion” from Council’s 2016-2018 Strategic Plan.
FINANCIAL IMPLICATIONS:

Due to the favourable interest rates upon refinancing debt issues #95 and #99, as well as the upcoming maturity of issue #68, the District will see considerable savings in debt servicing costs in the coming years.

The following table shows the cumulative effect of these savings over the next five years:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>#68</td>
<td>$</td>
<td>-</td>
<td>$39,525</td>
<td>$130,462</td>
<td>$130,462</td>
<td>$130,462</td>
</tr>
<tr>
<td>#95</td>
<td>61,560</td>
<td>61,560</td>
<td>61,560</td>
<td>61,560</td>
<td>61,560</td>
<td>307,800</td>
</tr>
<tr>
<td>Total Savings</td>
<td>$230,400</td>
<td>$269,925</td>
<td>$360,862</td>
<td>$360,862</td>
<td>$360,862</td>
<td>$1,582,911</td>
</tr>
</tbody>
</table>

Note: 2021 savings for issue #95 depends on refinancing, which is scheduled to occur October, 2020.

Staff recommends that these savings be re-directed to the Debt Retirement Reserve Fund. The current balance in the Debt Retirement Reserve Fund is approximately $10,000. The benefits of transferring these savings to this reserve include:

- Almost $1.6 million would accumulate in the reserve over the next 5 years;
  - Could be used to take advantage of future early debt retirement opportunities, thereby saving debt interest costs; or
  - Could be transferred to another reserve to provide funding towards future capital projects;

- The amount that is transferred annually into the reserve could later be re-directed towards debt servicing costs of a future debt issue, without the need to raise property taxes;
  - At current interest rates, the $360,862 annual transfer that could be achieved by 2019 could fund debt servicing payments on approximately $6 million of new debt without the need to increase property taxes (note that there are a number of assumptions included here, such as the term of the debt, prevailing interest rates at the time the debt is entered into, and prevailing interest rates at the time of any refinancing that occurs over the term of the debt);

- Depending on the timing of any new debt issue, both of the benefits noted above could be realized;
  - For example, if new debt was issued in 2021, the District could borrow approximately $6 million, plus would have approximately $1.6 million in the reserve, for a total of $7.6 million towards capital projects without any need to increase property taxes.

Again, it should be stressed that there are a number of assumptions included above when estimating the amount of debt that may be serviced in the future through the recommended transfer, and most importantly that prevailing interest rates at the time of entering into debt could affect the amount that could be achieved without the need to raise property taxes.

COMMUNICATION:

No communication action is required.
SUMMARY AND CONCLUSION:
The District has realized significant savings in debt servicing costs as a result of the MFA refinancing existing debt issues #95 and #99. Staff recommends these savings be re-directed to the Debt Retirement Reserve Fund, which will allow funds to accumulate in that reserve, as well as provide an amount that can be used to fund debt servicing costs on a future debt issue without the need to increase property taxes.

SIGN-OFFS:

Kris Boland, Director of Finance

Reviewed by:
Kerri Onken, Deputy Treasurer/Collector

Reviewed by:
Scott Ross, Manager of Accounting Services