

Bowen Island Municipality

2021 Budget Development

Staff Budget Development

Staff began the Budget process for 2021 in September. Each department compared actual spending over the past few years to each Budget provision and estimated what Budget provisions will be required for each of the next five years. Staff first looked for opportunities to reallocate existing Budget provisions as a potential funding source and looked at property taxation funding as a last resort.

Each department made Budget requests according to the service levels expected as per Council-approved Municipal plans and policies such as the Parks Plan, Financial Guiding Principles for Planning and Budget Decision Making policy, the Staff Compensation Policy, the Island Plan, the Hazard, Risk and Vulnerability Assessment and the Emergency Management Plan.

The Finance Department compiled and analyzed the impact of these requests on the Municipality as a whole. Staff reviewed 2021 and outer year Budget pressures for both the Program Operating Budget and the project Budget with the Finance Advisory Committee (FAC) in November. Subsequently, additional funding requests for the Program Operating Budget were prioritized by creating four scenarios to illustrate which Budget pressures could be addressed within the constraints of alternative tax levy increases. Project requests requiring funding from Reserves, were prioritized based on risk and available funding in Reserves. These scenarios, along with a staff recommendation for a proposed 2021 Budget were presented to Council at a Committee of the Whole meeting on December 7, 2020.

Finance Advisory Committee Review

The Finance Advisory Committee (FAC) reviewed the proposed Budget, provided feedback to the Finance Department and made recommendations to Council. This included advising Council

to direct staff to prioritize within the constraints of available funding. You can read the complete FAC recommendation with respect to the 2021 Program Operating and project Budgets [HERE](#). Prioritization of Operating Budget requests was based on first addressing inflationary increases, then those if left unaddressed that would result in a reduction to service levels and subsequently those that would result in increased service levels.

Prioritization of Capital Budget requests was based on the risk of disruption to services that could result from failure of assets, safety concerns and potential liability exposure. Renewal and replacement of assets that could not be included in the year requested were deferred or pushed out to a later year.

You can read the staff reports presented to the Finance Advisory Committee and watch the recording of the meeting in the links, below.

- [FAC Meeting - October 28, 2020](#)
- [FAC Meeting - November 10, 2020](#)

The status of the General Fund statutory Reserve balances and infrastructure funding needs for the next five years was reviewed with the FAC. Both the General Fund Reserve balances and the annual contribution to Reserves are not adequate to address the long-term infrastructure maintenance and renewal needs of the Municipality.

In 2010, Council approved a 1.5% annual tax levy increase dedicated to address the infrastructure renewal and replacement funding gap. 2020 was the final year for implementation of this policy-based increase.

The FAC recommended that the contribution to the Capital Renewal and Replacement Reserve be increased annually from 1.5% to a 2% tax levy increase effective 2021 through to 2025. This represents a \$114,200 increase in the tax levy for 2021.

Council Workshop

A workshop was held with Council in December to introduce the 2021 General Fund Operating and Capital Budget pressures and to propose a Budget alternative with which to proceed to

public consultation with the community. Feedback from this workshop is incorporated into the proposed Budget.

You can read the reports presented to Council on December 7, 2020, and watch the video recording below.

- [Staff Report - Statutory Reserves](#)
- [Presentation Slides - Statutory Reserves](#)
- [Staff Report - Draft Financial Plan](#)
- [Presentation Slides - Draft Financial Plan](#)



Public Consultation

Welcome to the 2021 Budget Consultation. Bowen Island Municipality is sharing proposed Budget information with the community through the Citizenlab platform. Alternatively, you can download a PDF of the information below, or request a paper copy from Municipal Hall.

We encourage you to provide your feedback on the information presented below by:

- Posting your comments and ideas in Citizenlab
- Email your feedback to Budget@bimbc.ca
- Fill out a Budget feedback form, available at Municipal Hall

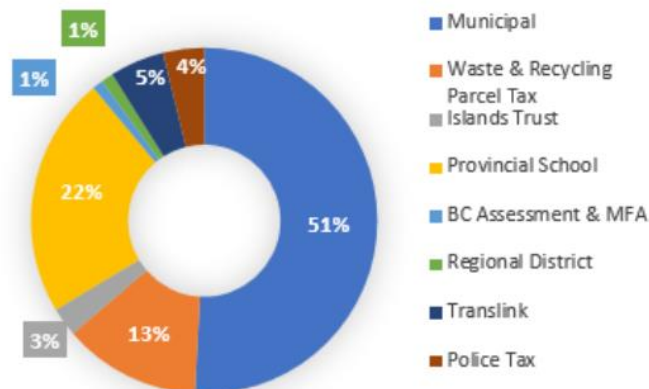
A virtual Public Open House will be held using Zoom on January 14 to present the 2021 Budget and to provide an opportunity for members of the public to ask questions and provide feedback. All feedback received will be compiled and shared with Council for deliberation of the 2021 to 2025 Financial Plan.

The proposed 2021 Budget

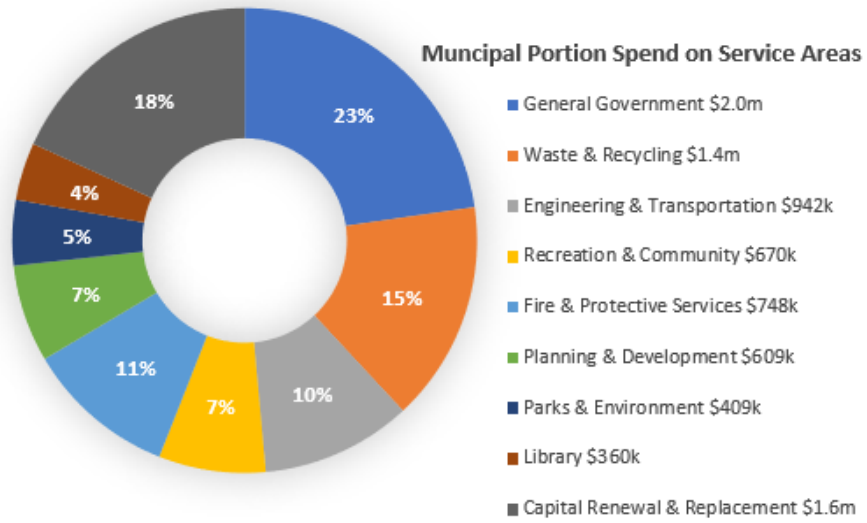
Bowen Island Municipality collects property taxes to pay for the services we provide to the community. We try to keep taxes down as much as possible by looking for funding opportunities such as grants, user fees and other non-taxation funding before resorting to an increase in property tax rates.

The Municipality is required by legislation to collect taxes on behalf of other taxing authorities, such as Metro Vancouver, Islands Trust and Translink. Only about 51% of the taxes on your property tax bill go to the Municipality to pay for the services provided to the community. The remaining 49% is collected on behalf of other taxing authorities. The Municipality has no control over the tax rates charged by other taxing authorities.

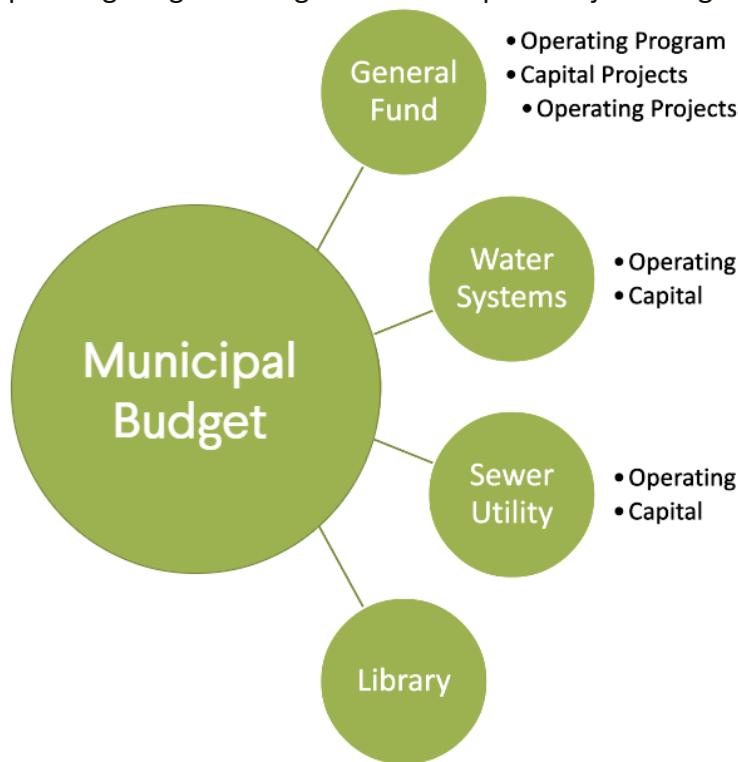
2020 Breakdown of Tax Bill



Proposed 2021 Budget

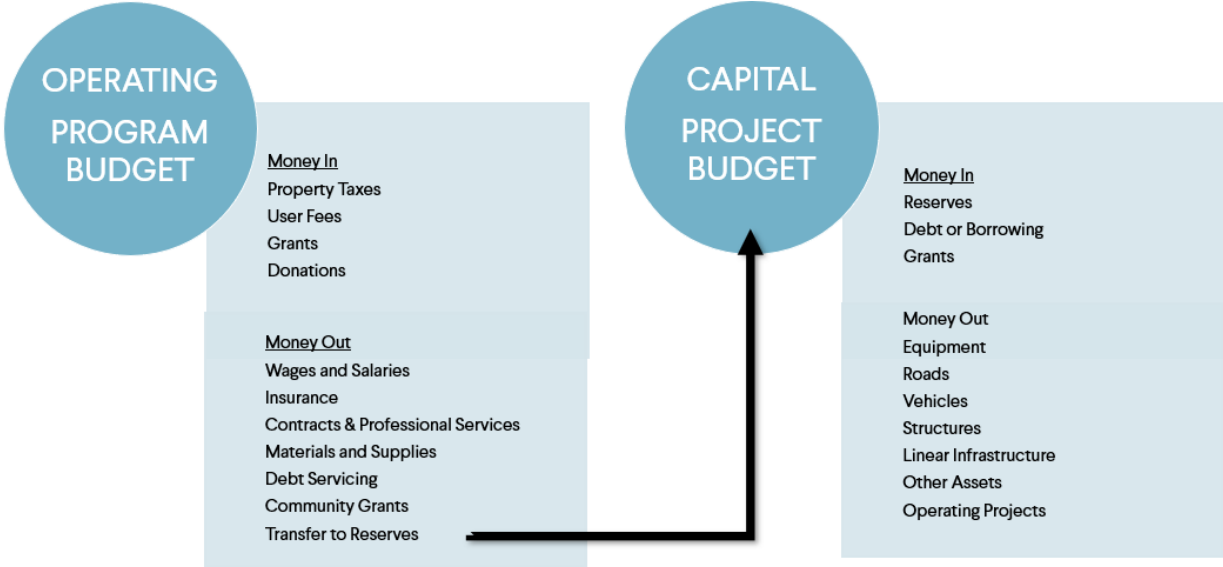


The Municipal Budget has three main components: The General Fund, Water System Funds, and the Sewer Fund. Each fund contains both an Operating and Capital Budget. These are the Operating Program Budget and the Capital Project Budget.



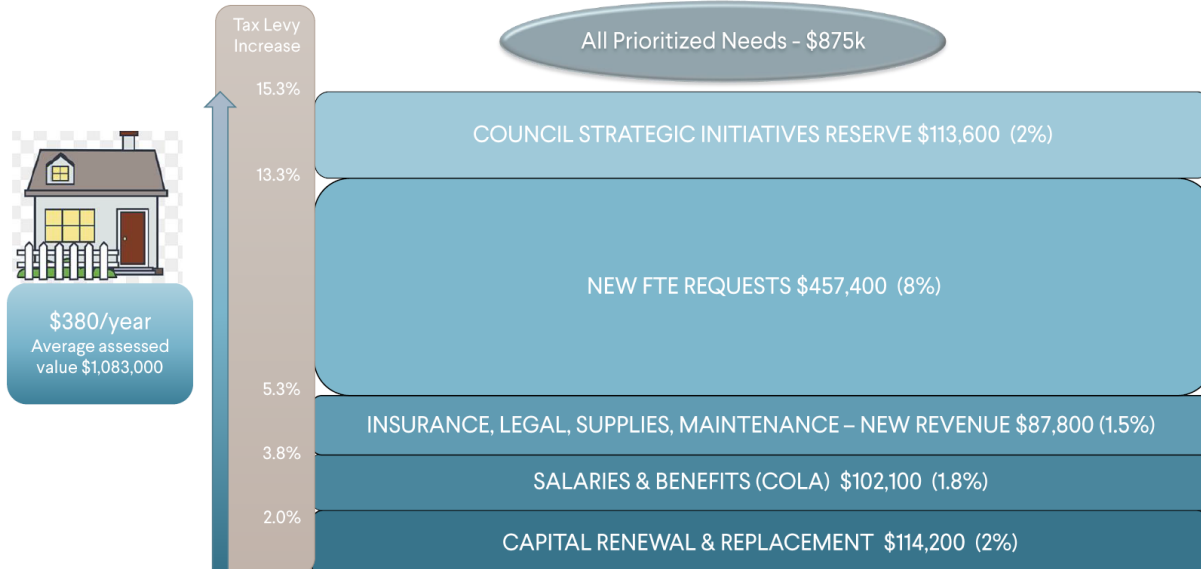
The Operating Program Budget funds the day-to-day expenditures of the Municipality such as salaries, supplies and services, professional services, contractor services, maintenance, utility costs, and insurance and legal fees. The Operating Program Budget also provides for an annual contribution to Reserves. Property taxation is the largest funding source for ongoing expenditures.

The Capital & Project Budget is mostly made up of Capital Projects, but also includes Operating Projects. Projects are different from Programs because they have a distinct beginning and end, and represent a one-time funding requirement. The most typical Municipal funding source for Projects is Reserves. The majority of Capital Project requests are for the renewal and replacement of existing assets.



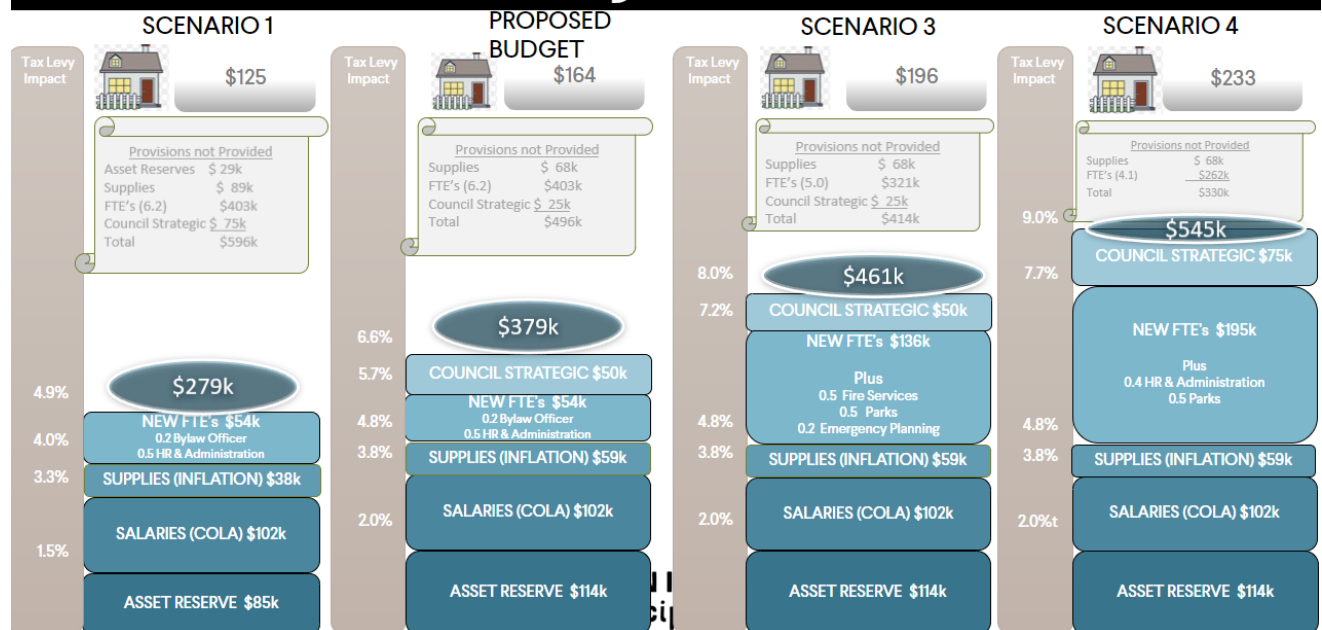
Addressing all the anticipated Operating Program expenditure needs for 2021 would require a tax levy increase of \$875,100 (15.3%) - not exactly what Bowen taxpayers want to see on their property tax bill.

OPERATING BUDGET PRESSURE 2021



This is not what the Municipality wants to see for the community either, so staff went back to the drawing board to bring you the scenarios below, which have lower impacts on the tax levy increase.

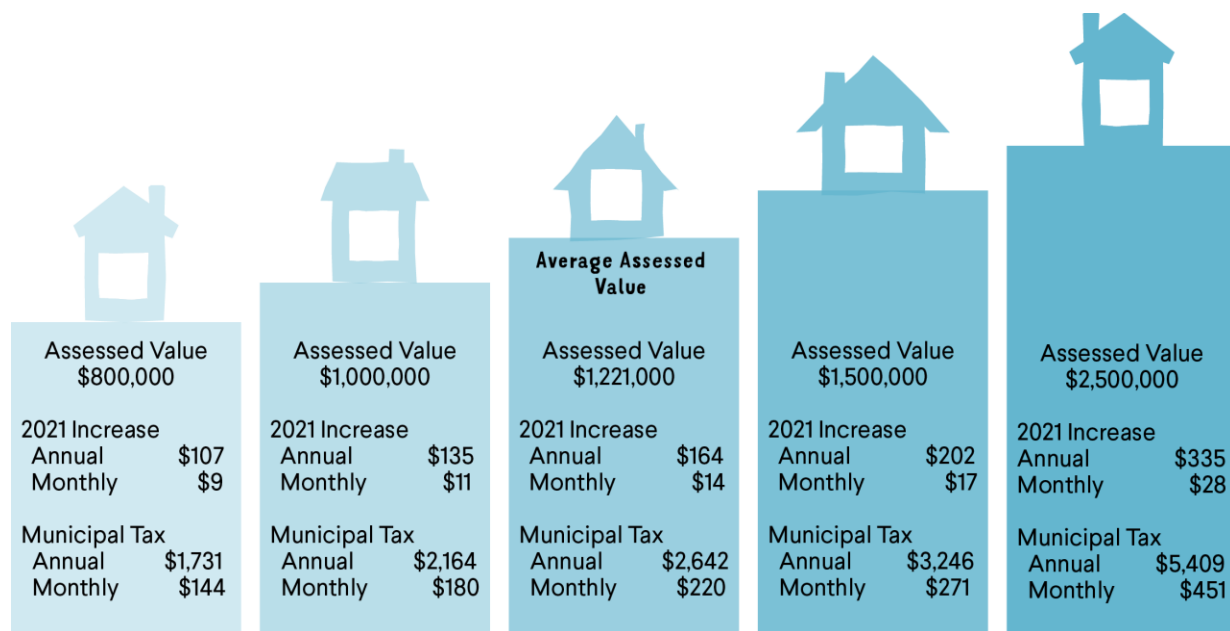
Tax Levy Scenarios



Staff are proposing a Budget for 2021 based on Scenario 2 that would require a tax levy increase of \$379,200, or 6.6%.

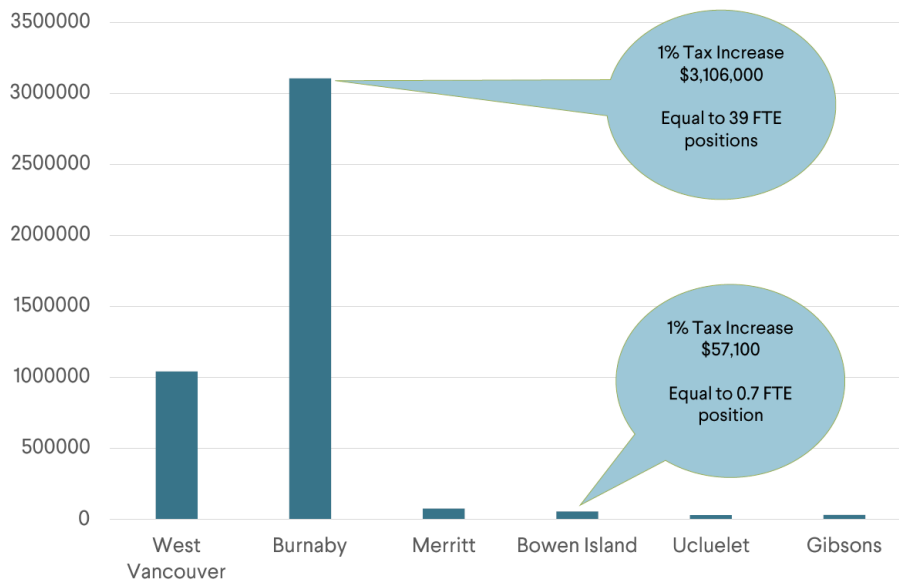
- \$114,200 contribution to the Capital Renewal and Replacement Reserve
- \$102,000 for cost-of-living increase to salaries and wages
- \$59,000 for rising costs of insurance, legal fees, supplies and maintenance, and additional requirements for training and safety supplies in fire and protective services
- \$54,000 for new staff resources
- \$50,000 for a new Council Strategic Initiatives Reserve that will fund one-time Operating Projects

The following graphic illustrates how a tax levy increase of \$379,200 (6.6%) would impact property taxes based on your 2021 assessed value:



It is important to note that a 1% tax increase on Bowen Island can't be compared like apples to apples with other jurisdictions such as West Vancouver or Burnaby. This is because our tax base (population) is much smaller. For example, a 1% increase in West Vancouver amounts to over a million dollars in revenue. On Bowen, it amounts to \$57,100.

COMPARISONS 1% Tax Levy Increase



Many important Budget requests were deferred from the proposed Budget to make it as lean as possible, addressing only the highest priorities that require funding in 2021. You can read specifics about these Budget requests and see what is included in the proposed Budget [HERE](#).

The components associated with the proposed Budget are presented as “Ideas” below. Scroll down and take a look at each component where we will explain why each is necessary. We encourage you provide your feedback on each component by leaving a comment. Please note, the opportunity to ask questions and receive a response will be the Virtual Public Open House on January 14, 2021.

[Proposed Budget Components](#)

Salaries and wages

In all governments, the biggest expenditure is for its human assets – staff are the ones running the day-to-day operations and providing core services to citizens. It is typical for staff to receive an annual Cost of Living Adjustment (COLA). This is necessary to ensure that compensation remains fair, and comparable to other similar communities, as indicated in the Staff Compensation Policy.

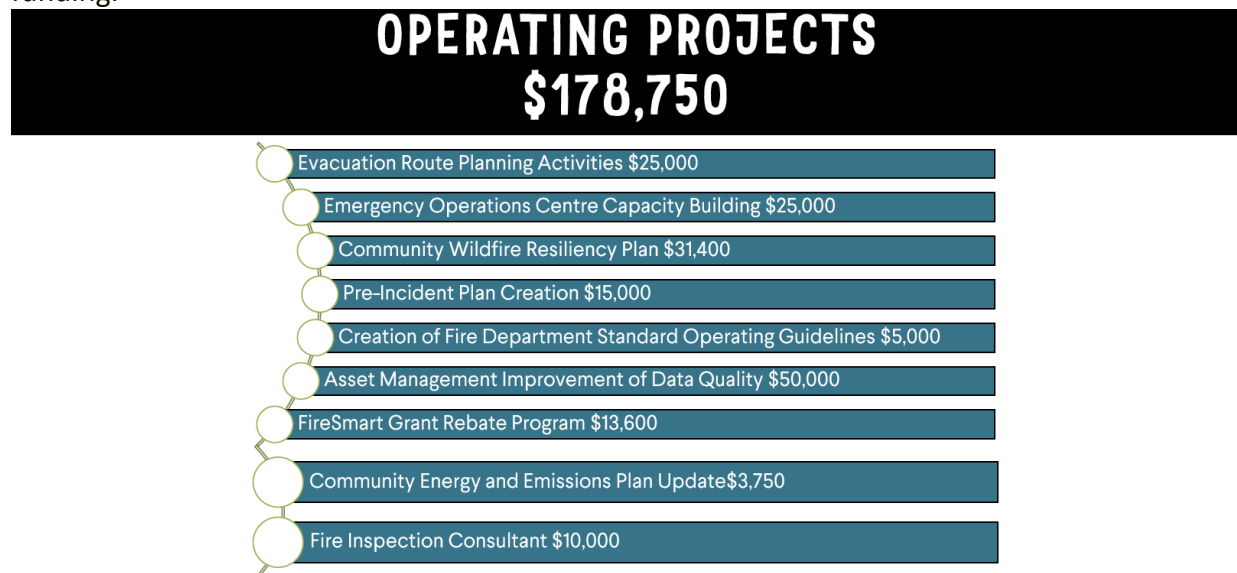
In 2020, the cost-of-living adjustment provision was not provided to staff in order to reduce the overall Budget and tax levy impact in an effort to ease some of the burden on taxpayers at the onset of the COVID-19 pandemic.

For the 2021 Budget, an annual Cost of Living Adjustment of \$102,000 for salaries and wages is proposed, resulting in a 1.8% tax levy increase.

Council Strategic Initiatives Reserve

Operating Projects have a distinct beginning, end date, and represent a one-time funding requirement.

An annual contribution of \$50,000 to a Reserve Fund for Council strategic initiatives is proposed to fund Operating Projects that require municipal funding. A significant portion of funding for Operating Projects proposed for 2021 is based on grants from senior levels of government. Some of these projects require matching funding by the Municipality to qualify for the grant funding.



Additional Staff Resources

Bowen Island Municipality, when compared to other communities, has fewer staff per capita and an increasing demand for higher levels of service.

When departments were asked to identify the needs for 2021, a total of 6.9 additional FTEs were identified as required to meet these rising service level expectations in the community.

Requests for additional staff resources were prioritized down an additional 0.7 FTE position in the proposed Budget, which is critical to hire a part-time Human Resources (HR) Coordinator and to increase hours for a Bylaw Services position.

Currently, HR duties are being carried out by senior staff and facilitated by the Finance Department. A significant amount of Finance staff is dedicated to HR activities and the results of a staff survey conducted in the summer of 2020 concluded that a dedicated HR position is necessary to handle the many important functions of this job.

The Bylaw Services FTE increase is necessary to handle a rising volume of enforcement requests in the community.

The proposed increase in FTEs would result in a tax levy increase of \$54,000, or 0.9%

You can read the full list of FTE requests and rationale for these requests [HERE](#).

Insurance, legal fees, supplies and maintenance

Just like with household bills, the Municipality's annual bills for things like insurance, legal services, supplies, and maintenance provisions are rising.

A tax levy increase of \$59,000 is required to address these pressures, resulting in a 1% tax levy increase.

You can read details about these rising costs [HERE](#).

Contribution to Capital Renewal and Replacement Reserve

A Reserve Fund is like a savings account. It is money put aside to pay for repairs and maintenance on existing infrastructure assets like roads, buildings, culverts, and service vehicles. Reserves are also used to fund investment in new assets. The annual contribution and balance of the Capital Renewal and Replacement Reserve, which is used to fund the renewal and replacement of assets is not sufficient to fund long term infrastructure replacement needs.

Back in 2010, Council approved an annual 1.5% tax levy increase to take place over 10 years to build up the annual contribution to asset Reserves. The annual contribution has still not built up enough to address the long-term infrastructure renewal and replacement needs of the Municipality. Many other municipalities have had similar increases in place for much longer that Bowen Island and continue with the practice of an annual increase to continue closing this infrastructure funding gap.

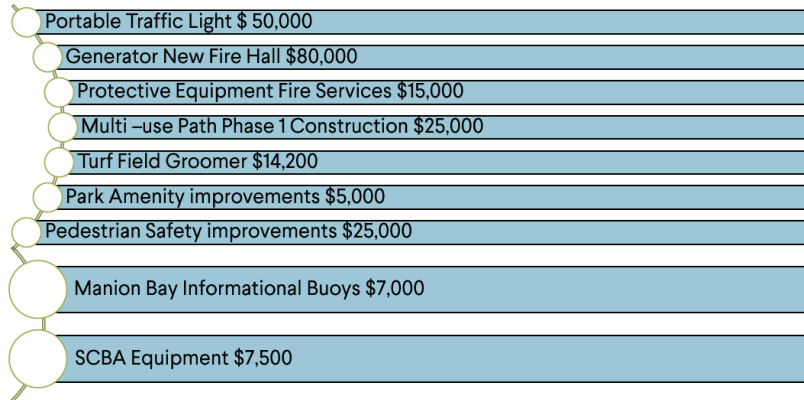
RENEWAL & REPLACEMENT PROJECTS

\$3,418,400

- Culvert Replacements: Smugglers Cove Rd near Hood Point; Harding Rd \$440,000
- Drainage Improvements at Hikers Trail Road \$200,000
- Replacement: Fire Hall & Engine 31 \$1,129,400
- Roads Renewal \$400,000
- Library Sewer Connection \$120,000
- Development of Service Yard Plans \$150,000
- Condition Assessments for Buildings & Structures \$175,000
- Wastewater Treatment Plant Upgrades \$400,000
- Mount Gardner Dock \$30,000
- Replace Roads Crew Truck \$75,000
- Rockfall risk mitigation \$50,000
- IT Equipment and website development \$33,000
- Fire Department Turn out gear \$37,000
- Auto Extrication Equipment \$39,000
- Design for Replacement Carter Rd. Bridge at Terminal Creek \$50,000
- Ditch Improvements on Lenora Road \$20,000
- Furniture Fixtures & Equipment Replacement \$10,000
- Woods Road Beach Access Improvements \$30,000
- Bridge Replacement on Mike's Lorg Trail \$30,000

INVESTMENT IN NEW ASSETS

\$228,700



PROJECT BUDGET (2021)

	Requested \$	Deferred \$	Proposed \$
RENEWAL & REPLACEMENT	4,798,200	1,379,800	3,418,400
INVESTMENT IN NEW ASSETS	228,700	-	228,700
OPERATING PROJECTS	178,750	-	178,750
Total	5,205,650	1,379,800	3,825,850

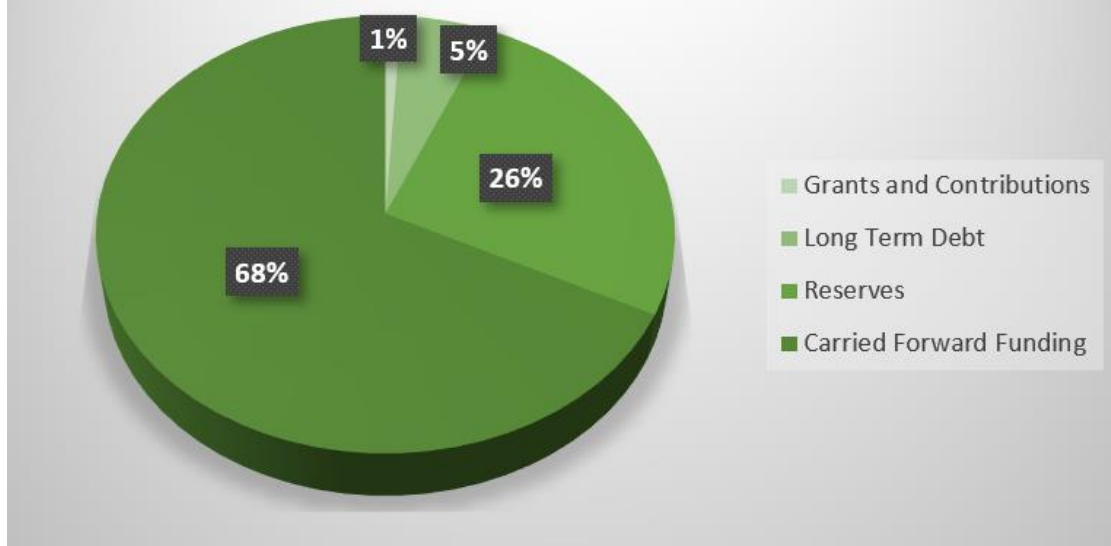
Note: The capital numbers above include new requests only. Provisions for incomplete work approved in previous years are not included in the amounts above.

The Capital Program is proposed to be funded through:

- A combination of grants and contributions \$115,000
- Long term debt \$640,000
- Reserves \$3,070,850
- Carry-forward funding for projects approved in a previous year \$7,993,400.

You can view a detailed list of all Capital projects proposed for 2021 [HERE](#).

Capital Project Funding Sources



The increase in the status of the General Fund Reserve balances and infrastructure funding needs for the next five years was reviewed with the Finance Advisory Committee (FAC) in November. The FAC recommended that the contribution to the Capital Renewal and Replacement Reserve be increased annually from a 1.5% to a 2% tax levy increase effective 2021 to 2025. This represents a \$114,200 increase in the tax levy for 2021.

Water and sewer system rates

The Municipality operates and maintains seven separate water distribution systems serving approximately 1,200 homes and businesses. This includes the supply, treatment, storage, distribution and monitoring of Municipal drinking water as well as the maintenance, repair, and rehabilitation of these systems.

The infrastructure for most of our water systems is aging, with varying quality and service capability. Contributions to Capital Reserves, which are the funding source for renewal and replacement of infrastructure have not been sufficient in past years to address renewal and replacement needs. Projected infrastructure maintenance and replacement costs over the next five years exceed available funding in Reserve balances. This creates significant funding challenges which will need to be addressed over the next several years.

The 2021 Budget contains provisions for master planning and improvement of asset information which will provide improved information on the state of water infrastructure, identify opportunities for improving efficiency and effectiveness of Operating the entire municipal system and make

recommendations on rate structures which will promote conservation and address the infrastructure funding deficit.

Rate increases driven by need to increase contributions to Reserves for Capital replacement and renewal are proposed for 2021. The tables below summarize the increases in revenue required in the various water systems to address this need:

Table 1 – Increase in Revenue Required 2021

Water System	Impacted Properties	Revenue Increase from 2020	Percentage Increase from 2020	Fix Annual Rate 2020	Proposed Annual Rate 2021
Bowen Bay	60	9,900	20%	800	960
Bluewater Park	147	24,500	20%	800	960
King Edward Bay	29	5,800	20%	800	960
Tunstall Bay	130	26,400	20%	815	980
Eagle Cliff	110	18,600	20%		
Hood Point	96	11,900	10%	780	800
Cove Bay	642	0	0%	780	780

Table 2 – Eagle Cliff Rate Structure Change

Gallons per Day	2020 Rate	2021 Rate	# of Users Impacted
50	525	525	44
51-100	575	575	39
101-150	625	700	18
151-174	700	800	3
175-200	775	875	1
201-225	850	950	2
Per Gallon Over 225 IG	2.60	3.00	2

Table 3 – Eagle Cliff Parcel Tax

Parcel Tax for Capital	2008-2020 Rate	2021 Rate
Annual Parcel Tax	240	370

Annual Dollar Contribution to Reserve	\$28,900	\$45,900
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Table 4 – Cove Bay Parcel Tax

Parcel Tax for Water Treatment Plant Capital	2020 Rate per parcel	2021 Rate per parcel
General Fund Debt Repayment Parcel Tax (Internal borrowing from Municipal Reserves \$1.175m over 10 years)	0	193
Municipal Finance Authority Debt Repayment (borrowing \$2.68m over 30 years)	0	176

Snug Cove Sewer

The Municipality owns and operates a Wastewater and Treatment Plant (WWTP) in Snug Cove, which treats sewage collected from residential areas in Snug Cove and parcels located within the commercial district.

The Public Works Department maintains the Sanitary Sewer System to protect the health and safety of the public and to protect the environment. Secondary treatment of the wastewater is provided at the Sewage Treatment Plant located on Dorman Road near the Crippen Park picnic area.

The Sewer Utility is fully funded from user rates and funds are kept and administered separately. Rate increases driven by allocation of 25 percent of the salary of the new Water and Wastewater Treatment Plant Operator and need to increase contributions to Reserves for Capital replacement and renewal are proposed for 2021. An 18% increase in sewer utility revenue is required in 2021.

Financial Plan Bylaw Development and Adoption

In this phase, the Finance Department will create a consolidated five-year Financial Plan Bylaw for council consideration. The Bylaw is accompanied by a staff report and will include information about the feedback received from the community through the Public Consultation process.