

**VILLAGE OF FRUITVALE
COMMITTEE OF THE WHOLE AGENDA
Council Chambers
March 19, 2018
6:30 pm**

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- A. CALL TO ORDER**
- B. ADOPTION OF THE AGENDA**
- C. DELEGATIONS, PRESENTATIONS & RECOGNITIONS**
- D. UNFINISHED BUSINESS**
- E. DISCUSSION ITEMS**

2-7

- a) 2018 - 2022 Five-year Financial Plan/Budget
Report from the CAO with supporting documents

- F. EMERGENT CORRESPONDENCE**
- G. Committee of the Whole Recommendations**
- H. ADJOURNMENT**



THE CORPORATION OF
THE VILLAGE OF FRUITVALE
In the "HEART OF THE BEAVER VALLEY"

REPORT
Fruitvale Council Committee of the Whole Meeting

Date: March 16, 2018
To: Mayor & Council
From: Chief Administrative Officer
SUBJECT: 2018 – 2022 Financial Plan

Introduction: Fruitvale's Five-year Financial Plan (its forthcoming 2018 Budget Bylaw) needs to reflect a shift in priorities toward linear and non-linear assets through a priority-ranking schedule. The Village's sanitary sewer system (both pipes and treatment plant) contains capital intensive assets, while its storm water systems and roads exist on lower priority tiers, in descending order. Upgrades to facilities (non-linear assets), compete for limited funds, and as public venues must also be scheduled and accommodated.

History/Background Issues: The Village has been receiving, through its consultant contractor (USL) a number of asset management reports over the last 2 years. The linear and non-linear infrastructure demands in Fruitvale far outweigh the current budgetary capacity.

Analysis: In a review of the infrastructure/asset management studies recently received and presented to Council on March 5, 2018 in a multi-sectional binder and combined with a power-point presentation, Fruitvale's financial obligations have been thoroughly defined. Earlier Council decisions have directed the consultant to place a figure of \$350,000, a high-risk scenario, into annually funded asset renewal, or, capital investment (with \$100,000 directed to sanitary sewer systems and \$250,000 into other asset categories). This figure, though the lowest in the consultants range to allay critical situations, requires financial (tax) resources well beyond what the Village currently collects.

The consultant provided an optimal level (low risk) of \$965,000 for annual set aside for asset renewal, a mid-level (medium risk) of roughly \$700,000 and a minimum level (high risk) of \$350,000. In the iterative process that involved Council as each

report was completed, the decision to select the minimum (high risk) level still carries a significant financial impact.

Implications: In order to meet the figure of \$350,000, as noted in the report, the Village's mill rate would need to rise from its current level of .00299 to just over .00600. To make this implication more clear, for every \$100,000 in value of residential property (the primary tax base for Fruitvale), there is currently collected by the Village (solely covering its operations) some \$299.00. The amount needed to increase the Village's collection capacity (to cover operations and support a minimum capital fund) would require just over \$600.00 for each \$100,000 in residential property value, for example.

In contrast to the numbers noted above, the proposed 2018 budget shows a 5 percentage-point increase, from .00299 to .00314. The Village administration has also proposed a \$50 increase to the sanitary sewer parcel tax. These two adjustments represent incremental increases. The Village's own source revenues (OSR) are such that there remains a heavy reliance on the Small Communities Grant to meet its O&M needs.

The Village has earlier focused on a large infrastructure renewal project on Davis Ave, directing a full re-build of the road structure along with replacement of all deep utilities, plus a re-routing of the storm water system. This project has resulted in a borrowing of (an MFA loan) of \$2.5 m, a portion of which has been already dedicated in 2017 to various projects throughout the Village. From a review of the projects completed by 2017, it appears that \$655,570 has been spent from that borrowed amount on road and drainage (storm water), with more expenses anticipated (through SRW registration) for the Mountain Street partial re-build. Thus, the funds remaining from the \$2.5 m now stand at roughly \$1.8 m.

The Davis Ave improvement project, while a standing priority, demands further scrutiny due to the extent of the investment being suggested for it, as well as for the long-term financial commitment that will follow. In analyzing the project's costs (expected to run above \$2 m), it has become apparent that the Village cannot commit the resources needed to meet the full re-build without tying its hands financially well into the future. Therefore, as earlier noted to Council, a much reduced project scope of work involving only a re-surfacing would be advisable as one alternative; the RDKB has secured a grant for the water line, which in turn would be replaced. A greatly reduced scope for Davis Ave and re-surfacing for

Caughlin Road as well could likely be covered by \$500,000 (exclusive of the water line replacement cost). (Another alternative with merit would be to suspend the project completely.)

Conclusion: A number of action points can be deduced from the analysis. This list is not meant to be limited to the points below as other concerns may still be revealed.

- a) The Village should chart a new course on prioritized projects. Non-prioritized capital projects (roads) should only be funded (from the general revenues) when there is a grant in excess of say, 80% of costs, and with a numerical threshold (say, of less than 100,000) as well, provided that there is adequate funding. (Emergency repairs may take precedent.)
- b) The remaining funds from the (original MFA \$2.5 loan) should be held as leverage for future grant funding for shelf ready projects within the prioritized upgrades' listing.
- c) The Village should increase the mill rate in its 2018 budget from .00299 to .00314 to help meet the O&M costs for 2018, to approach meeting its infrastructure improvement goals and to begin building reserves. So far as has been investigated and revealed, Fruitvale has no infrastructure reserves.
- d) In light of the 15% – 25% increase in property assessments for much of Fruitvale's residential properties, the tax rates for assigned for other agencies budgets should also be adjusted. (CPI stood at roughly 2% in 2017.)
- e) The sanitary sewer utility rates should increase each year (as detailed by the November 2017 "**Asset Management Financial Plan**" report) to eventually meet the necessary capital and O&M costs, while also weaning the utility away from its historical, annual reliance upon the Village's general fund. Utilities are supposed to be financially self-reliant. Though the report does not state it directly, the sanitary sewer utility is under-charging customers by over 50%; in other words, rate payers are currently paying less than half of what it costs to operate, maintain and upgrade the sanitary sewer conveyance and treatment system. This utility is very capital intensive.

[The \$1.6 m Sanitary Sewer Headworks improvement project, for example, though well-funded through an 83% grant, requires a Village commitment of nearly \$300,000. Therefore, for this general discussion (not limited to this meeting) to address defined challenges, the Village's budget must be adjusted to meet both O&M as well as capital investment costs while utility rates rise to the actual level of costs.]

END

MM 03/16/2018

VILLAGE OF FRUITVALE PROJECTS UNDERWAY 2017

Operational Category	Project	Funder	Grant	Total Project	
Admin	Asset Management – Investment Plan	GSPF	\$40,875	\$40,875,	
	Asset Mgmt – Financial Plan	BC Infra Planning	\$10,000	\$15,000	
	Asset Mgmt – Policy Development	UBCM	\$7,500	\$15,000	
Sewer	Pipe Bridge Replacement		\$173,002	\$208,436	
	Gravity Main Replacement	CWWF	\$191,020	\$230,144	
	Sewer Treatment Plant Headworks		\$1,183,928	\$1,426,420	
	Aeration Blower Replacement		\$17,000		
Drainage	Kootenay Avenue S Storm Repair	Borrowing	0	\$100,000	No
Roads	Davis Avenue Reconstruction	Borrowing			
	• Roadworks		0	\$898,524	
	• Sewer		0	\$154,440	
	• Drainage		0	\$158,433	
	• Water			\$186,120	
	Evergreen Avenue Reconstruction	Borrowing			
	• Roadworks			\$191,520	
	• Drainage		0	\$204,050	
	Mountain Street Partial Rebuild	Borrowing		\$60,000	177,000 ✓
	-Coughlin Repaving	Borrowing	0	\$40,000	No
Facilities	Pine Avenue Paving	Borrowing	0	\$200,000	No
	Various paving patches (Main, CGR, McKay)	Borrowing		\$568,000	No
	Pole Yard			\$160,000	No
	PW Shop – roof replacement	Taxation	0	\$30,000	No
	Seniors' Gym Expansion	CBT – Rec Infra	\$29,500	\$70,000	✓ + 6000
	RV Park	RDKB EA A GSPF	\$70,000		
		SIDIT	\$12,000		
		CBT	\$ 8,000	\$109,000	✓
		Village	\$10,000		
		Corporate Donors	\$ 9,000		
Social	Cemetery – storage garage/equipment	RDKB Cemetery	\$58,648	\$58,648	50% ✓
	Memorial Centre refurbishment	BV REC RDKB	\$43,924	\$43,924	No
	Haines Park – field & enhancements	BV REC RDKB	\$19,000	\$19,000	
	BV Youth Club (2017-2019)	CBT CDYF	\$55,000/an	\$55,000	
	BV Age Friendly Luncheons	CBT - CIP	\$11,250	\$12,750	
	BV Age Friendly KEEP Healthy	CBT – CIP	\$ 8,000	\$10,000	
	BV Age Friendly Coordination	BV REC RDKB	\$33,820	\$35,820	5,141,104.

