

REPORT

Finance

To: Mayor Johnstone and Members of Council
Date: March 27, 2023

From: Lisa Spitale
Chief Administrative Officer
File: 05.1035.10

Harji Varn
CFO/Director of Finance
Item #: 2023-214

Subject: Budget 2023: Draft 2023 – 2027 Financial Plan

RECOMMENDATION

***THAT** Council instruct staff to convert the Draft Consolidated 2023 to 2027 Financial Plan into a Bylaw reflecting a property tax revenue increase of 6.4% for 2023 and a 2023 Capital Budget of \$173.2M and bring forward for three readings.*

PURPOSE

To seek Council's direction to convert the Draft Consolidated 2023 to 2027 Financial Plan (the "Financial Plan") into a Bylaw in accordance with Section 165 of the Community Charter that incorporates the approved 2023 Water, Sewer, Solid Waste and Electrical rates, the proposed Property Tax Revenue Rate Increase of 6.4% and the 2023 Capital Budget of \$173.2M.

Members of the public are invited to review and provide written comments on the Financial Plan.

It is necessary for the City to adopt a Financial Plan prior to adopting a tax rate bylaw.

EXECUTIVE SUMMARY

This report provides the DRAFT 2023 to 2027 Consolidated 5 Year Financial Plan which estimates a total \$1.5B in Revenue; \$410.6M in Capital Project and Major Program Spending; and \$1.3B of Operating Expenditures over the next 5 years.

- 2023 Draft Operating Revenue Budget of \$301.5M, which incorporates:
 - \$105.1M (6.4% Property Tax Revenue Rate Increase)
 - \$59.9M (2.8% Electrical Rate Increase)
 - \$45.6M (7.0% Water & Sewer Rate Increase)
 - \$5.0M (14.0% Solid Waste Rate Increase)
 - \$15.85M Growing Communities Provincial Grant
 - \$3.1M Sewer Separation Grant (\$10.5M over four years)
 - \$0.6M Building Safer Communities Funding (\$1.74M over four years)
 - \$0.5M Strengthening Communities Funding
 - \$3.6M Sale of Carbon Credits*
 - Plus Other Revenues like Gaming, Parking etc.

*Carbon Credits are generated annually as the Province gives City of New Westminster credits largely for providing electricity to the Skytrain – the annual amount is conservative as timing is uncertain for the sale of the credits; staff will provide Council via the Quarterly Process any adjustments to the annual amount should they be required.

- 2023 Draft Operating Expenditure Budget across all funds is \$235.4M
- 2023 Draft Multi-Year Capital Expenditure Budget of \$173.2M of the \$410.6M
- 2024-2027 Estimated Annual Revenue Rate Increases:
 - Electrical Rate Increase of 2.8%/year
 - Property Tax Increases of 4-5%/year
 - Water Rate Increases of 7%/year
 - Sewer Rate Increases of 7%/year
 - Solid Waste Rate Increase of 14%/year

See Attachment #1A and #5 of this report for details by Fund.

BACKGROUND

The annual budget draws from an existing Five Year Financial Plan and is established in advance of the year of delivery with Council approval specific to annual property taxation and utility rates (the funding sources). Where the funds do not exist within the current approved Bylaw, staff then work to find offsets within the current approved expenditure plan to avoid growing the plan and seeking an amendment. Should an offset not exist, staff would then seek to amend the Bylaw to avoid delays or impacts on City services for major projects in progress.

As indicated in previous Council reports, as part of the City's commitment to flexibility and transparency, the Finance Department reports back to Council on a quarterly basis and seeks Council approval for any adjustments where budgets would need to be reset or varied from the original budget targets throughout the year.

A **quarterly monitoring and reporting process** is recognized as a best practice and acknowledges that change happens over the course of any given fiscal year. Accordingly, this approach allows for:

- reporting out on the quarter results so Council is well informed on accomplishments or project deferrals due to economic or internal factors;
- consultation, on a timely basis, on needed changes to the Approved Multi-Year Budget allowing for Council's feedback on project adjustments or new projects;
- increased transparency and robust financial oversight which supports a more seamless transition into the next annual budget setting exercise and Five Year Financial Plan update; and
- Council to set and re-set the budget based on changing priorities or community needs and emergent issues.

At the meeting on May 30, 2022, Council approved the 2023 Budget Framework and timelines which follows a best practice approach to work collaboratively with Council and incorporating the feedback from the community.

The intent for this year's budget process, similar to last year's process, was for Council to consider all of the proposals made by City Departments and provide important Council feedback. This feedback has been reviewed and either incorporated into the final Annual Budget and 5 Year Financial Plan, which includes the municipal portion of the annual property tax rate increase, or will be considered in future budget cycles.

In December 2022, Council adopted the 2023 Utility Rates: 2.8% Electrical Rate Increases; 7% for both Water and Sewer Rates; and 14% for the Solid Waste Rates.

At the January 30, 2023 General Fund Budget & Proposed Service Enhancements Workshop, staff proposed the 2023 Service Enhancement List or a total budget proposal of **\$10.6M** of:

- \$7.01M due to increase in **non-discretionary base costs**, such as salaries, new Collective Agreements, WorkSafeBC premium increases, debt servicing costs for the new ~~təmesełtxw~~ Aquatic Centre, and E-COMM 911 and Justice Institute of BC (JIBC) costs increase; and
- \$3.65M of proposed enhancements for **other City priorities** such as advancing the Downtown Livability Strategy as reported to Council on December 12, 2022,

Public Safety, Asset Management, Emergency Management and investments in Human Resources (HR) and Information & Technology (IT).

Staff has informed Council that approval of the proposed service enhancement list for the full amount at \$10.6M would result in an estimated net Property Tax implication of approximately 6.4%.

To achieve this, thereby mitigating against an unaffordable Property Tax rate increase and maintaining fiscal prudence, staff would find other financial strategies to offset, such as by:

- utilizing some of the existing City surplus and efficiencies that result throughout the year, for the temporary or one-time enhancement needs;
- utilizing revenue growth from new developments and new construction for the permanent staff enhancements; and
- finding ways to generate more interest revenue through investing cash into longer-term GIC's.

At the February 13 and February 27 Capital Budget Workshops, staff presented the 2023 Proposed Capital Budget of \$166M and the 2023-2027 Proposed Capital Plan of \$410M. This included an increase for the Fourth Street Stairs and Flex Space, the Advanced Meters Project and the Decision Making Framework investment to support the accelerated allocation of the Climate Action Reserve to the Capital Plan.

Staff informed Council at the Workshops that there are some known risks from: asset conditions; estimated values; inflationary pressures; climate risks (such as flood and other Emergency Management needs); unfunded items such as the District Energy project; and renovations to the Massey Theatre Building.

Council provided comment and feedback during the budget workshops via various questions and/or suggestions for staff consideration and incorporation into the 2023 Budget.

Highlight of changes since January and February Workshops:

1. General Fund – Operating Budget Service Enhancements:
 - Remove: Anvil: Sales Coordinator & Booking System Case Study -\$41K
 - Remove: Parks: Clerk 3 Admin Support (manage within) -\$35K
 - Reduce: ENG: Q to Q Ferry Revenue Budget Adjustment -100K
 - Add: Economic Impact Model +\$25K
 - Add: Indigenous Relations +100K
 - Add: City-Wide Staff Enhancement Onboarding/Tools/Equipment +285K
 - Add: Parks: Program Coordinator +80K
 - Add: Fire: ESS Volunteer Coordinator & EMR Adjustment +55K
 - Add: CAPD: TPT Plumbing Inspector Budget Adjustment +30K
 - Add: IT: IT Support Clerk Budget Adjustment +4K

- 2. All Funds – 2023 Multi-Year Capital Expenditure Budget:
 - Accelerate: Railway Crossing Improvements +0.55M
 - Accelerate: Sidewalk Repair Works +0.20M
 - Decrease: Street Lighting Improvements -0.75M
 - Increase: Advanced Metering (advanced from 2024) +6.65M

On March 3, 2023, the Province announced that the City of New Westminster would receive \$15.85M to help prioritize local infrastructure and amenities projects, including supporting affordable housing, upgrading water management facilities and building recreation centres.

Grants are distributed using a formula that incorporates an initial \$500,000 per municipality or district, and further adjustments for population size and per-capita population growth between 2016 and 2021, based on BC Stats data. This method considers the impacts of service and amenity demands on smaller and rural communities and the additional pressures experienced by faster-growing communities. Grants will be distributed to local governments by the end of March 2023.

Local governments are responsible for determining how the grants will be allocated based on the unique needs of their communities. Staff have built the funding into the 2023 Grants from Other Governments revenue and will work with Council to allocate the funds to the 2023 Multi-Year Capital Budget at the first Quarterly review meeting.

2023 APPROVED BUDGET TIMELINES

The Table below outlines the key dates around the 2023 Budget.

Date	Description
31-Oct-22	Council Onboarding Package - Budget Introduction and Overview
7-Nov-22	New Council Inaugural Meeting
14-Nov-22	Council Onboarding Session - Budget 101
16-Nov-22	Quarter 3 Capital & Operating Performance Report Distributed
16-Nov-22	2023 Proposed Utility Rates Report Distributed
28-Nov-22	2023 Utility Budget Workshop & Presentation
28-Nov-22	Quarter 3 Capital & Operating Performance
12-Dec-22	Utility Rates (Three Readings)
Complete	Utility Rates (Adoption)
30-Jan-23	2023 General Fund Budget Workshop & Proposed Service Enhancements
13-Feb-23	2023 Proposed Capital Budget Workshop & Presentation
27-Mar-23	2023 DRAFT Budget & 5 Year Bylaw post on City Website/Paper
17-Apr-23	2023 DRAFT Budget & 5 Year Financial Plan Bylaw (3 Readings)
24-Apr-23	2023 DRAFT Budget & 5 Year Financial Plan Bylaw (Adoption)

The 2023 Council Budget Workshops will be promoted widely through various channels, including email notification to various City email databases, social media posts and advertising, City Page notices in the newspaper and by email, advertisements in the Record, and through the City’s website from March 27 onwards with an opportunity for members of the public to be heard on April 17, 2023.

2023 DRAFT BUDGET & FIVE YEAR FINANCIAL PLAN WORKSHOP

On March 27, 2023, a final Council Budget Workshop will be held and City staff will provide a presentation. At this workshop, staff will walk Council through the 2023 DRAFT Budget & Five Year Financial Plan prior to posting on the City Website and Newspaper.

FINANCIAL SUSTAINABILITY PRINCIPLES

The 2023 Proposed Operating & Capital Budget(s) are guided by Financial Sustainability Principles that align with the City’s core values when building a vibrant compassionate City that includes everyone and ensures the City’s budget is:

- ❖ **Sustainable** - Maintain assets in a state of good repair through reasonable tax /rate hikes, and without disruptions to services; living within our means;
- ❖ **Adaptable** - The ability to change debt levels or leverage reserves; ability to ramp up or down on spending;
- ❖ **Stable** - Predictability of City’s Sustainable Revenue Sources, & less reliance on external funding or 3rd party funding; and
- ❖ **Accountable** - Fiscally prudent & responsible; the ability to ensure that the City’s financial decisions are in the best interest of all.

ANALYSIS

3. 2023 DRAFT BUDGET & 5 YEAR FINANCIAL PLAN OUTLOOK

The Draft Financial Plan which includes the 2023 Annual Operating and Capital Budgets are based on projections and best estimates that advance Council’s Priorities and the City’s Climate Action Bold Steps while maintaining delivery of core services.

Table 1-1 2023 – 2027 DRAFT Consolidated Financial Plan – all funds

CORPORATION OF THE CITY OF NEW WESTMINSTER					
CONSOLIDATED FINANCIAL PLAN (DRAFT)					
	2023	Budget Projections			
	Budget	2024	2025	2026	2027
Total Revenues	301,504,399	301,395,477	301,103,197	305,341,515	321,939,768
Total Expenses	235,384,096	249,737,076	258,246,363	265,697,448	275,564,137
Increase in Total Equity	66,120,303	51,658,401	42,856,834	39,644,067	46,375,631
Reconciliation to Financial Equity					
Amortization of Tangible Capital Assets	27,730,000	31,015,000	32,600,000	32,638,000	33,502,000
Capital Expenses	(173,237,487)	(86,267,250)	(59,457,390)	(34,522,540)	(57,126,178)
Debt Retirement	(8,288,745)	(8,581,203)	(8,782,597)	(9,360,255)	(9,143,153)
Proceeds on Debt Issuance	48,880,858	17,153,200	7,500,000	500,000	-
CHANGE IN FINANCIAL EQUITY (Reserves)	(38,795,071)	4,978,148	14,716,847	28,899,272	13,608,300
Financial Equity, beginning of year	192,566,884	153,771,813	158,749,961	173,466,809	202,366,082
FINANCIAL EQUITY (Reserves), end of year	\$ 153,771,813	\$ 158,749,961	\$ 173,466,808	\$ 202,366,081	\$ 215,974,382

REVENUES

The total 2023 annual budgeted revenues of \$301.5M includes: \$105.1M from Municipal Taxes; \$110.5M from Utility Cost Recovery; \$38.2M from other user fee/program fees; and the balance, \$47.6M, from BC Gaming and other 3rd party or developer contributions supporting the delivery of the annual capital budget.

Based on feedback from the Council Workshops, the results from the budget enhancement survey, the reallocation of expenditures and the Province's Growing Communities Grant, the Draft Operating Budget includes a 2023 Approved User Fee & Utility Rate Increases and the Proposed Property Tax Increase of 6.4%.

Breakdown of the Property Tax Increase:

The **2023 Proposed Service Enhancements** are estimated at **\$10.5M** (*Attachment 3*)

Existing Committed/Fixed Costs Increases \$7.0M:

- Annual salary and benefit increase* \$3.315M
- WorkSafeBC Premiums \$1.250M
- TACC – Debt Servicing Increase** \$1.000M
- General Fund – Supplies & Materials “all” Inflation* \$0.345M
- Contract Services “all” – Inflation* \$0.145M

- JIBC training, traffic fine reduction, contracts \$0.735M
- ECOMM Increases Police & Fire \$0.216M

**Staff has estimated 3-4% for Salary, Benefit, Training, and Supplies & Materials*

***TACC is estimated to open in early 2024 (Enhancements will be proposed with the 2024 Budget)*

Plus: Other Service Enhancement Proposals \$3.5M:

- Downtown Livability Resources – Permanent: \$0.580M
 - CAPD: Senior Development Planner
 - CAPD: Livability Coordinator
 - ENG: Public Toilet Operating Costs
 - ENG: Street Cleaning Services
- Human Resources – Recruiter Permanent: \$0.117M
- IT Resources: \$0.376M
 - IT Project Manager
 - IT Security Administrator
 - IT: Support Clerk conversion from RPT to RFT
 - IT: Computer Systems Maintenance
- Engineering: \$0.450M
 - ENG: Q to Q Sponsorship and Revenue Budget Adjustment
 - ENG: Street Use Permit Revenue Adjustment
 - ENG: Supplies & Materials Volume Adjustment
- Library Board Approved Enhancements (Total \$0.520M managed within): \$0.000M
 - Digital Branch Manager
 - Community Development Coordinator
 - Public Service Support
 - New Library Vehicle for Home Service Library - Grant
 - Reduction in Existing Operating Expenditures
- General Government Services: \$0.465M
 - CAO: Indigenous Relations Program
 - CAO: Economic Impact Model
 - Mayor/Clerks: Consultant Studies
 - GEN: New Staff IT Equipment, Furniture, Training
- Items Proposed as One-Time Enhancements: \$1.189M
 - HR: Assistant, Learning and Development Specialist, Workplace Wellness and Ability Management Specialist, Training Carryover
 - CAPD: Plumbing Inspector, Livability Coordinator, Building Clerk 3
 - FIRE: DEIAR Framework, Emergency Management
 - GEN: Corporate Contingency for Inflation/Extreme Events
 - CAO: Communication Coordinators, Business License Clerk, Records Management, Indigenous Liaison
 - ANV: Digital Signage Maintenance and Updates
 - PKS: Program Coordinator and Arboriculture – Supplies & Contractors

- Items Proposed for Capital Project Direct Support: \$0.350M
 - Downtown Livability – Affordable Housing Plan & Build
 - Advanced Meter - IT Project Analyst Support

OPERATING EXPENSES

The total 2023 annual budgeted operating expenses of \$235.4M includes: \$154.1M to support the General Funded Programs or Core Services; \$43.8M for Electrical Utility Costs; \$26.3M for the Water & Sewer Costs; \$4.3M for Solid Waste or Garbage Collection costs; and \$6.8M of Fiscal Expenses.

Over the next 5 years, it is unknown what the average annual fixed costs/salary expenditures will be. That said, staff has estimated 2-5% across all funds based on current market trends, with some beyond inflationary increases in Metro Vancouver levies, amortization or debt financing related to the growth in new or improved capital project completion such as the t̄m̄s̄s̄w̄tx̄w Aquatic & Community Centre, Massey Theatre, Affordable/Supportive Housing, Sustainable Transportation, Queensborough Substation, and various Climate related initiatives such as greening the City’s Fleet and the associated EV Infrastructure.

CAPITAL EXPENSES

The 2023 Draft Capital Budget is \$173.2M and emphasizes the delivery of important capital projects that support Council’s Priorities, the Climate Action Seven Bold Steps and the City’s core services. It will be spent over multiple years as projects are either large in nature, like the t̄m̄s̄s̄w̄tx̄w Aquatics and Community Centre project, or have long procurement lead times, such as the large City fleet, and will require funds to be committed in 2023, however spent in future years.

Over the next 5 years, staff is estimating \$410.6M of Capital spending which includes:

- continued major budget spending for the t̄m̄s̄s̄w̄tx̄w Aquatics and Community Centre;
- Queensborough Substation;
- Greenways;
- Advanced Meters Project;
- Massey Theatre;
- sewer separation;
- water main replacement; and
- other major capital works.

Table 1-2 Summarizes the 5 Year Plan by Fund and Estimated Capital Plan Draw

Fund	2023 Proposed Multi-Year Budget \$M	2024 Plan \$M	2025 Plan \$M	2026 Plan \$M	2027 Plan \$M	5 Year Plan Total \$M
General Fund	102.69	36.50	24.81	19.04	40.60	223.64
Electrical Fund	33.62	33.12	17.57	3.25	3.25	90.81
Water Fund	12.11	4.92	6.04	6.01	6.72	35.81
Sewer Fund	23.22	8.88	10.39	5.41	5.78	53.67
Solid Waste Fund	0.84	0.83	0.62	0.78	0.78	3.84
BridgeNet Fund	0.76	2.03	0.03	0.03	-	2.85
TOTAL	173.24	86.27	59.46	34.52	57.13	410.61

Attachment 4 includes the detailed list of Programs/Projects in the 5 Year Capital Plan.

Table 1-3 – Estimated 5 Year Capital Plan Funding Sources

2023 - 2027 Funding Sources					
Project Description 2023 - 2027	Budget	Reserves	Debt	DCCs	Grants / Contributions
Roads	25.13	22.50	-	-	2.63
General Transportation Program	44.01	41.11	-	0.20	2.71
Transportation Structures	7.70	6.17	-	0.40	1.13
Parks Facilities Maintenance Program	3.26	3.26	-	-	-
Civic Facilities Maintenance Program	11.18	11.18	-	-	-
Vehicle & Equipment Replacement Program	18.28	18.24	-	-	0.04
Parks Maintenance Program	13.59	8.38	-	-	5.21
Park & Civic Facilities Major Repl. and Additions	15.72	14.43	-	1.29	-
Q2Q Ferries & Waterfront DAC Project	1.38	0.32	-	-	1.06
Information Systems / Networks	7.28	7.28	-	-	-
Other General Fund Projects	17.50	16.80	-	-	0.70
Parkland Acquisition & Development	11.66	8.92	-	0.73	2.00
temasewtx Aquatics and Community Centre	45.95	-	42.40	-	3.55
Total General Fund	222.64	158.59	42.40	2.62	19.02
Electrical Infrastructure	81.90	25.17	24.34	-	32.40
Electrical Substation Expansion	7.94	0.65	7.29	-	-
Other Electrical Projects	4.81	4.81	-	-	-
Total Electrical Fund	94.66	30.63	31.63	-	32.40
Water Infrastructure	33.65	32.35	-	1.30	-
Other Water Projects	2.16	1.98	-	0.18	-
Total Water Fund	35.81	34.33	-	1.48	-
Sewer Infrastructure	46.89	34.02	-	1.55	11.31
Drainage & Flood Management	5.67	4.88	-	-	0.79
Other Sewer Projects	1.11	0.92	-	0.19	-
Total Sewer Fund	53.67	39.82	-	1.74	12.11
Solid Waste Projects	3.84	3.84	-	-	-
Total Solid Waste Fund	3.84	3.84	-	-	-
Total Utilities	187.97	108.61	31.63	3.22	44.51
Total General Fund & Utilities	410.61	267.20	74.03	5.85	63.53

RESERVES

The \$410.6M DRAFT 2023 – 2027 Capital Plan will be funded by debt financing of \$74M, 3rd party/external contributions/development cost charges of \$70M, and the remaining \$267M will be funded by Reserves/operating surpluses/capital levies.

The reserves are managed and guided by the City's Reserve Policies and support with the delivery of services to residents, businesses and industries today and into the future. The Policy outlines management and application of City reserves set aside in a formal manner for a restricted or unrestricted purpose. Reserves are essentially savings accounts of the City and promote long-term sustainability and stability for asset replacement, growth and rate stabilization.

Forecasted reserve balance as at year ended December 31, 2022 is projected at \$192.6M; the 2023 Budget estimates a net reduction or draw down of the reserves by \$38.8M, leaving an estimated \$153.8M by year end December 31, 2023.

Table 1-4 – Estimated 5 Year Capital Plan Reserve Balances:

RESERVES			2023	2024	2025	2026	2027
			Forecast \$M	Forecast \$M	Forecast \$M	Forecast \$M	Forecast \$M
Non-Statutory Reserves							
GEN	F11	Affordable housing	0.68	(1.63)	(3.91)	(5.57)	(7.03)
GEN	F12	Childcare amenity	0.00	0.00	0.00	0.00	0.00
GEN	F13	Community amenity	7.33	7.42	7.53	7.57	7.68
GEN	F14	Community development	5.42	3.53	5.88	8.17	7.86
GEN	F15	Community endowment	5.08	5.18	5.29	5.39	5.50
GEN	F16	Computer replacement	0.68	0.86	0.51	0.47	0.51
GEN	F17	Environmental/Childcare grants	0.20	0.20	0.20	0.20	0.20
GEN	F23	Equipment replacement - GEN	0.15	0.13	0.32	0.03	0.12
ELE	F24	Equipment replacement - ELE	2.35	1.81	1.87	1.98	2.09
WTR	F25	Equipment replacement - WTR	2.76	3.09	3.46	3.82	3.50
SEW	F26	Equipment replacement - SEW	1.44	1.33	1.49	1.65	1.81
SW	F27	Equipment replacement - SW	0.49	0.17	0.06	0.03	-
GEN	F18	Facility maintenance	(0.20)	1.40	2.08	1.45	2.57
GEN	F35	Facility replacement - TACC	-	-	-	-	-
GEN	F36	Facility replacement - Massey Theatre	4.3	3.1	-	-	-
GEN	F19	General amenity	0.4	0.4	0.5	0.5	0.5
GEN	F2	General fund provisions	22.5	11.4	7.8	11.1	6.4
GEN	F21	Off-street parking provisions	1.0	0.8	0.6	0.3	0.3
GEN	F22	Public art	0.8	0.8	0.9	0.9	1.0
GEN	F40	Climate Action Reserve ¹	35.2	40.0	45.9	52.5	54.7
ELE	F3	Electrical fund provisions	18.1	23.9	31.2	39.4	48.7
WTR	F4	Water fund provisions	12.9	16.2	18.3	20.3	22.3
SEW	F5	Sewer fund provisions	25.8	32.5	36.0	41.9	43.5
SW	F6	Solid waste fund provisions	(0.1)	1.2	3.2	5.7	9.2
Statutory Reserves							
GEN	F28	Cemetery reserves	0.9	1.0	1.1	1.1	1.2
GEN	F29	Construction of municipal works	2.7	1.1	0.6	0.6	0.6
GEN	F30	Parking cash in lieu	0.9	0.9	0.8	0.8	0.7
GEN	F31	Park land acquisition	0.1	0.1	0.1	0.1	0.1
GEN	F32	Tax sale land	1.9	1.9	1.9	2.0	2.0
Total Reserves			153.8	158.8	173.5	202.4	216.0

In the years 2024 to 2027, staff are estimating the need to continue to utilize the General Fund Reserve or in-year surpluses to mitigate against major rate fluctuations as they relate to inflation, debt financing, both interest and principle repayment for the new t̄m̄es̄ew̄tx^w Aquatics and Community Centre and ongoing operating impacts as we renew and grow the City's assets/infrastructure. The General Fund Reserve best practice is to maintain between 5-10% of Annual Operating Revenues.

2023-2027 GENERAL FUND – OPERATING FINANCIAL PLAN

The General Fund operating budget is the most significant component and the driver of annual property tax increases. The 2023 – 2027 Financial Plan for the General Fund is presented in Attachment 1. Attachment 1B breaks down the General Fund for 2022 and 2023 into three categories – the annual operating budget, and categories that reflect budget items that are unique to capital and reserves.

The total General Fund Expenses of \$154.1M can be viewed by major service area or by major expenditure category. Tables below provide both views. General Fund Department Budgets are included in Attachment 2.

Table 2-1 – General Fund by Major Service Area

CORPORATION OF THE CITY OF NEW WESTMINSTER					
GENERAL FUND BUDGET (DRAFT)					
	2023	Budget Projections			
	Budget	2024	2025	2026	2027
REVENUE					
Municipal Taxation	\$ 105,142,044	\$ 110,842,044	\$ 116,942,044	\$ 123,442,044	\$ 129,942,044
Sale of Services	14,226,385	14,226,385	14,226,385	14,226,385	14,226,385
Grants from Other Governments	24,886,822	3,340,980	3,145,590	2,819,940	2,733,100
Contributions	13,458,147	10,032,645	7,927,263	7,857,463	11,750,813
Other Revenue	22,350,941	22,524,794	22,329,718	22,498,693	22,673,573
Total Revenues	180,064,339	160,966,848	164,571,000	170,844,525	181,325,915
EXPENSES					
General Services					
Police Services	37,265,948	38,361,948	38,350,948	38,162,948	38,196,948
Parks and Recreation	19,874,730	26,182,248	26,450,359	26,647,378	26,945,426
Fire & Rescue	18,796,522	19,271,108	19,809,369	20,359,723	20,905,339
Development Services	7,853,813	7,424,897	7,635,900	7,823,329	7,963,545
Engineering	32,091,172	32,787,463	33,281,142	33,751,427	34,519,500
General Government	33,109,721	32,589,276	32,712,344	32,801,991	33,260,972
Library	5,143,555	5,207,643	5,268,845	5,338,943	5,397,261
	154,135,461	161,824,583	163,508,907	164,885,739	167,188,991
Fiscal Expenses					
Interest and Bank Charges	4,858,387	4,838,902	4,644,179	4,623,394	4,601,924
Total Expenses	158,993,848	166,663,485	168,153,086	169,509,133	171,790,915
INCREASE (DECREASE) IN TOTAL EQUITY	21,070,491	(5,696,637)	(3,582,086)	1,335,392	9,535,000

Table 2-2 – General Fund Expenditures by Major Expenditure Category

CORPORATION OF THE CITY OF NEW WESTMINSTER					
GENERAL FUND BUDGET (DRAFT)					
	2023 Budget	Budget Projections			
		2024	2025	2026	2027
EXPENSES					
Salaries, Benefits and Training	103,494,790	109,285,202	111,386,916	113,309,398	115,056,490
Contracted Services	12,848,671	11,855,386	11,659,996	11,334,346	11,247,506
Supplies and Materials	10,873,205	10,769,200	10,769,200	10,769,200	10,769,200
Interest and Bank Charges	4,858,387	4,838,902	4,644,179	4,623,394	4,601,924
Cost of Sales	1,669,662	1,669,662	1,669,662	1,669,662	1,669,662
Grants	1,222,550	1,222,550	1,222,550	1,222,550	1,222,550
Insurance and Claims	4,235,583	4,235,583	4,235,583	4,235,583	4,235,583
Amortization	19,791,000	22,787,000	22,565,000	22,345,000	22,988,000
Loss on Disposals	-	-	-	-	-
Total Expenses	158,993,848	166,663,485	168,153,086	169,509,133	171,790,915

The following table and discussion summarizes and explains the major changes in operating revenues and expenses for 2023 excluding Capital and Reserve Expenditures. The figures are presented in \$000's.

Table 2-3 – General Fund Operating Revenues and Expenditures

	Operations		
	2022	2023	\$Chg
REVENUE			
Municipal Taxation	\$ 97,878	\$ 105,142	\$ 7,264
Sale of Services	13,954	14,226	272
Grants / Contributions	10,656	11,045	389
Other Revenue	15,877	18,751	2,874
Total Revenues	138,365	149,165	10,800
EXPENSES			
Salaries, Benefits and Training	97,289	103,495	6,206
Contracted Services	10,733	12,849	2,116
Supplies and Materials	9,795	10,873	1,078
Insurance and Claims	4,236	4,236	-
Other Budget Line Items	2,687	2,892	205
Interest and Bank Charges	1,629	4,858	3,229
Amortization	18,846	19,791	945
Total Expenses	145,215	158,994	13,779
NET EXPENSES	(6,850)	(9,829)	(2,979)
Debt Retirement & Internal Adjustments and Transfers			
Amortization of Tangible Capital Assets	18,846	19,791	945
Debt Retirement	(3,088)	(5,673)	(2,585)
Transfer from/(to) Other Funds	7,958	7,910	(48)
Internal Charges	(9,701)	(10,272)	(571)
Internal Recoveries	12,407	12,969	562
NET TRANSFER TO RESERVES	\$ 19,572	\$ 14,896	\$ (4,676)
2022 TAX RATE INCREASE		6.4%	

Revenues to pay for General Funded City services are budgeted at approximately \$149.2M (2022 - \$138.4M). Of this, taxation revenue contributes \$105.1M or 70% of total general revenues. The increase in taxation revenue reflects a proposed increase of 6.4% over the approved 2022 Budget and new developments anticipated.

The balance of the funds required to pay for general services comes from sale of services, grants, contributions, and other revenues. Sales of services and Grants / Contributions is expected to have a slight increase year over year. Other Revenue is expected to go up by \$2.8M which is largely due to higher interest income and a \$0.67M increase in Anvil Conference Centre revenue as businesses are expected to go back to normal after the pandemic.

The 2023 General Fund operating expenses total approximately \$159.0M (2022 - \$145.2M) and provide on-going municipal services including: Police and Fire Services; Parks and Recreation Services; Engineering Services relating to traffic and transportation; Development Services; Library; Cultural; and Administrative Services.

Increases in salaries and benefits of approximately \$6.2M reflect contractual wage increments and additional staff in supporting strategic initiatives and major projects, as well as a \$1.2M increase in WorkSafe BC premiums.

Increases in Contracted Services of \$2.1M is mainly due to the flow through of \$1.2M grants from Senior Governments (\$0.63M for Building Safer Communities Fund grant and \$0.52M Strengthening Communities grant) and other net operating expense increases.

Increases in Supplies and Materials of \$1.1M is primarily due to inflation adjustments and budgets for IT equipment, furniture and training for new staff.

All other city-wide expenditure increases are detailed in the 2023 Service Enhancement List and summarized in this report.

2023-2027 UTILITY FUND FINANCIAL PLAN

The City owns, operates and maintains four utilities including an Electrical Distribution Utility, Water Distribution Utility, Sewerage and Drainage Utility and Solid Waste/ Recycling Utility.

The budgets in the Draft Five-Year Financial Plan for the Utilities are projections based on best estimates of future events that may materially affect the City such as annual wage increments, and increasing fees charged by Metro Vancouver and BC Hydro. The budget plans also include funding to support some of the City's major initiatives including a possible District Energy System, the BridgeNet Dark Fibre Utility, Advanced Metering Infrastructure and the new Queensborough Substation. The proposed rates are also required to fund utility infrastructure replacement and to build utility reserves.

The budgets for the Utilities are presented in Attachment 5. The following table summarizes the Electric, Water, Sewer and Solid Waste Utility user rate adjustments that were previously approved and effective for January 1, 2023.

Table 2-4 2023 Utility Rate Increase

Utility Rate	Electric	Water	Sewer	Solid Waste
2023 % Rate Increase	2.8%	7.0%	7.0%	14.0%

INTERDEPARTMENTAL LIAISON

All Departments participate in the annual Budget and Financial Plan preparation process. SMT provide input and oversight of the budget process.

OPTIONS

There are two options for Council’s consideration; they are:

Option 1 – Council instruct staff to convert the Draft Consolidated 2023 to 2027 Financial Plan into a Bylaw reflecting a property tax increase of 6.4% for 2023 and a 2023 Capital Budget of \$173.2M and bring forward for three readings; or

Option 2 – Council provides further direction.

Staff recommend Option 1

NEXT STEPS

This report and the attachments will be available in the 2023 Budget section of the City’s website.

The Draft 2023 – 2027 Financial Plan Bylaw will be presented to Council for three readings at a Regular Council meeting on April 17, 2023 at 6 pm. To provide input on the plan, residents may submit written comments by following the instructions on the Comment Sheet provided in Attachment 6.

ATTACHMENTS

- Attachment #1 - General Fund Budget
- Attachment #2 - General Fund Department Budgets
- Attachment #3 - General Fund Service Enhancement Requests
- Attachment #4 - 2023 - 2027 Capital Program

Attachment #5 - Utility Fund Budgets

Attachment #6 - Comment Sheet

Attachment #7 - Draft Five-Year Financial Plan (2023 - 2027)

This report was prepared by:

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This report was approved by:

Lisa Spitale

Chief Administrative Officer