

## 2010 – 2014 Five Year Financial Plan

### Questions and Answers

#### **What is the impact of Catalyst not paying their taxes in 2009?**

The Catalyst shortfall in payment in 2009 was \$3,346,464, this represents close to 14% of total revenues. The total municipal tax bill to Catalyst was \$4,846,464.

#### **How did the City make up for the revenue shortfall in 2009?**

The revenues were made up from five sources as follows: Draw down on the *Reserve for Losses on Taxation* \$366,000; Transfer from *Operating Surplus* \$1,200,000; Reduce budgeted *Capital Projects* by \$649,000; discontinue contributions to the *Equipment Replacement Reserve Fund* \$200,000; and borrow for the remaining shortfall \$885,000.

#### **Why couldn't the City continue to make up for a shortfall as it did in 2009?**

This is not an option, once reserves are spent the money is no longer available, the City is further behind on replacing aging infrastructure and the City cannot run a deficit or borrow over the long term to pay operating expenses. On top of any revenue shortfall in 2010, the City will have to pay back the debt from monies borrowed from 2009 expenses in 2010.

#### **Why does the City not borrow money to make up the shortfall?**

Quite simply the City cannot cover its operating costs from borrowing for longer than a year– this includes any form of borrowing whether from the Municipal Finance Authority, a bank, or any other creditor. The monies borrowed to cover operating costs in 2009 will be paid back in 2010.

#### **Didn't the courts rule in favour of the City's tax bylaw?**

The BC Supreme Court Judge ruled in favour of the City of Port Alberni – the tax rates bylaw is reasonable. In drawing this conclusion, the judge recognized the efforts the City has made to reduce industrial tax rates in recent years. However, Catalyst claims that it will appeal the decision and they indicate they have no intention of paying the outstanding taxes any time soon.

#### **What is the City doing about Industrial Tax rates?**

The City adopted a plan in 2008 to reduce industrial tax rates by \$425,000 per year over five years. This will have the effect of reducing annual industrial tax revenues by over \$2 million by the year 2012. The City will continue with this plan, but has not committed to further reductions. Taxes will be applied to major industry in 2010 no differently than what was proposed in 2009.

#### **What if Catalyst pays their outstanding taxes?**

In the event Catalyst pays, Council will adjust the budget accordingly based on the circumstances and the City's future financial outlook, at the time of payment.

### **What is the Financial Plan process?**

The draft budget is provided to the public January 11, 2010 at the regular meeting of Council. The City Manager will present an overview of the proposed budget January 12. Departmental details will be presented Jan 18 – 20. Public input and comment will be received up until February 3, 2010. Council will provide its direction in February and the budget will proceed through the necessary bylaw process.

### **Where can I get more Financial Plan information?**

Budget documents are available on the City's website ([www.portalberni.ca](http://www.portalberni.ca)) or from the front desks at City Hall, Echo Centre and the Multiplex. You may email your questions to staff ([ken\\_watson@portalberni.ca](mailto:ken_watson@portalberni.ca)) and we will respond and include the common questions on this answer sheet. These questions will be updated throughout the financial plan process.

### **In general what does the 2010 – 2014 Financial Plan propose?**

The plan attempts to balance service reductions and increases in residential taxes and other revenues. The plan impacts all departments and services. Not all changes have a direct savings, but they are part of an integrated plan that enables the City to respond to the changes being made.

### **What is the tax rate increase that is proposed?**

The City proposes to increase the total taxes collected from residential tax payers by 23.6%. What you will pay will depend upon your property's assessed value. **This increase applies only to the City portion of your tax bill.** The percent increase does not apply to your total tax bill just the City portion.

### **How will this affect my tax bill?**

Because your taxes depend on your property assessment and your assessment may change from one year to the next it is difficult to provide a description that applies to everyone. Therefore we use the average value home as a comparison. The average value home for 2010 is \$192,900. It decreased in value by 3.35 from 2009. The tax increase for the average valued home is proposed to be 23.6%. You will receive more or less of an increase than the 23.6% depending on how your home compares to the average. If you would like help estimating this please give the City a call and ask for tax information (250 723-2146).

### **How do Port Alberni's costs compare to similar municipalities**

Each municipality is unique. Their Councils decide what services are provided and at what level. Many municipalities rely on their regional district to provide services like sewer, water, parks and recreation. These municipalities have lower tax rates as a result. In Port Alberni the City provides almost all of the local services to its residents, in fact the City provides services that the region benefits from such as recreational facilities. Nonetheless Port Alberni has a residential tax rate below average for Cities of a similar population. Financial information comparing all of BC's municipalities is available from ([http://www.cd.gov.bc.ca/lgd/infra/statistics\\_index.htm](http://www.cd.gov.bc.ca/lgd/infra/statistics_index.htm)).

**Why does the City pay so much money into policing costs?**

The City pays 90% of the total costs of the local detachment. In Qualicum the town pays 70% of the costs. The province sets these levels based on population. Cities above 15,000 pay the higher rate. So Qualicum tax payers have the benefit of lower costs for their police service.

**How do I know the City manages its finances appropriately?**

The City is subject to many checks and balances. Legislation requires detailed financial statements and reports that are all available to the public, this enables you or any watch dog the opportunity to review the “books” and ask any questions of Mayor and Council. All questions received will be addressed! Our financial statements are audited by an independent auditor who makes his reports public each year. The Ministry of Community Development and the BC Ombudsman oversee the procedures of the City and any concerns can be forwarded to them.

Do you have any more questions? Please submit them to [ken\\_watson@portalberni.ca](mailto:ken_watson@portalberni.ca)