



**CAPITAL: Replace/Renew**

**OPERATING: Provide Service/Support**

# 2023 DRAFT BUDGET & 5 YEAR FINANCIAL PLAN

## March 27, 2023

**ON TABLE**  
City Council Meeting  
March 27, 2023  
re: Item 4.1

# 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**

*\*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*

# Agenda


- ☐ Budget Process & Timelines Update
- ☐ Council Onboarding & Orientation Summary
- ☐ 2023 DRAFT Multi-Year Capital Budget & 5 Year Capital Plan
- ☐ 2023 Operating Budget Annual Rate Highlights
- ☐ 2023 – 2027 DRAFT 5 Year Consolidated Financial Plan
- ☐ Feedback and discussion from Council – Discussion led by the Mayor

# 2023 Budget Timelines & Process Overview

## ❑ New Council Onboarding commenced in November:

- November 14: Budget 101, followed by Department Orientations
- January 23-28: Anvil, TACC, Reserves, Grants, DCC, Carbon Credit, AMI Orientation

## ❑ Four Special Budget Workshops

1. November 28: 2022 Proposed Operating Budget & Utility Rates
2. January 30: 2023 Proposed Service Enhancements & Funding Strategy
3. February 13: 2023 Proposed Capital Budget (including Q4 Adjustments & 2022 Carryover)
4. *March 27: 2023 DRAFT Capital & Operating Budget & 5 Year Financial Plan* 

## ❑ Workshop Guiding Principles

- Adhering with Financial Principles and Practices
- Advancing Council's Strategic Priorities
- Progressing the City's 7 Bold Steps and aligning with the City's Equity Framework

# Budget Framework



- ☐ Onboard & Orient New Council
- ☐ Seek Council input via workshops
- ☐ Incorporate Council feedback, present 5 Year Financial Plan & 2023 Budget, annual property tax rate, utility rates
- ☐ Build on what we heard from previous public engagement
- ☐ Build on what we heard from 2022 Budget Advisory Committees
- ☐ Adhere to financial principles and practices
- ☐ Continue to maintain core services / asset management
- ☐ Continue support vulnerable populations & economic recovery

# Council Onboarding & Orientations

Budget 101  
Police Board Budget  
Department Orientations  
Emergency Management 101  
Development Review 101  
Subdivisions & Transportation  
101  
DEIAR Framework  
2023 Utility Rates Budget

Downtown Livability Priority  
Asset Management 101  
Climate Action 101  
Intergovernmental Relations  
Reconciliation  
Housing Affordability 101  
Social Planning 101  
Economic Development 101  
Public Engagement 101

Facility Tours  
Parks & Rec Plans/Strategies  
Public Art, Theatre, Massey  
Policy/Strategy  
Environment & Biodiversity  
Strategies  
Development Applications  
Update

## **Special Budget Workshops:**

Anvil, TACC, Fees, AML,  
Reserves 101, Carbon  
Credits, Grants &  
Contributions, Community  
Events & Activations

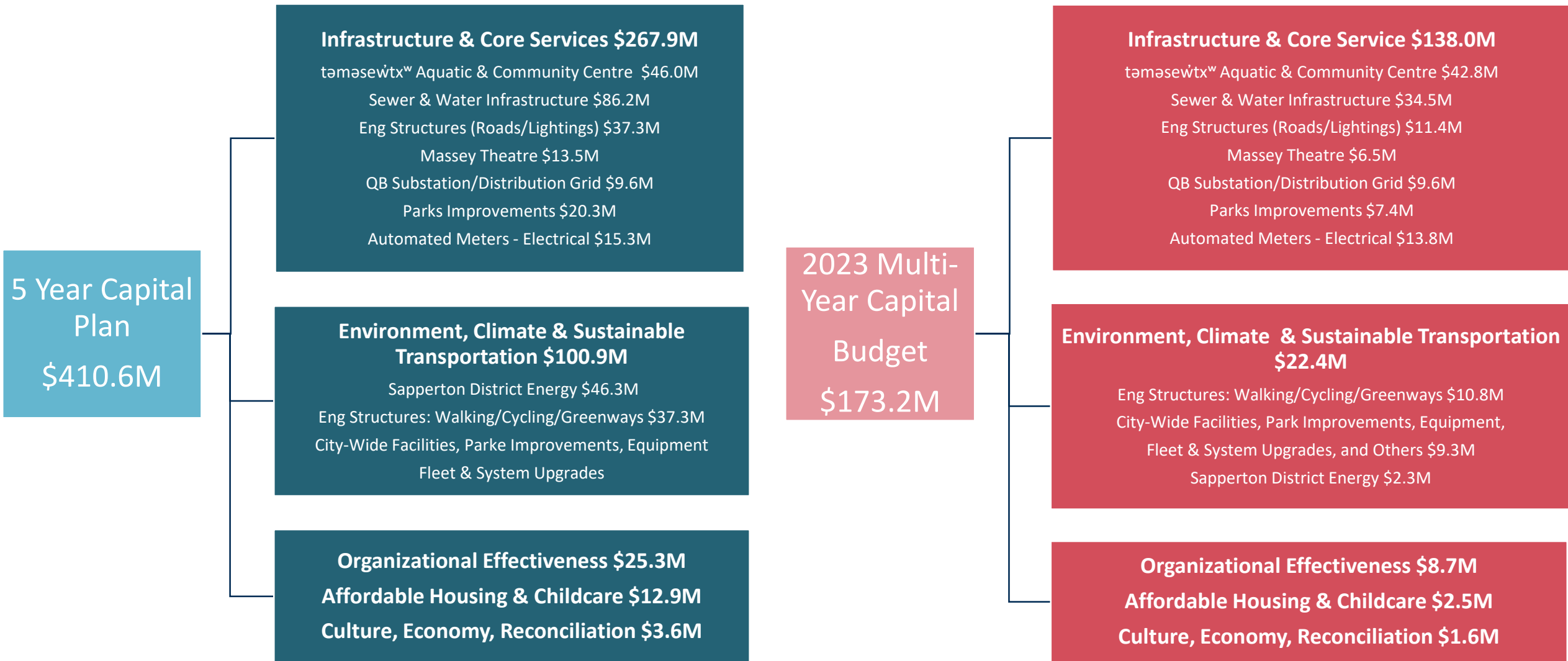




# 2023 DRAFT Multi-Year Capital Budget & 5 Year Capital Plan



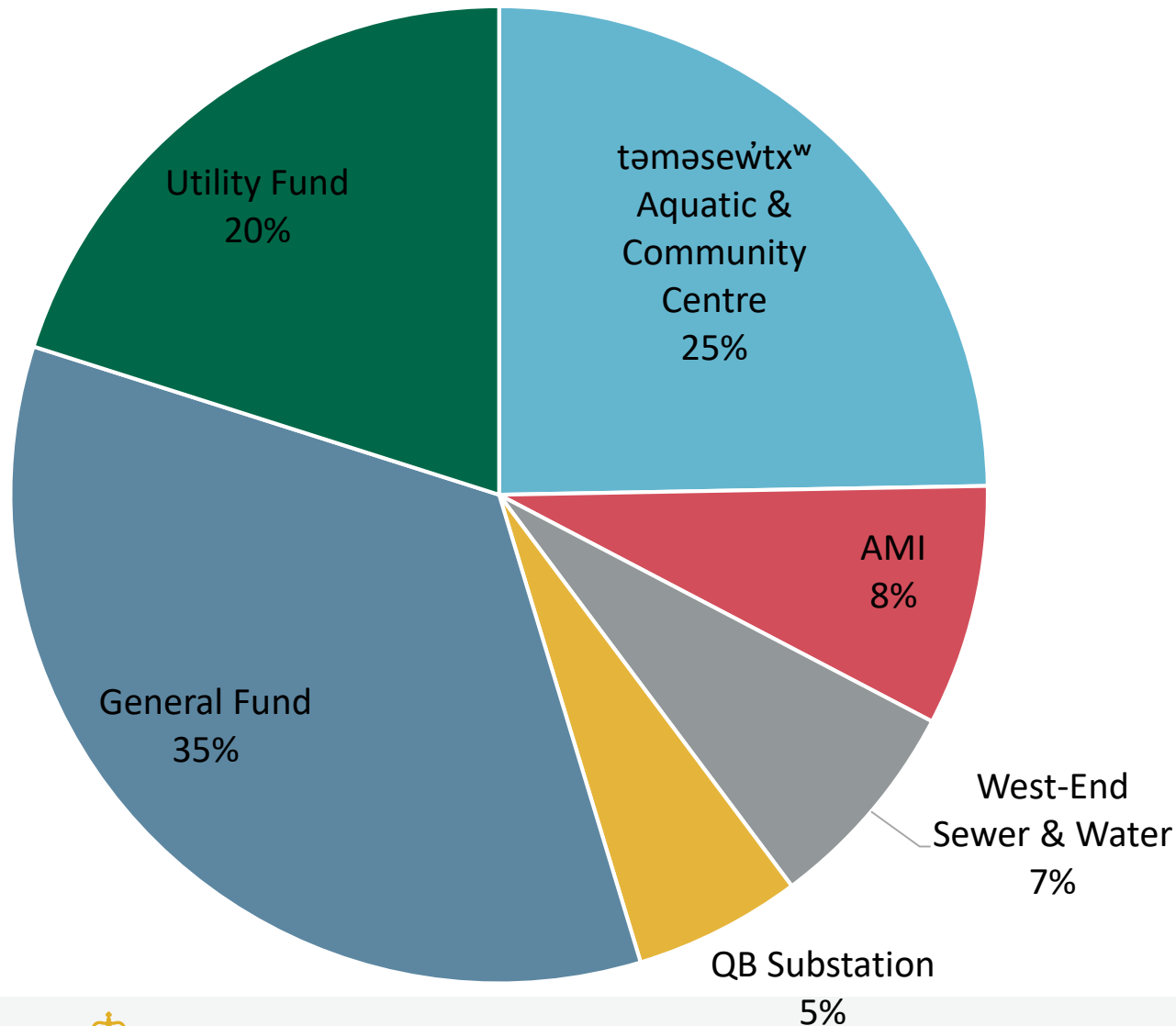
# DRAFT 2023-2027 Five Year Capital Plan





# 2023 DRAFT Capital Budget \$173.2M – “Highlights”

*The 2023 DRAFT Multi-Year Capital Budget is a combination projects in-progress and carried forward from Prior Years and important City projects already earmarked for 2023.*



## Total Major Projects \$78.5M

- \$42.8M təməsewtx<sup>w</sup> Aquatic & Community Centre
- \$13.8M Automated Meters, AMI Project
- \$12.3M West-End Sewer Separation & Watermains Replacement
- \$9.6M New Queensborough Substation/Distribution Grid

## Total Other General Fund \$59.9M

- \$7.0M Pavement/Roads/Traffic Signal/St Lighting
- \$6.5M Massey Theatre Renovations
- \$5.9M Fleet/Equipment Replacements; \$0.9 EV Infrastructure
- \$4.1M Crosstown Greenway & Other Greenway Improvements
- \$3.3M Information Technology Investments
- \$2.3M Works Yard Fuel Tanks
- \$2.1M Westminster Pier Park Expansion
- \$1.4M Affordable Housing Projects
- \$1.4M Fourth Street Feature Stairway
- \$1.3M Urban Reforestation & Biodiversity
- \$0.9M Rail Crossing Upgrades, \$1.3M Q to Q Ferry
- \$0.6M Free-Standing Public Washroom

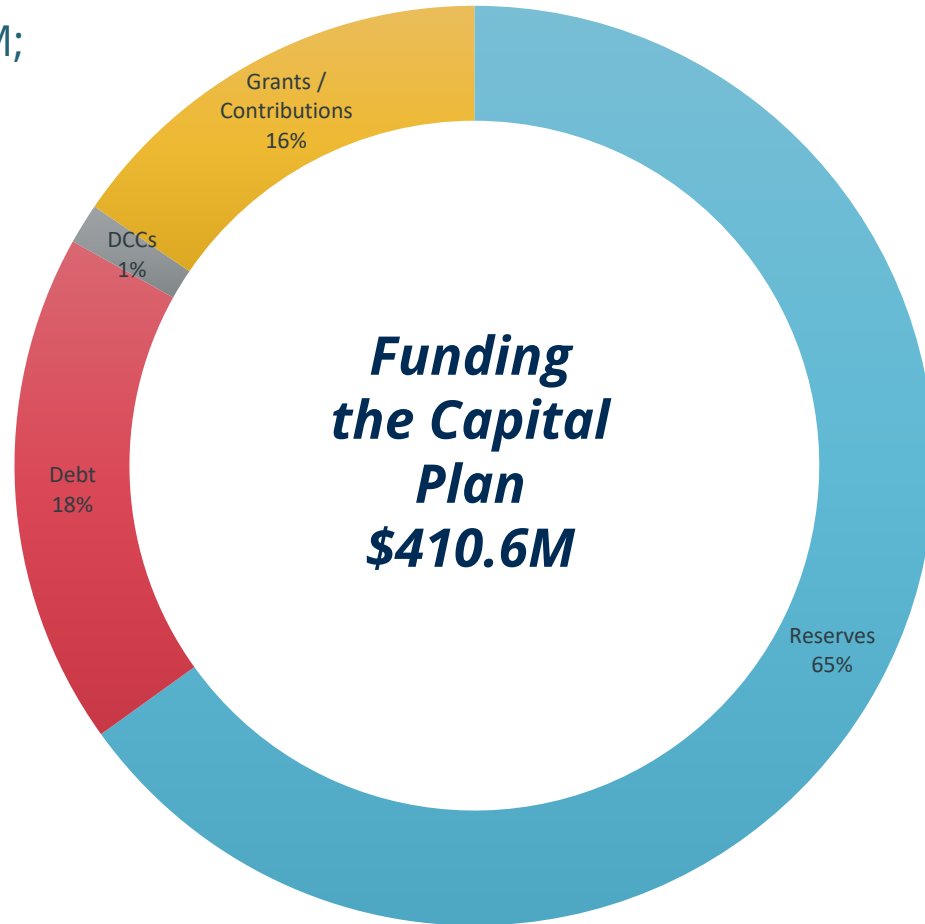
## Total Other Utility Funds \$34.8M

- \$14.7M Other Sewer Upgrades/Replacements/Rehab
- \$12.1M Other Water Upgrades/Replacement/Renewal
- \$2.5M Electrical New Services; \$2.3M District Energy

# Funding the 5 Year Capital Plan \$410.6M

## Funds come from:

- General Fund \$222.6M;
- Utility Fund \$187.9M



## Ongoing Rate Impacts:

- Reserve Contributions & Debt servicing costs impact the annual rates
- Debt Servicing (Interest + Principal) estimated increase from ~\$5M to over \$16M; direct impact on utility and property tax rates
- Asset Condition impacts the Service Levels; improving the assets can result in operational efficiencies and can therefore have positive impact on rates – current Assets are in fair to poor condition – Asset Management Plans are a top priority
- Post Covid Inflation – rising construction costs are putting pressure on ability to deliver within the planned funding

# Maintaining Financial Health

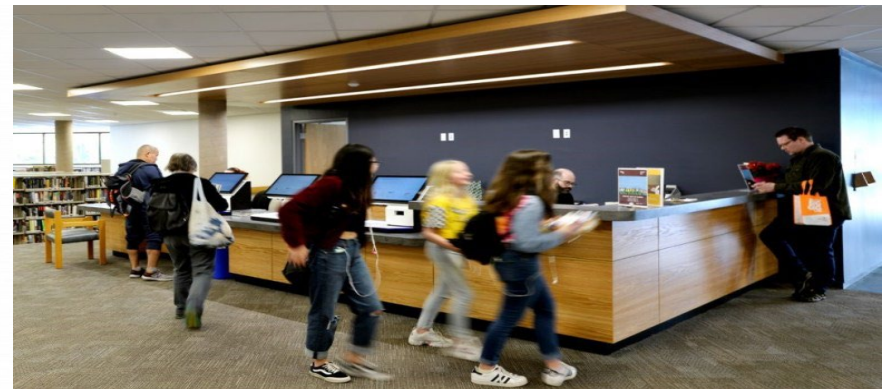


- The 2022 Proposed Capital Budget, while supportable from a financial management perspective – places strain on the City.
- An over-reliance on debt strains the City's ability to be nimble and flexible, and pivot towards new opportunities when they arise
- Good financial health and prudent fiscal management support strong asset management practice
- **Avoid new borrowing** as resources will be consumed for debt servicing - not available for capital investments or risk mitigation
- A continued firm commitment to financial best practices such as delivering these Capital **projects on time and on budget** and **not dipping into their project contingencies** will all help with the City's cash flow.
- Continue Prudent fiscal management: **keep surplus from operations in reserve** to mitigate risk of asset replacement cost escalation.
- A **continued commitment to secure Federal and Provincial stimulus funding** to assist the City's financial sustainability.



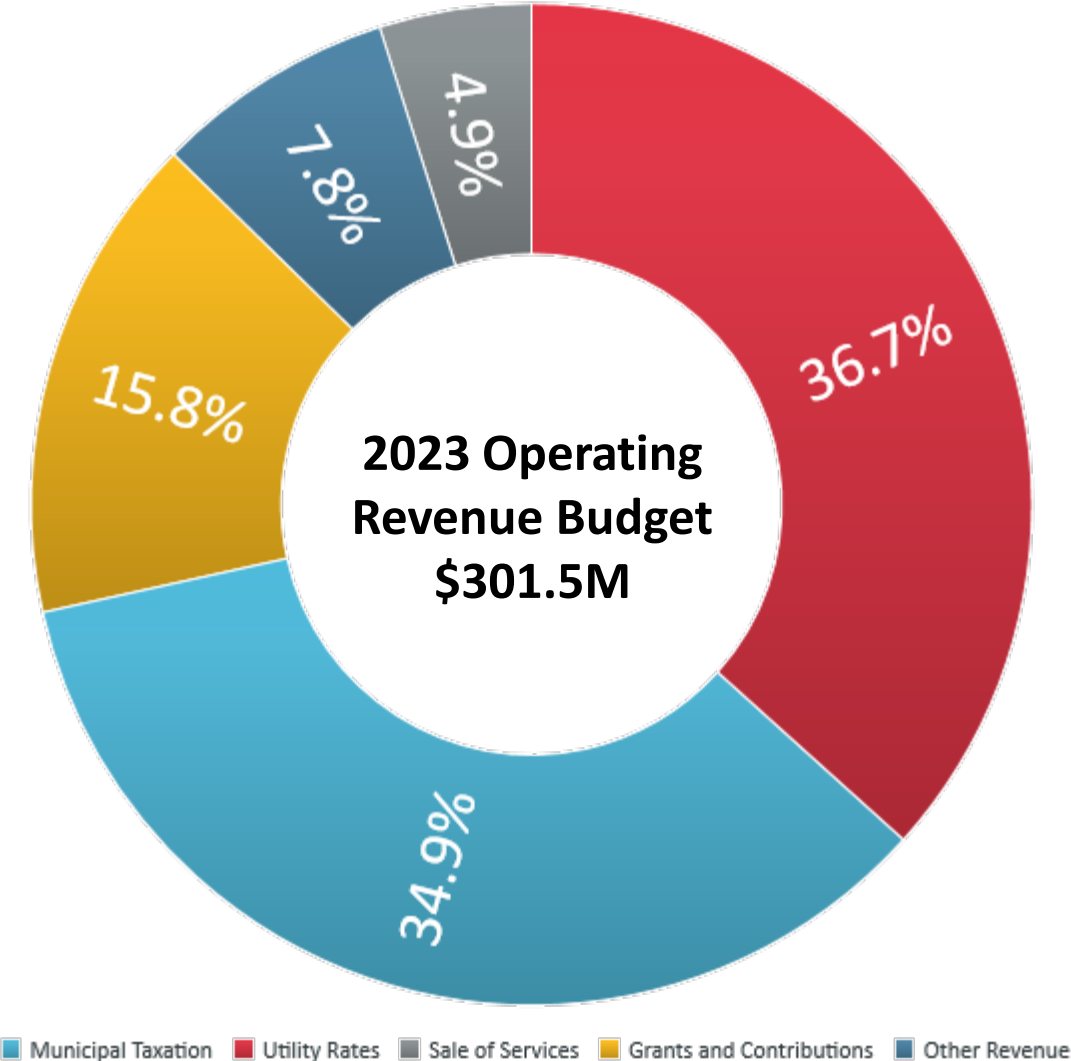


## 2023 DRAFT Operating Budget





# 2023 DRAFT OPERATING BUDGET REVENUE “Highlights”



**Municipal Taxation 34.9%:**

- \$105M Property Tax Levies

**Utility Levies 36.7%:**

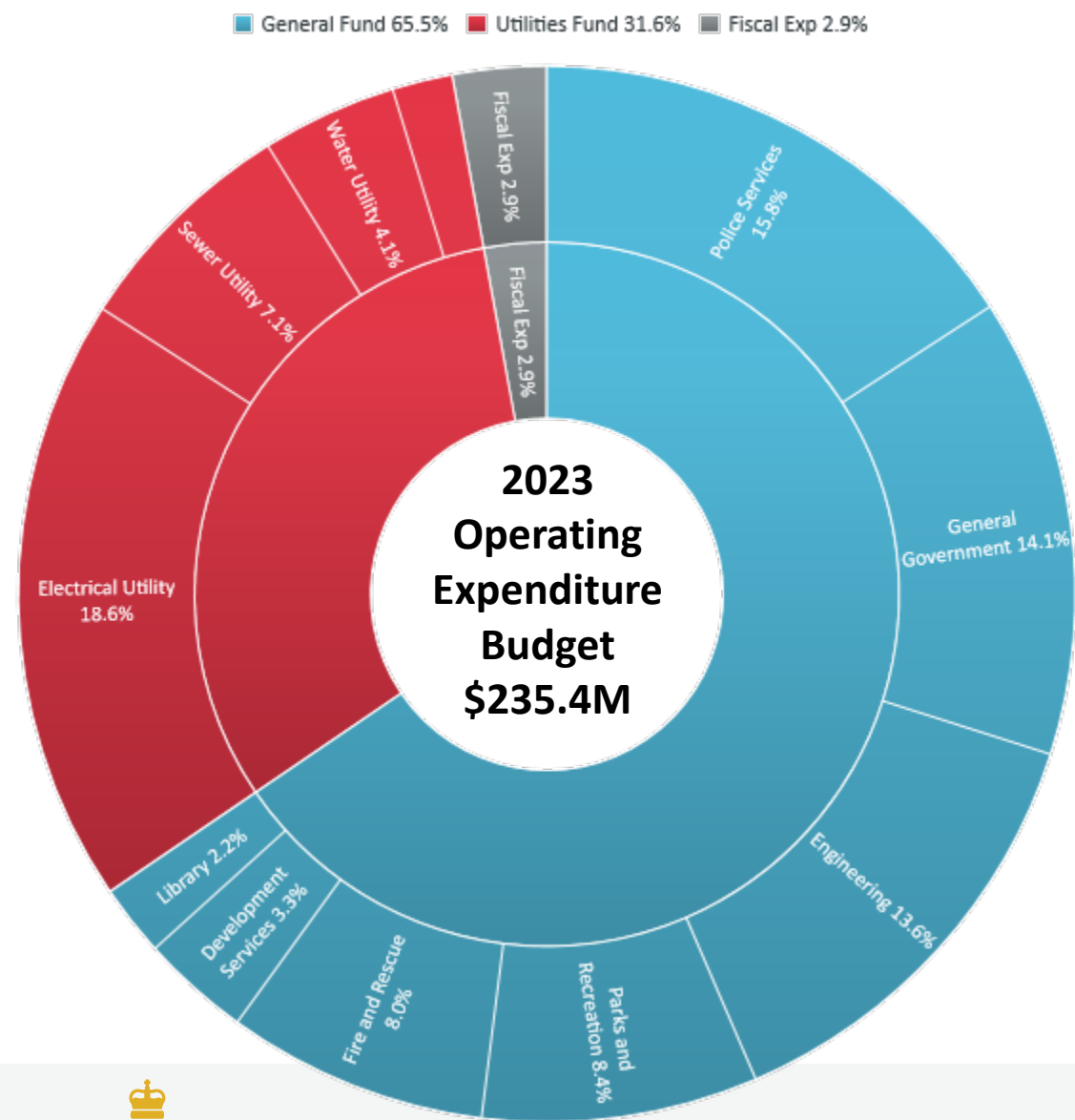
- \$60M Electrical Fees
- \$46M Water Sewer Fees
- \$5M Solid Waste Fees

**Grants & Contributions 15.8%:**

- \$15.85M Growing Community Funds
- \$6.2M Gaming Revenue
- \$3.1M Sewer Separation Funds
- \$0.6M Build Safe Community Funds
- \$0.5M Strengthening Community Funds

**Other Revenues 12.7%:** Carbon Credits, Parking, Permits, etc

# 2023 DRAFT OPERATING BUDGET EXPENSES “Highlights”



**General Fund 65.5%, or \$154.1M:**

- \$56M Police & Fire Services
- \$32M Engineering Services
- \$25M Parks & Library Services
- \$41M Permits & Other Gov’t Services

**Utility Levies 36.7%, or \$74.5M:**

- \$44M Electrical Services
- \$26M Water Sewer Services
- \$4M Solid Waste Services

**Debt & Interest Servicing 2.9%, or \$7M:**

# **2023 Operating Expenditure Budget**

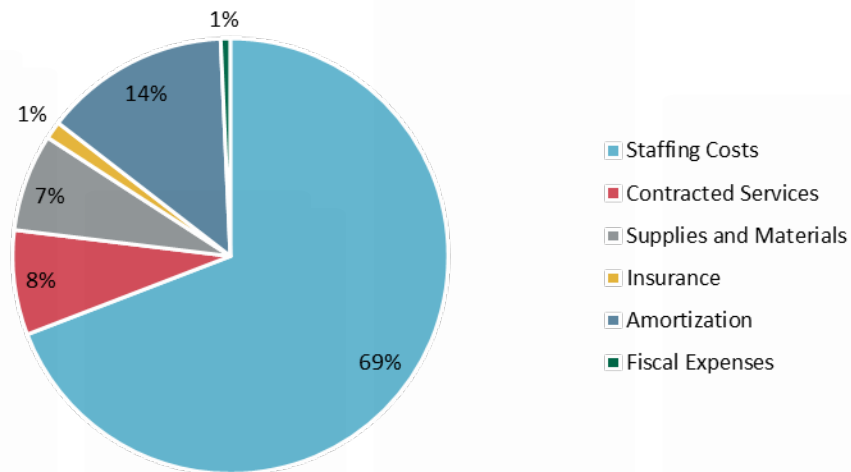
## **Detailed DRAFT General Fund Property Tax Revenue Increase Major Drivers**

**&**

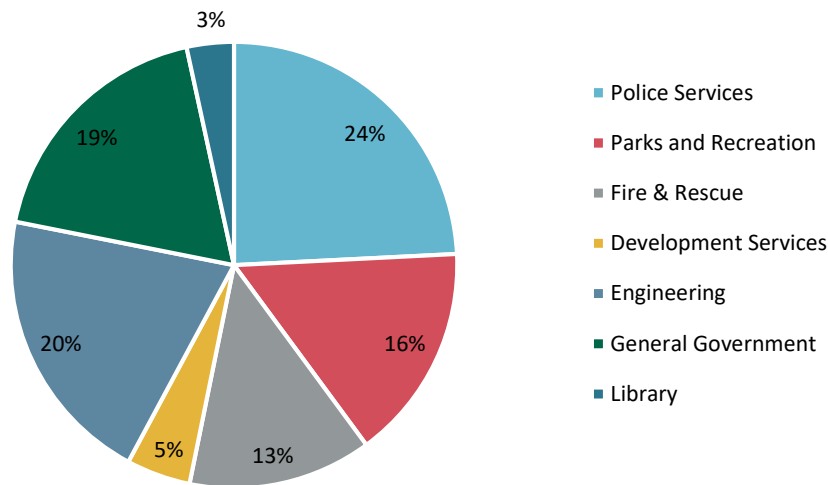
## **Summary of Council APPROVED 2023 Utility Rates & Major Rate Drivers**

# 2023 SALARY/BENEFIT/TRAINING INCREASES

ESTIMATED OPERATING BUDGET BY EXPENDITURE



ESTIMATED OPERATING BUDGET BY DEPARTMENT



**2022 MUNICIPAL PROPERTY TAXES \$97.8M**

➤ **2023 Salary/Benefit/Training Increase  
+\$3.3M (2.5-4% across all depts.)**

*~\$47M From Other/User Pay Type Fees & Grants or 3<sup>d</sup> Party Contributions*



# 2023 Downloading – Fixed Cost Increases



## 2023 Fixed Cost Increased Passed Down:

- 2023 WorkSafe BC Premium Increase +\$1.25M, or 1.3%
- 2023 E-Comm 911 & JIBC Increases +0.95M, or 1.0%

# təməsewtx<sup>w</sup> Aquatic and Community Centre



➤ **2023 Debt Servicing Cost Increases \$1.0M or 1.0%\***

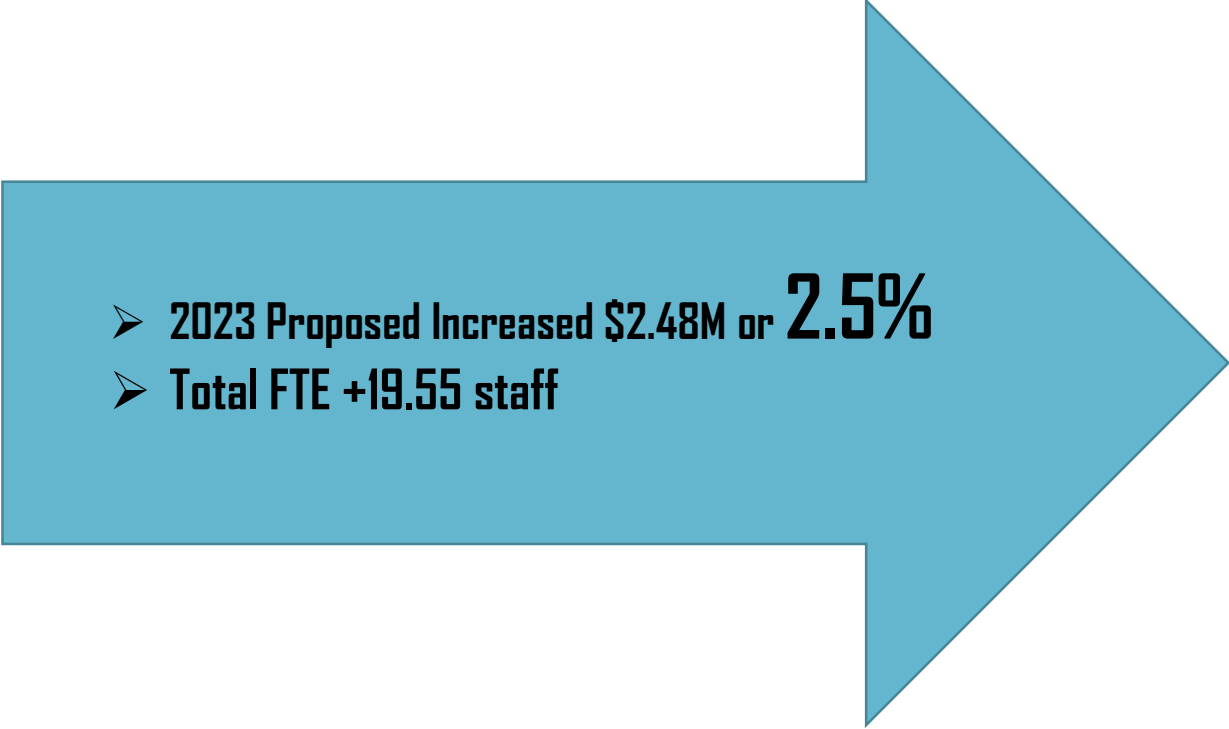
## **Project Update:**

- *2022 Multi-Year Capital Project Budget ~\$114M*
- *Funding Sources: \$93.6M Debt, \$3M Grant, balance from Facility Reserves*
- *Progress: ~\$70M spent to date and 60% complete*
- *Total Property Tax Implication due to Debt Financing ~4% Increase*
- *2021 Budget – Council Approved 2% Property Tax Revenue Increase for Debt*
- *2022 Budget – Council Deferred 2% due to Insurance Premium Increases*
- *2023 Budget – Propose 1%*
- *2024 Budget – Propose another 1% plus other Opex Increase to Open Centre*

# 2023 Proposed “Permanent” Service Enhancements

## Operational Service Investment Highlights:

- **Downtown Livability** – Street & Public Toilet Cleanliness & Attention, Livability Co-ordinator & Development Planner
- **Technology Services** – IT Project Manager, Security Admin, Computer Systems Maintenance
- **Human Resources** – Recruiter
- **Library Board** – Transition Temp/Aux staff to Permanent
- **Supplies/Materials & Contract Services** – Inflation
- **New Staff IT Equipment, Furniture, Training** - ~20 FTE
- **Engineering** - Q to Q Sponsorship and Revenue Budget Adjustment & Supplies & Materials Volume Adjustment
- **CAO/Mayor/Clerks:** Consultant Studies, Economic Impact Model, Indigenous Relations Program

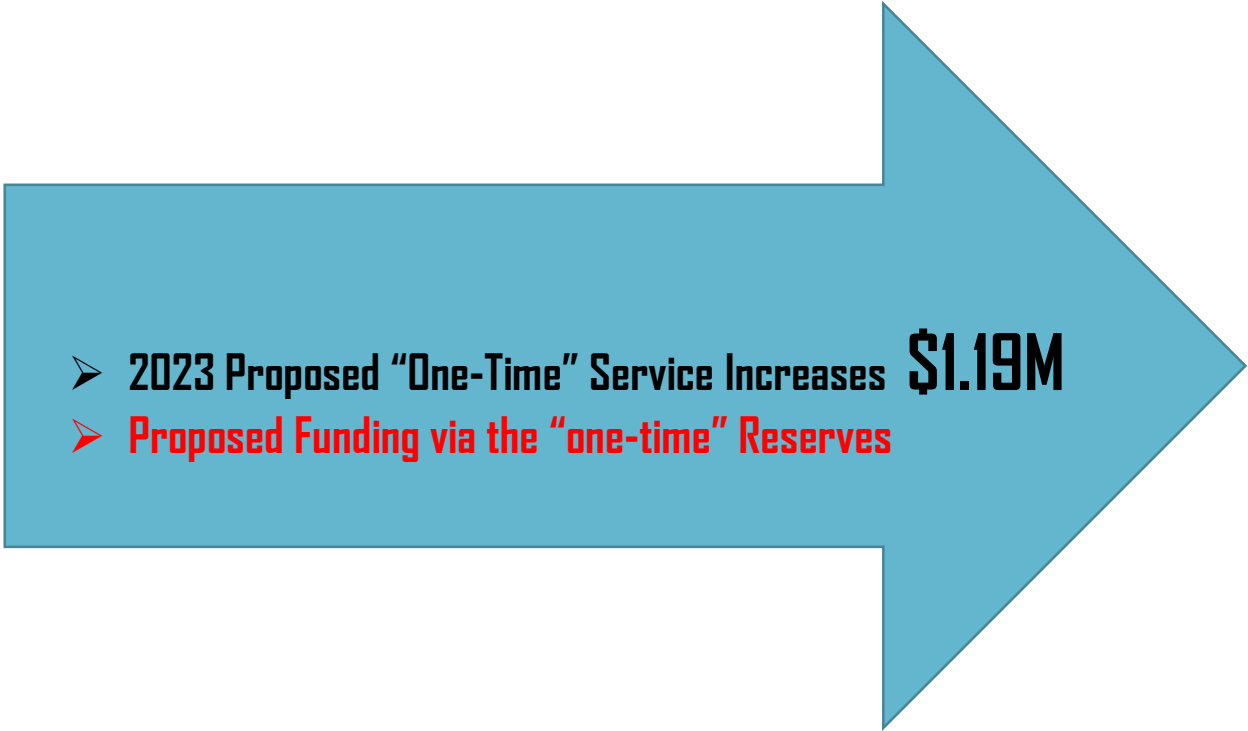


➤ 2023 Proposed Increased \$2.48M or **2.5%**  
➤ Total FTE +19.55 staff

# 2023 Proposed “One-Time” Service Enhancements

## Operational Service Investment Highlights:

- **Human Resources:** Assistant, Learning and Development Specialist, Workplace Wellness and Ability Management Specialist, Training Carryover
- **Development & Planning:** Plumbing Inspector, Livability Coordinator, Building Clerk 3
- **Fire:** DEIAR Framework, Emergency Management
- **General Govt:** Corporate Contingency for Inflation/Extreme Events, Communication Coordinators, Business License Clerk, Records Management, Indigenous Liaison
- **Anvil:** Digital Signage Maintenance and Updates
- **Parks:** Program Coordinator and Arboriculture – Supplies & Contractors



➤ 2023 Proposed “One-Time” Service Increases **\$1.19M**  
➤ Proposed Funding via the “one-time” Reserves



# 2023 Proposed Temporary Enhancements to support Delivery of Capital Funding

## Proposed Enhancements to support Capital Funding:

### **Affordable Housing Program:**

- Affordable Housing Planner Analyst (Temp)
- Affordable Housing Building Co-ordinator (Temp)

### **Advanced Meter Investment:**

- IT Project Analyst Support



**2023 Capital Budget – Proposed Temporary Resources \$0.35M**

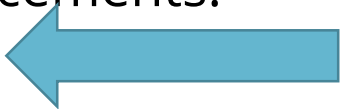
# 2023 ESTIMATED PROPERTY TAX REVENUE INCREASE

The 2023 Proposed Service Enhancements are estimated at **\$10.52M**

▪ Annual Salary and Benefit Costs	\$3.30M
▪ WorkSafeBC Premiums	\$1.25M
▪ TACC – Debt Servicing	\$1.00M
▪ JIBC/ECOMM Increases Police & Fire	\$0.95M
▪ Permanent Service Enhancements	\$2.48M
▪ One-Time Service Enhancements	\$1.19M
▪ Capital Program One-Time Resources	\$0.35M

**Proposed Funding Sources** for the 2023 Service Enhancements:

▪ Property Tax Revenue Increase	\$6.28M
▪ Interest Revenue Increase	\$1.70M
▪ New Construction Tax Revenue	\$1.00M
▪ General Fund Reserve – One Time	\$1.19M
▪ Capital Program Funding – One Time	\$0.35M



# Summary of Council Approved 2023 Utility Rates

Average Single Family Household	Electric	Water	Sewer	Solid Waste	Blended Rate
	Based on 1,000 KWH	net of 5% discount	net of 5% discount	net of 5% discount	
Current 2022	\$ 1,579	\$ 691	\$ 976	\$ 312	\$ 3,552
Proposed 2023 \$ Increase	\$ 44	\$ 48	\$ 68	\$ 44	\$ 205
New Proposed 2023 Annual Cost	\$ 1,623	\$ 740	\$ 1,044	\$ 355	\$ 3,756
2023 % Rate Increase	2.8%	7.0%	7.0%	14.0%	5.8%

## Major Cost Drivers:

- ❑ Operating Expenses: Metro Levy, BC Hydro Electricity Rates
- ❑ Operations Expenses: salaries, contract services, supplies, materials, amortization of capital assets, insurance, IT, Finance, HR support, etc.
- ❑ Capital Expenses: Asset Renewal/Replacement
- ❑ Reserve Contributions: Maintain Reserve Balance 5-10% of Asset Value
- ❑ Debt Servicing Costs



# **2023– 2027 DRAFT CONSOLIDATED 5 YEAR PLAN**



# 2023-2027 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

	2023 Budget	Budget Projections			
		2024	2025	2026	2027
<b>REVENUE</b>					
Municipal Taxation	\$ 105,142,044	\$ 110,842,044	\$ 116,942,044	\$ 123,442,044	\$ 129,942,044
Utility Rates	110,552,518	116,995,288	123,046,842	129,497,486	136,383,569
Sale of Services	14,800,342	14,800,342	14,800,342	14,800,342	14,800,342
Grants from Other Governments	24,886,822	4,340,980	3,145,590	2,819,940	2,733,100
Contributions	22,680,034	30,711,359	19,565,982	10,899,552	13,900,813
Other Revenue	23,442,639	23,705,464	23,602,397	23,882,151	24,179,900
<b>Total Revenues</b>	<b>301,504,399</b>	<b>301,395,477</b>	<b>301,103,197</b>	<b>305,341,515</b>	<b>321,939,768</b>

## Sustainable/Stable Revenue Source

*~75% of the 2022 Total Budgeted Revenues is from Property Taxes and Utility Rate Payers*

*~\$300M, or \$1.5B Planned Revenues over 5 Year Plan*

# 2023-2027 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

	2023	Budget Projections			
	Budget	2024	2025	2026	2027
<b>EXPENSES</b>					
Salaries, Benefits and Training	110,632,744	116,685,459	118,948,104	121,021,886	122,921,036
Contracted Services	15,558,244	14,896,020	14,764,624	14,443,234	14,360,654
Supplies and Materials	11,861,844	11,757,839	11,757,839	11,757,839	11,757,839
Interest and Bank Charges	6,763,495	6,995,310	7,186,512	7,309,327	7,296,832
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
Utility Purchases and Levies	55,709,974	61,259,653	65,861,489	71,399,367	78,597,981
Amortization	27,730,000	31,015,000	32,600,000	32,638,000	33,502,000
<b>Total Expenses</b>	<b>235,384,096</b>	<b>249,737,076</b>	<b>258,246,363</b>	<b>265,697,448</b>	<b>275,564,137</b>

## 2024 Major Driver

*~New Aquatic Centre Planned Opening – Amortization, Salary, Utilities, Supplies and Materials*

## \$235.3M 2023 Budgeted Operating Expenditures:

- \$110.6M – Salary/Training
- \$55.7M – Utility Purchases/Levies
- \$27.7M – Amortization
- \$27.5M – Supplies & Materials/Contracted Services
- \$4.2M – Insurance
- \$6.8M - Interest Charges

# 2023-2027 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

	2023 Budget	Budget Projections			
		2024	2025	2026	2027
<b>Reconciliation to Financial Equity</b>					
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	-
<b>CHANGE IN FINANCIAL EQUITY (Reserves)</b>	<b>(38,795,071)</b>	<b>4,978,148</b>	<b>14,716,847</b>	<b>28,899,272</b>	<b>13,608,300</b>
<b>Financial Equity, beginning of year</b>	<b>192,566,884</b>	<b>153,771,813</b>	<b>158,749,961</b>	<b>173,466,809</b>	<b>202,366,082</b>
<b>FINANCIAL EQUITY (Reserves), end of year</b>	<b>\$ 153,771,813</b>	<b>\$ 158,749,961</b>	<b>\$ 173,466,808</b>	<b>\$ 202,366,081</b>	<b>\$ 215,974,382</b>

## \$410.6M 5 Year Projection on Capital Spending:

- Over \$1 Billion in estimated costs in Assets to replace, service, maintain
- ~\$154M in Reserves set aside largely support the annual replacement of aged out assets and for unforeseen/emerging events/needs.
- Change in Equity: Increased capital spending in 2023 expected to draw on the reserves beyond annual contribution amounts
- Increased cash injection from borrowing
- Debt Financing – Principal Payments expected to increase over the years

# 2023-2027 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

	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
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FINANCIAL EQUITY (Reserves), end of year	\$153,771,813	\$158,749,961	\$173,466,808	\$202,366,081	\$215,974,382

## \$153.8M 2023 Financial Equity:

- \$6.5M – Statutory Reserves
- \$56.7M – Utility Fund Reserves
- \$83.4M – General Fund Reserves
- \$7.2M – Equipment Replacement
- Maintaining Financial Health & Sustainable Rates over the 5 Year Plan by holding Reserves at 5-10% of Estimated Asset Replacement Costs*

# 2022 BUDGET & 5 YEAR PLAN OUTLOOK

**Goal: Maintain Financial Health:** Affordable levels of debt & maintain stabilization reserve models to support long-term smoothing of rates.

## 2023 Summary of Rates & Capital Budget:

- Property Tax Increase 6.4%
- Sewer & Water Rates Increase 7%
- Solid Waste Rate Increase 14%
- Electrical Rate Increase 2.8%
- Capital Expenditures \$173.2M



## 2024-2027 Estimated Budget Outlook: Average Increase over 4 years:

- Property Tax Increase ~4-5%/year
- Sewer & Water Rates Increase 7%/year
- Solid Waste Rate Increase 14%/year
- Electrical Rates Increase 2.8%/year

### SUSTAINABLE

Maintain assets in a state of good repair through **reasonable tax / rate increases**, 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** and less reliance on external funding or third party funding

### ACCOUNTABLE

**Fiscally prudent & responsible**; the ability to ensure that the City's financial decisions are in the best interest of all



# Two Options for Council's consideration:

**Option 1 – 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; or**

**Option 2 – Council provides further direction.**

***Staff recommend Option 1***

# Feedback and Discussion from Council



NEW WESTMINSTER