A number of internal and external factors affected the preparation of the Five-Year Financial Plan 2011-2015, including economic trends impacting the tourism industry, key trends affecting Whistler, uncertain market conditions, taxation issues, and policy decisions of council.

The 2010 Olympic and Paralympic Winter Games have provided significant opportunities for Whistler. The resort partners will continue to play an important role in leveraging the success of the global awareness achieved through hosting the Games. The RMOW will continue its work in community based planning through Whistler2020.

**Economic Factors**

**GLOBAL ECONOMIC DOWNTURN**

The global economy continues to be fragile. The global recovery has been fitful, and much slower than originally anticipated. According to forecasts by the Conference Board of Canada, real GDP growth is expected to slow to 2.5 per cent in 2011, down from 3.2 per cent in 2010.

While Canada has weathered the economic crisis fairly well, ongoing concerns in the US economy and the European economies impact our visitors’ ability to travel. Significant economic uncertainty and the strong Canadian dollar continue to weigh heavily on tourism. Tourist/visitor spending is not expected to rebound significantly in the near future, as fewer visitors visit, and those who do spend less or visit for shorter periods of time.

This downturn has impact on the community and local business, as well as the municipality. The reduced number of visitors and lower room rates will, in turn, reduce the revenues from the Additional Hotel Room Tax (AHRT) which the municipality uses to fund the resort side of the resort community. 2011 AHRT is projected at just under $3.3 million, which is the lowest point since 2005. Very modest annual increases (two per cent) are projected for the next five years for AHRT.

**LIVING THE DREAM**

For 27 days in the winter of 2010, we watched history unfold in our backyard and by all accounts the 2010 Winter Games were a success— from the incredible sport success to the national pride and phenomenal display of arts and culture. How we are leveraging the Games will be the lasting measure, whether building community projects with the help of Games funding, building our sport hosting capacity or capitalizing on the extraordinary media attention to help build our tourism economy. For Whistler, the benefits of the 2010 Winter Games will last a lifetime. Whistler residents and visitors have been left with numerous tangible legacies, such as Olympic-quality sports facilities, Whistler Olympic Plaza, the Cheakamus Crossing neighbourhood and much more. The Games were a long-term investment in Whistler’s future and provided Whistler with the unprecedented opportunity to make strides toward achieving Whistler2020, our shared vision for the community.

For the Municipality, an equally important legacy is the confidence that comes with having Whistler’s name associated with delivering the Games for all of Canada, the growth the community has experienced taking on a project of this magnitude, and the recognition that Whistler rose to the occasion.
PROPERTY DEVELOPMENT.

Since the RMOW’s first official community plan review in 1989, leaders have recognized that continued rapid growth would ultimately destroy Whistler’s social fabric and the area’s natural ecology, the very things that attracted people in the first place. As a result, a cap on development within the municipality was set at 61,750 bed units.

Having successfully hosted the Games and reached a state of minimal new development, the municipality is undertaking a substantial review and update of Whistler’s Official Community Plan. The review and update, including extensive community involvement, began in 2010 and is planned to be completed in 2011.

The municipality has reached a stage where property development is nearly at its planned limit. Revenues from new development (building permits and works & services fees) are expected to be about one third of the average amount realized over the last 5 years ($0.8 million vs. average of $2.4 million). As new development decreases, so too will the costs of implementing new services required for those developments. Development revenues, however, do pay for costs that benefit property owners and visitors. Decreases to these revenues will result in a shift to general municipal tax revenue or other sources to pay some of those costs.

STRATA HOTEL CLASSIFICATION

Beginning in 2008, the provincial government adopted a new actual use approach to the valuation and taxation of strata hotel properties. This was in response to the long-standing classification of some properties as residential and others as commercial accommodation which created an unfair situation for owners and uncertain taxation, and adversely impacted the guest experience. Under the actual use approach, units are assessed and taxed as hotel rooms during those periods.

However, at the time when the legislation was adopted, approximately two thirds of the strata hotel properties were in class 1 (residential) and were grandfathered into the residential class, regardless of being rented as hotel rooms.

As a result of this change, a larger proportion of strata hotel properties is classified as residential. For 2008, this resulted in reduced property tax revenues of approximately $2.2 million. This reduction of property tax revenues continues from year to year and was made up by a significant increase to taxes implemented on both residential and business properties over 2009-2011. The fact that two thirds of strata hotels are taxed as residential properties despite renting nightly, while the remaining one third of strata hotels are taxed as business when rented, creates an uneven playing field. The municipality hears from both sides and continues to look for an equitable means to resolve this issue.

Key Trends

Several key trends impacting budget preparation are inflation, changes in the market value of existing assessments, new construction, transit costs, pay parking, and energy costs.

INFLATION

The consumer price index is often referred to in referencing inflation. It is a basket of goods an “average” consumer purchases. Municipal expenditures are very different from an individual consumer; the three major costs municipalities incur are: labour, energy and construction.

While the rapid cost escalations witnessed in construction have mitigated, demographics (labour) and resource reserves (energy) do not indicate respite on the first two costs. The Long-Term Financial Plan updated in 2009, calls for consideration of a different price index that provides a better representation of changes to municipal costs. For the 2010 and 2011 years, operating budgets for non labour costs were not provided with indexing for inflation. Budget amounts were kept the same unless significant changes were known. For example, labour and transit costs were increased based on known factors.

CHANGES IN EXISTING ASSESSMENT

Municipalities in British Columbia must use assessed property values to allocate property tax amounts required from property owners. In July of each year, the British Columbia Assessment Corporation (BCA) sets independently an assessed value for each property in Whistler. The value of the property is based on the real estate market, and BCA reports that value to the property owners and the municipality the following January. When estimating a property’s market value, a professional appraiser analyzes current sales in the area, as well as considering other characteristics such as size, age, quality, condition, and location. From 2010 to 2011 the number of residential properties across all types (condo, townhouse, single family) increased by 374 units however, total taxable assessments decreased by $39.4 million. This resulted in the average residential assessment decreasing by 3.25 per cent.

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NEW CONSTRUCTION

The amount of new construction that takes place each year, measured as new assessment, has a significant effect on the budget. The new construction provides for additional tax revenues and it represents a reasonable proxy for increases in service requirements.

This graph shows the amount of new construction over the past few years measured as an increase in assessed value. Based on assessment figures from BCA, the amount of new construction (new assessment) built during 2009 and 2010 was $195 million and $234 million respectively.

The development cycle of the municipality has now matured and new construction is comprised primarily of new resident-restricted properties and renovations of existing structures. This will result in less new property tax revenues and development fees.

Looking at a subcategory, single-family homes, from 2010 to 2011, the average assessed value of a single-family property, remained almost unchanged at $1,335,600.

Therefore the decrease of 3.25 per cent for average residential assessment is primarily attributed to strata/condominium type properties. This is partly due to market
TRANSPORT

A couple of years ago, BC Transit advised that transit costs would increase, due to increased costs and service to new subdivisions, etc., estimating that costs would increase $1.4 million. As 2011 approached, budgets for 2011 came in at a further $2.3 million more than that original estimated increase of $1.4 million.

Early in the budget process, Council confirmed the operating budget for 2011 was to stay within the previously declared four percent for 2011, and no more.

A transit fare increase was implemented, and staff and Council are currently working with BC Transit to bring down the costs of the current transit system. Given that the community has achieved build-out, it was a logical time to perform a full evaluation of the transit system. Each route was analyzed with trip counters and statistical methods, to determine rider utilization of the various routes. Based on the results of the analysis, BC Transit will recommend a number of changes (cutting underutilized routes, reducing frequency for some times of day, and reconfiguring routes to eliminate underutilized portions of routes). These changes will be implemented to reduce the costs of the system; however, the cost increases are of such a scale as to indicate a funding increase, despite the changes. Significant cuts to other operating budgets will be needed to free up funding for transit, or a further increase to taxes may be needed in 2012.

PAY PARKING

The Province provided the day skier lots to the municipality, along with the requirement that the municipality was responsible for any improvements to the lots, as well as construction of a debris barrier which protects businesses and accommodations located in the village from floods and debris flows from Fitzsimmons Creek.

The day lots were originally forecast to earn two million annually in revenue. The funds were to be used to fund the maintenance of the lots, repay the construction costs of the debris barrier, and transit initiatives. Pay parking was instituted in three of the five parking lots in 2010, and actual revenues are tracking half of what was anticipated.

For 2011, paying back the reserves for the construction of the debris barrier and parking lots was deferred until the revenue is available, and the committee overseeing pay parking is challenged with making more revenue available.

ENERGY MANAGEMENT

As one of the first signatories to the BC Climate Action Charter, the RMOW has set an aggressive plan for increasing energy efficiency and achieving carbon neutrality in respect of its operations. As part of the RMOW’s commitment to informed and progressive energy and emissions management, staff have been compiling detailed community-level and corporate energy and emission inventories since the year 2000. These inventories provide the basis for assessing year over year trends, and evaluating performance relative to our goals and targets.

Within the RMOW’s energy management framework, corporate energy use is tracked by fuel source (electricity, natural gas, propane, gasoline and diesel blends) as well as broken out for each division across our organization. This level of detail provides:

1. A substantive basis for evaluating and forecasting the impact of future rate changes.

As energy cost escalation generally exceeds the rate of inflation by 2-3% per year, increased energy conservation is the primary strategy for managing operational budgets into the future.

2. The ability to effectively understand, project and manage carbon tax costs.

The RMOW’s 2010 carbon tax cost was $34,095. Each year the RMOW receives a rebate equal to its annual direct expenditures on the BC carbon tax through the Provincial Government’s Climate Action Revenue Incentive Program (CARIP). In response to this opportunity, the RMOW has developed a Council policy to dedicate these funds to reducing both corporate and community greenhouse gas (GHG) emissions. Through the RMOW’s Climate Action Innovation Fund (CAIF), 50% of the CARIP is annually made available to support community organizations (not-for-profits) to deliver programs designed to expand and enrich GHG emission reduction and management capacity in Whistler’s commercial sector and 50% to carbon reduction programs that reduce the corporate emissions footprint and decrease energy expenditures.

3. The ability to leverage our carbon neutral commitment such that it catalyzes workgroup-by-workgroup energy conservation innovation.

Despite 2010 being one of the busiest years ever in Whistler, RMOW annual corporate emissions decreased by 63 tonnes CO2e (2.6%). To neutralize all remaining corporate GHG emissions, the RMOW has budgeted to purchase 2,334 tonnes of third-party certified Verified Emission Reductions (VERs) – 50% from BC-based projects, and 50% from Gold Standard certified International projects. The estimated cost of the GHG emission offsets is $60,000.

4. A rigorous and accessible foundation for evaluating detailed return on investment (ROI) assessments of potential energy retrofits initiatives.

A rigorous and accessible foundation for evaluating potential energy retrofits initiatives is essential to expand and enrich GHG emission reduction and management capacity in Whistler’s commercial sector. As part of the RMOW’s commitment to informed and progressive energy and emissions management, staff have been compiling detailed community-level and corporate energy and emission inventories since the year 2000. These inventories provide the basis for assessing year over year trends, and evaluating performance relative to our goals and targets.

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INVESTMENT INCOME

Investments of the municipality are comprised of money required later on in the current year and amounts saved for future expenditures (maintenance and acquisition of capital assets). The majority of property taxes received by the municipality during a two week period around the end of June. A proportion of the payments are invested for terms that provide for the expected cash requirements over the next twelve months.

Investment income provides some funding for operating costs but the majority is allocated to savings for future year expenditures (reserves). Investment income has declined in recent years due to low interest rates and investment balances used for capital expenditures falling up to the 2010 Games period.

The community charter and municipal investment policy restrict investments to very low risk investments principle and limits investments with any one institution, except Municipal Finance Authority (MFA), to 25 per cent of the total municipal investment portfolio. The 2011 investment plan is for 50 per cent or more of the portfolio to be placed with MFA and the balance with other institutions.
2% ADDITIONAL HOTEL ROOM TAX (AHRT)

AHRT is a two percent tax charged on short term overnight accommodation within a resort area. Accommodation providers collect and remit these taxes to the province that in turn transfers it to the municipality. AHRT revenues for 2000 to 2010 and budgeted expenditures for 2011 are shown in the graphs below. Because of the global economic decline and resulting decrease in tourism, along with a strong Canadian dollar relative to the US dollar, Tourism Whistler has forecast a decline in visitor accommodation occupancy and room rates. This will directly affect the amount of transfer tax revenue received by the municipality. When forecasting the revenues for 2011, we have started with a decrease from 2010 to account for the significant revenues generated by the 2010 Games, and then gradual increases of two per cent for the next four years.

COMMUNITY LIFE TRACKING SURVEY

A telephone and on-line survey was conducted in November 2010 by Mustel Group as part of a comprehensive monitoring and reporting program which researched numerous indicators of community life that measure Whistler’s success in sustainability.

This survey builds on the previous community life tracking surveys from previous years. A total of 500 random telephone interviews were conducted and two main “stakeholder groups” were polled. The first stakeholder group, permanent residents (property owners or renters), second home-owners, consists of members of the community that own property in Whistler but do not consider Whistler their primary residence. The second stakeholder group, BC based second home-owners, consists of members of the community that own property in Whistler and live in Whistler year-round. The second stakeholder group, permanent residents (property owners or renters), are those who consider Whistler their primary residence and live in Whistler year-round. The second stakeholder group, BC based second home-owners, consists of members of the community that own property in Whistler but do not consider Whistler their primary residence.

The survey was comprehensive, covering many aspects of community life. Following is an excerpt of the survey questions that are relevant to the Five-Year Financial Plan 2011-2015:

PERCEIVED VALUE FOR MONEY OF SERVICES PROVIDED

Survey results show that the majority of respondents find value in the services the municipality provides based on the funds that it collects. While there has been a slight increase from 2009 to 2010 in the number of respondents who found the service “very good” there is an overall decline in the number who perceived “good value”. This applies to both permanent and second homeowners.

RESORT MUNICIPALITY INITIATIVE GRANT (RMI)

The B.C. Resort Municipality Initiative was created to provide resort-oriented municipalities with new finance, development and business promotion tools to enhance the resort sector in B.C. The Initiative is based on the recommendations of the B.C. Resort Task Force and is intended to help local governments develop and promote tourism in the province.

Prior to 2010 and the implementation of the Harmonized Sales Tax by the province of British Columbia, the RMI revenue was directly related to the amount of AHRT earned by the municipality. Subsequently the RMI program has been revised to a fixed grant or the year. 2011 funding is expected to be $7.5 million. Allocation expenditures funded by the RMI are shown in the chart below.

RMI – Budgeted Expenditures 2011

FACTORS AFFECTING BUDGET

Because of the increased cost of maintaining current service levels and infrastructure, the RMOW anticipates an operating budget shortfall for 2011. The RMOW can deal with this requirement by increasing property taxes, increasing other revenue sources, or by cutting costs or municipal services. All stakeholder groups are most inclined to accept some property tax increases (or equivalent per month rent increase among renters) to deal with this possible shortfall. From 2009 to 2010, an increasingly larger proportion of respondents appear willing to accept some property tax increase, in order to maintain current service levels.

PREFERRED ACTION TO DEAL WITH ANTICIPATED BUDGET SHORTFALL

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BUDGET GUIDELINES
Specific guidance is provided by council each year at the start of the budget process on key budget parameters:

+ the general tax rate;
+ other fees and charges; and
+ the operations budget changes

GENERAL TAX RATE
Tax rates and assessed values go hand-in-hand. The tax rate is applied to the assessed value of property to determine the amount of tax payable, as in the following formula:

\[ \text{ASSESSED VALUE} \times \text{TAX RATE} = \text{TAXES PAYABLE} \]

In times of increasing assessment, tax rates are reduced in order that the actual increases in the municipal portion of taxes payable can be kept as low as possible by council. The increase in assessments, offset by the decreases in the actual tax rate, results in the actual adjustment.

The actual adjustment in the municipal portion of taxes payable in recent years is shown below:

Because taxes payable are derived from multiplying the assessed value by the tax rate, the tax rate was decreased in the years after 2000 to offset the increase in assessed value. However, more recently, Whistler had experienced a leveling of assessed property values. Since assessments have leveled off, so has the tax rate.

In general, it is easier to discuss the general tax increase, defined as the tax increase experienced by the average residential property. It requires changing the tax rate to compensate for changes in the average assessment levels.

Individual properties where assessment increased more than the average will see an increase above the general tax increase, and individual properties where the change in assessment was lower than the average rate will see an adjustment below the general tax increase or possibly, a decrease.

The Long-Term Financial Plan provides for property tax adjustments that realize the revenue requirements needed to meet the obligations, goals, and objectives of the municipality. For 2011, the property tax adjustment is 4 per cent.

OTHER FEES AND CHARGES
The emphasis on reducing local government’s dependence on property tax revenues continues. As a result, there is an added emphasis on ensuring that existing fees and charges (user fees) remain current and fund a larger share of the cost burden. A general two per cent increase to fees was applied for 2011. Adjustments beyond the two per cent may be considered from time to time during the year in accordance with the user pay and revenue recovery guidelines established in the RMOW’s financial principles and policies. These adjustments would require council approval supported by a public consultation program. When substantial changes to existing fees and charges are proposed, a two or three year transition program may be considered. Consideration has also been given to local programs through the discounts offered on the purchase price of multi-day transit passes and the various monthly recreation passes.

DEPARTMENTAL BUDGETS
Department budgets provide the funding for the services we provide. In years past a percentage of growth in the community and a percentage of inflation was used. While this served us well in our growth phase, with build out we no longer have growth as a cost driver. We have only cost increase on existing costs, allocated across a fixed number of taxpayers. We have split departmental budgets into payroll and non-payroll, allocated increases in 2011 of four per cent and zero per cent respectively.

SUMMARY
The following budget guidelines were used for 2011:

- Property tax rate adjustment 4%
- Payroll Expenditures 4%
- Other (non-payroll) 0%
- Fees and charges increase 2%