

THE CITY OF GRAND FORKS REQUEST FOR COUNCIL DECISION

DATE : **January 24, 2011**

TOPIC : **Bylaw 1907 – City of Grand Forks 2011 – 2015 Financial Plan Bylaw**

PROPOSAL : **Final Reading**

PROPOSED BY : **Chief Financial Officer**

SUMMARY:

During the fall of 2010, Staff began work on the Financial and Services Plan for 2011 – 2015. A budget policy was adopted in September 2010. All departments, department heads and coordinators had direct input into the plan. Staff began with the formulation of a work plan that listed all of the operational activities carried on by Staff, and then assigned the appropriate number of hours against each activity. To ensure accuracy of the plan each employee's hours and benefits were calculated and compared to this plan. A capital plan was also developed by the engineering firm of KWL for the General Fund, the Water Fund, the Sewer Fund. Further, the plan was finalized with the direct input of Council after Council had considered the feedback and input from to public presentations.

At Regular Meeting of Council on December 20, 2010 Council gave two readings to Bylaw No. 1907, City of Grand Forks 2011 – 2015 Financial Plan Bylaw. On January 17, 2011, Council read the bylaw for a third time. It is therefore presented at this time for final reading.

STAFF RECOMMENDATIONS:

Council gives final reading to Bylaw No. 1907.

OPTIONS AND ALTERNATIVES;

No specific options are given due to the fact that the adoption of the annual Financial Plan is a requirement under the Community Charter

BENEFITS, DISADVANTAGES AND NEGATIVE IMPACTS:

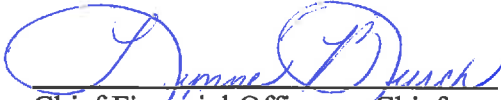
The benefit of a balanced budget is that it allows Council to undertake the services that are required to run the municipality.

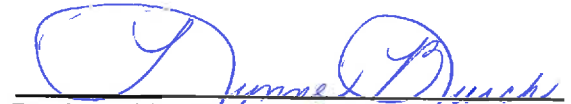
COSTS AND BUDGET IMPACTS – REVENUE GENERATION:

The 2011 – 2015 Five Year Financial Plan includes all intended expenses of the municipality, and the sources of revenue, including property taxes, fees, charges, reserve funds, and grants, that will be required to undertake the services included in the plan.

LEGISLATIVE IMPACTS, PRECEDENTS, POLICIES:

Section 165 of the Community Charter requires that a municipality must have a financial plan that is adopted annually, by bylaw, before the annual property tax bylaw is adopted.


Chief Financial Officer or Chief
Administrative Officer


Reviewed by Chief Administrative Officer

THE CORPORATION OF THE CITY OF GRAND FORKS

BYLAW NO. 1907

**A Bylaw to Establish the Five Year Financial Plan
For the Years 2011 - 2015**

WHEREAS the Community Charter requires that Council adopt a Five Year Financial Plan annually before the adoption of the annual property tax bylaw;

NOW THEREFORE Council for the Corporation of the City of Grand Forks, in open meeting assembled, **ENACTS**, as follows:

1. Appendix "A" attached hereto and made part of this Bylaw is hereby declared to be the Five Year Financial Plan of the Corporation of the City of Grand Forks for the Years 2011 to 2015.
2. This Bylaw may be cited, for all purposes, as the "**Year 2011 – 2015 Financial Plan Bylaw**".

Read a **FIRST** time this 20th day of December, 2010.

Read a **SECOND** time this 20th day of December, 2010

Read a **THIRD** time this 17th day of January, 2011

FINALLY ADOPTED this 31st day of January, 2011

Mayor Brian Taylor

Corporate Officer Diane Heinrich

C E R T I F I C A T E

I hereby certify the foregoing to be a true and correct copy of Bylaw No. 1907, as adopted by the Municipal Council of the City of Grand Forks on this 31st day of January, 2011.

Corporate Officer of the Municipal Council of the
City of Grand Forks

City of Grand Forks
Appendix "A" to Bylaw 1907
Consolidated 5 Year Financial Plan 2011 - 2015

	2011	2012	2013	2014	2015
Revenue					
Property Taxes , Grants in lieu & Franchise Fees	\$ 2,514,400	\$ 2,674,100	\$ 2,828,800	\$ 2,984,000	\$ 3,148,300
Parcel Taxes	286,300	441,600	593,800	758,700	924,700
User Levies	1,573,600	1,644,400	1,721,800	1,802,800	1,887,500
Fees and charges	4,000,400	4,501,800	4,981,300	5,513,400	6,104,000
Grants and Other	1,471,300	1,073,500	1,035,800	1,038,100	1,040,400
Total Revenues	<u>9,846,000</u>	<u>10,335,400</u>	<u>11,161,500</u>	<u>12,097,000</u>	<u>13,102,900</u>
Expenses					
Cost of Sales	2,750,800	3,108,400	3,512,500	3,989,200	4,485,200
Operating	6,674,750	6,417,400	6,388,500	6,601,700	6,784,600
Debt interest	271,800	401,400	521,700	646,500	772,200
Amortization	1,500,000	1,571,000	1,645,000	1,716,000	1,795,000
Total Operating Expenses	<u>11,197,350</u>	<u>11,498,200</u>	<u>12,067,700</u>	<u>12,933,400</u>	<u>13,817,000</u>
Net Revenue (loss)	\$ (1,351,350)	\$ (1,162,800)	\$ (906,200)	\$ (836,400)	\$ (714,100)
Allocations					
Debt proceeds	1,470,000	2,284,800	2,130,900	2,159,900	2,430,100
Capital expenditures	(2,653,500)	(2,484,900)	(2,585,900)	(2,484,900)	(2,780,100)
Debt principal repayment	(251,900)	(316,700)	(376,700)	(439,100)	(502,100)
Transfers from (to) reserves / surplus	1,286,750	108,500	92,900	(115,500)	(228,800)
Reserve fund in excess of amortization	1,500,000	1,571,000	1,645,000	1,716,000	1,795,000
Financial Plan Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Grand Forks
Appendix B to Bylaw 1907
Consolidated 5 Year Financial Plan 2011 - 2015
Revenues, Property Taxes and Exemptions**

In accordance with Section 165 (3.1) of the Community Charter, The City of Grand Forks is required to include in the Five Year financial Plan Bylaw, objectives and polices regarding each of the following:

- the proportion of total revenue that comes from each of the funding sources described in Section 165(7) of the Community Charter;
- the distribution of property taxes among the property classes; and
- the use of permissive tax exemptions.

Sources of Revenue

Revenue source	% of Total 2011 Revenue
Property Taxes , Grants in lieu & Franchise Fees	25.5%
Parcel Taxes	2.9%
User Levies	16.0%
Fees and charges	40.6%
Grants and Other	14.9%

Objective

For operations, to initially restrict tax revenue increases and maintain subsequent annual increases to a level that approximates the annual increase in inflation unless a specific program or project is identified that requires tax revenue funding. For capital and fiscal, to review and address annually the long term needs for capital infrastructure while ensuring a sustainable debt to equity ratio.

Policies

- The City will review the fees/charges annually to ensure that they keep pace with changes in the cost-of-living, as well as, changes in the methods or levels of service delivery.
- The City will encourage the use of alternate revenue resources instead of property taxes.
- User fees will be set to recover the full cost of services except where Council determines that a subsidy is in the general public interest.

Distribution of Property Tax Rates

In establishing property tax rates, Council will take into consideration:

- The amount of property taxes levied as compared to other municipalities.
- The property class conversion ratio as compared to other municipalities.
- The tax share borne by each property class
- The tax ratios of each property classification

**City of Grand Forks
Appendix B to Bylaw 1907
Consolidated 5 Year Financial Plan 2011 - 2015
Revenues, Property Taxes and Exemptions**

The City will receive the Revised Assessment Roll for 2011 in April and will set the property tax rates based on the assessment before May 15, 2011. The 2011 distribution of property tax rates amongst all the property classifications will not be known until then.

The distribution for 2010 were as follows:

Property Class	% of General Revenue Taxation
Residential	50.93%
Utility	1.64%
Major Industry	21.01%
Light Industry	1.27%
Business and Other	25.10%
Recreation / Non-profit	0.02%
Farm	0.04%

Objective

To ensure equity among property classes by reviewing the ratios of property class allocations annually. In 2009 the industry tax ratio was lowered to 17.06 from 20.52. In 2010, the industry ratio was further lowered to 14.18. The objective is to consider lowering it further in 2011.

Policies

- The City will review and set tax rates and shift each property classification's tax share annually until such time as Council deems the property classifications' share to be equitable.

Permissive Tax Exemptions

In guiding and approving permissive tax exemptions, Council will take into consideration:

- Not-for-profit occupiers of City property for the duration of their occupancy.
- Land and improvements surrounding a statutorily exempt building for public worship.

Objective

To optimize the provision of charitable and not for profit services for the benefit of Grand Forks residents, to provide property tax exemptions as permitted under the Community Charter in a consistent and fair manner, to restrict provision of exemption to those providing an extension to city services and to reduce the impact to city revenues.

Policies

Grand Forks residents must be primary beneficiaries of the organization's services and the services provided must be accessible to the public.

**City of Grand Forks
Five Year Plan 2011 to 2015
Operations Summary
Supporting Schedule A**

	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan
Consolidated						
Revenue	\$ 8,798,600	\$ 9,406,000	\$ 10,295,400	\$ 11,161,500	\$ 12,097,000	\$ 13,102,900
Expenditure						
Cost of Sales	2,510,500	2,750,800	3,108,400	3,512,500	3,959,200	4,485,200
Operations Expense - Net of Recove	5,829,900	6,674,750	6,417,400	6,388,500	6,601,700	6,764,600
Debt Interest	155,200	271,800	401,400	521,700	646,500	772,200
Debt Principal	259,700	251,900	316,700	376,700	439,100	502,100
Total Operations & Fiscal Expense	8,755,300	9,949,250	10,243,900	10,799,400	11,656,500	12,524,100
Net Surplus (Deficit) from Operations before Amortization	43,300	(543,250)	51,500	362,100	440,500	578,800
Add: Debt Principal		251,900	316,700	376,700	439,100	502,100
Less: Amortization		(1,500,000)	(1,571,000)	(1,845,000)	(1,716,000)	(1,795,000)
Net Revenue (Loss) from Operations		\$ (1,791,350)	\$ (1,202,800)	\$ (906,200)	\$ (836,400)	\$ (714,100)
Add: Capital Government grants, DCC's & Gas Tax & Other		440,000	40,000	-	-	-
Net Revenue (Loss)		\$ (1,351,350)	\$ (1,162,800)	\$ (906,200)	\$ (836,400)	\$ (714,100)

**City of Grand Forks
Five Year Plan 2011 to 2015
Operations Summary
Supporting Schedule A**

	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan
General						
Revenue	\$ 3,820,800	\$ 3,848,000	\$ 4,124,600	\$ 4,297,900	\$ 4,472,400	\$ 4,655,000
Airport Cost of Sales	83,400	63,000	71,200	80,500	91,000	102,800
Operations Expense	3,724,100	3,781,800	3,890,300	3,995,700	4,110,900	4,221,600
Community Support	195,000	256,000	135,300	135,300	135,300	135,300
Studies & Planning	-	160,000	50,000	-	-	-
Minor Capital Program	-	85,000	210,000	220,000	220,000	220,000
Debt Interest	59,400	126,300	155,500	178,800	198,000	217,900
Debt Principal	98,300	79,600	94,700	106,200	115,900	125,900
Total Operations & Fiscal Expenses	4,180,200	4,560,700	4,607,000	4,716,300	4,871,100	5,023,500
Surplus (Deficit) before Contributions, Electrical Rebates & Stat Reserves	(359,400)	(712,700)	(482,400)	(418,400)	(398,700)	(368,500)
Plus Contributions from Electrical	359,700	384,900	405,700	427,600	450,700	475,000
Net Surplus (Deficit)	\$ 20,300	\$ (217,800)	\$ (78,700)	\$ 9,200	\$ 52,000	\$ 106,500
Electrical						
Revenue	\$ 3,518,100	\$ 3,682,500	\$ 4,383,000	\$ 4,861,600	\$ 5,382,800	\$ 5,982,400
Expenditure	-	-	-	-	-	-
Cost of Sales	2,427,100	2,687,800	3,037,200	3,432,000	3,878,200	4,382,400
Operations Expense	731,300	783,800	773,800	715,100	698,500	673,100
Expenditure	3,158,400	3,471,600	3,811,000	4,147,100	4,574,700	5,055,500
Surplus (Deficit) before Contributions to General	359,700	210,900	572,000	714,500	808,100	926,900
Contributions to General	359,700	384,900	405,700	427,600	450,700	475,000
Net Surplus (Deficit)	\$ -	\$ 26,000	\$ 167,300	\$ 286,900	\$ 357,400	\$ 451,900

**City of Grand Forks
Five Year Plan 2011 to 2015
Operations Summary
Supporting Schedule A**

	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan
Water						
Revenue	\$ 680,600	\$ 719,500	\$ 846,000	\$ 991,400	\$ 1,063,400	\$ 1,218,300
Operations Expense	707,600	690,200	667,800	688,300	780,300	814,800
Studies & Planning	-	275,000	50,000	-	-	-
Debt Interest	-	7,800	71,000	145,100	182,500	247,400
Debt Principal	-	3,900	35,500	72,500	91,200	123,700
Total Operations & Fiscal Expense	707,600	976,900	824,300	905,800	1,034,000	1,185,900
Net Surplus (Deficit)	\$ (27,000)	\$ (257,400)	\$ 21,700	\$ 85,600	\$ 48,400	\$ 32,400

Sewer						
Revenue	\$ 779,100	\$ 856,000	\$ 941,900	\$ 1,010,600	\$ 1,148,400	\$ 1,247,200
Operations Expense	648,400	644,800	690,800	713,700	737,200	762,300
Studies & Planning	-	105,000	50,000	-	-	-
Minor Capital Program	-	50,000	75,000	100,000	125,000	125,000
Debt Interest	61,900	104,800	141,000	164,100	232,100	273,000
Debt Principal	38,900	45,900	64,000	75,500	108,500	130,000
Total Operations & Fiscal Expense	749,200	960,500	1,020,800	1,063,300	1,283,800	1,290,300
Net Surplus (Deficit)	\$ 29,900	\$ (84,500)	\$ (79,000)	\$ (42,700)	\$ (55,400)	\$ (43,100)

Equipment						
Recoveries	\$ 506,200	\$ 488,300	\$ 494,500	\$ 502,700	\$ 510,800	\$ 519,200
Operations Expense	328,700	329,450	318,900	323,100	327,400	331,700
Net Recoveries	176,500	158,850	175,600	179,600	183,500	187,500
Debt Interest	33,900	33,900	33,900	33,900	33,900	33,900
Debt Principal	122,500	122,500	122,500	122,500	122,500	122,500
Net Surplus (Deficit)	\$ 20,100	\$ 480	\$ 19,200	\$ 23,200	\$ 27,100	\$ 31,100

City of Grand Forks
Supporting Schedule B
Consolidated 5 Year Financial Plan 2011 -2015

	% of 2011 Total funding	2,011 \$	2,012 \$	2,013 \$	2,014 \$	2,015 \$
FUNDING SOURCES BEFORE TRANSFERS FROM RESERVES / SURPLUS						
Property Tax Levies, Grants in lieu & Franchise Fees	19.96%	2,514,400	2,874,100	2,928,800	2,984,000	3,146,300
Parcel Taxes						
Parcel Taxes - General	0.98%	123,900	130,100	136,800	143,400	150,600
Parcel Taxes - Water	0.09%	11,700	106,500	217,600	273,700	371,100
Parcel Taxes - Sewer	1.20%	150,700	205,000	239,600	341,600	403,000
Total Parcel Taxes	2.27%	286,300	441,600	593,800	758,700	924,700
User Levies						
Water User Levies	5.58%	702,900	734,600	766,900	804,800	842,300
Sewer Levies	5.56%	701,300	732,800	767,000	802,800	840,200
Solid Waste Levies	1.34%	169,400	177,000	185,900	195,200	205,000
Total User Levies	12.49%	1,573,600	1,644,400	1,721,800	1,802,800	1,887,500
Fees and charges						
General - sales of service	0.88%	109,000	109,900	110,800	111,700	112,700
Water - other fees and charges	0.04%	4,900	4,900	4,900	4,900	4,900
Sewer - other fees and charges	0.03%	4,000	4,000	4,000	4,000	4,000
Electrical Fees	30.70%	3,868,500	4,389,000	4,847,600	5,378,800	5,968,400
Electrical - other fees and charges	0.11%	14,000	14,000	14,000	14,000	14,000
Total Fees and Charges	31.74%	4,000,400	4,501,800	4,981,300	5,513,400	6,104,000
Other sources						
General Operating	8.18%	1,031,300	1,033,500	1,035,800	1,038,100	1,040,400
Total Operating Revenue		9,406,000	10,295,400	11,161,500	12,097,000	13,102,900
Capital Government grants, DCC's & Gas	3.49%	440,000	40,000	-	-	-
Total Revenue	78.13%	8,846,000	10,335,400	11,161,500	12,097,000	13,102,900
Debt proceeds						
General	9.28%	1,170,000	503,300	384,300	323,300	331,700
Water	1.03%	130,000	1,053,300	1,234,300	623,300	1,081,700
Sewer	1.03%	130,000	603,300	384,300	1,133,300	681,700
Equipment	0.32%	40,000	125,000	128,000	80,000	335,000
Total Debt Proceeds	11.66%	1,470,000	2,284,900	2,130,900	2,159,900	2,430,100
TOTAL FUNDING SOURCES BEFORE TRANSFERS FROM RESERVES / SURPLUS	89.79%	11,316,000	12,620,300	13,292,400	14,256,900	15,533,000

City of Grand Forks
Supporting Schedule B
Consolidated 5 Year Financial Plan 2011 -2015

EXPENDITURES	% of 2011 Total funding	\$ 2,011	\$ 2,012	\$ 2,013	\$ 2,014	\$ 2,015
Cost of Sales						
General	0.50%	63,000	71,200	80,500	91,000	102,800
Electrical	21.33%	2,667,800	3,037,200	3,432,000	3,878,200	4,382,400
Total Cost of Sales	21.83%	2,760,800	3,108,400	3,512,500	3,969,200	4,485,200
Operating Expenses						
General	33.98%	4,282,800	4,285,600	4,351,000	4,466,200	4,576,800
Water Utility	7.68%	965,200	717,800	688,300	760,300	814,800
Sewer Utility	8.35%	799,800	815,800	813,700	882,200	887,300
Electric Utility	6.22%	783,800	773,800	715,100	686,500	673,100
Equipment net recoveries	-1.24%	(166,850)	(175,600)	(179,600)	(183,500)	(187,500)
Total Operating Expenses	52.96%	6,674,780	6,417,400	6,386,600	6,601,700	6,764,600
Debt Interest						
Debt interest - General	0.99%	125,300	155,500	178,600	198,000	217,800
Debt interest - Water	0.06%	7,800	71,000	145,100	182,500	247,400
Debt interest - Sewer	0.83%	104,800	141,000	164,100	232,100	273,000
Debt interest - Equipment	0.27%	33,900	33,900	33,900	33,900	33,900
Total Debt Interest expense	2.16%	271,800	401,400	521,700	646,500	772,200
Capital expenditures						
General	14.95%	1,884,500	563,300	384,300	323,300	331,700
Water	1.35%	170,000	1,053,300	1,234,300	623,300	1,081,700
Sewer	1.35%	170,000	603,300	384,300	384,300	681,700
Electrical	0.71%	90,000	150,000	375,000	325,000	350,000
Equipment	2.69%	339,000	125,000	208,000	80,000	335,000
Total Capital Expenditures	21.05%	2,863,500	2,484,900	2,585,900	2,484,900	2,790,100
Debt principal repayment						
Debt principal repayment - General	0.83%	79,600	94,700	106,200	116,900	125,900
Debt principal repayment - Water	0.03%	3,900	35,500	72,500	91,200	123,700
Debt principal repayment - Sewer	0.36%	45,800	64,000	75,500	109,500	130,000
Debt principal repayment - Equipment	0.97%	122,500	122,500	122,500	122,500	122,500
Total Debt principal repayment	2.00%	261,900	316,700	376,700	439,100	502,100
TOTAL EXPENDITURES	100.00%	12,802,750	12,728,800	13,385,300	14,141,400	15,304,200
NET TRANSFER FROM (TO) RESERVES and SURPLUS	10.21%	1,286,760	108,800	92,900	(115,600)	(228,800)