

REPORT
Office of the Chief Administrative Officer
And
Finance Department

To: Mayor Johnstone and Members of Council – Budget Workshop **Date:** December 11, 2023

From: Lisa Spitale
Chief Administrative Officer **File:**

Jacqueline Dairon
Acting CFO/Director of Finance **Item #:** 2023-815

Subject: **Budget 2024: Proposed 2024 General Fund Operating Enhancements Scenarios and Funding Strategy**

RECOMMENDATION

THAT Council provide direction on which of the three proposed 2024 Service Enhancements for the General Fund Budget scenarios they support;

THAT Council provide direction on the proposed estimated property tax revenue increase for 2024;

THAT Staff be directed to report back on the Draft Consolidated Financial Plan Bylaw, 2024 – 2028.

PURPOSE

This report provides Council with proposed service enhancements for the 2024 DRAFT General Fund Operating Budget. The purpose of this report is to provide:

- A detailed list of proposed 2024 General Fund Operating Budget Service Enhancements;
- A corresponding funding strategy;
- Three different General Fund Operating Budget scenarios, each summarizing the estimated property tax revenue impact.

The expectation is that Council will provide staff with feedback at the December 11

operating budget workshop that will set direction for staff to prepare the necessary bylaws for amending the City's 2024 Property Tax Revenues and Rates.

EXECUTIVE SUMMARY

Determining how to fund the annual budget is a multi-faceted process that takes into account Council's strategic priorities, input from the community, the current economic landscape, and available funding strategies. The need to balance financial sustainability and affordability is a key guiding principle considered by City Council.

As the City continues to address challenges posed in the aftermath of the pandemic, which include pressures on resources including financial and staffing, we are also grappling with additional factors such as inflation, recently settled collective agreements, and the highly anticipated opening of the təməsewtx^w Aquatic and Community Centre (TACC) in 2024. Staff are also working to align the budget with Council's strategic priorities while incorporating community feedback from the 2024 Budget Survey.

This report aims to provide a comprehensive and transparent view of how the City plans to navigate this new landscape, seize emerging opportunities and maintain a commitment to financial sustainability, affordability, and responsible fiscal management. By presenting a clear roadmap for budget allocation and estimated tax revenue increases, this report seeks to ensure that the City's financial health remains resilient and responsive to the changing economic environment, while prioritizing the well-being and expectations of our residents.

Proposed service enhancements, pending Council deliberation and approval, form part of a multi-year strategy that aims to improve staffing levels within City departments, especially in areas that promote organizational resiliency. This includes the establishment of a new division (Housing) and a new department (Community Services), while at the same time preparing for the opening of the new aquatic and community centre. To manage ongoing staff vacancies and the upcoming operational launch of TACC, it is anticipated that associated new staff positions will not be fully operational until part way through the year, coinciding with the opening of the facility to the public. As a result, staff propose that implementation of enhancement requests are prorated over 2024 and into 2025, with Council approval being sought to fund only the current year impact, and the balance being deferred to 2025.

For 2024, the City's General Fund Operating Budget identifies a range of enhancements, which consist primarily of new staff positions, inflationary adjustments, process adjustments to improve overall organizational effectiveness, and increased resources to address the needs of a growing city (refer to Attachment 1 for the complete list of

enhancements totaling \$23M.) To manage the Property Tax Rate Increase while maintaining fiscal prudence, the funding strategy is to:

1. Utilize additional forecasted revenue and fees to offset operating costs;
2. Use the existing City reserve for temporary or one-time enhancement needs;
3. Utilize third-party funding such as senior government grants for initiatives such as the Homes and Housing Options strategic priority work (including a new Housing Division and other housing-related enhancements), and the Crises Response Team Pilot;
4. Fund some of the proposed Full-Time Equivalent (FTE) enhancements over a phased period to better align with anticipated hire dates;
5. Utilize budget transfers and funding reallocations, including operating funds previously allocated for the Climate Action Team, which going forward is proposed to be funded from the climate levy.

Three general fund budget scenarios have been developed to demonstrate how proposed 2024 General Fund Service Enhancements could be addressed. Scenarios presented for Council's consideration are as follows:

SCENARIO 1 - \$12.2M SERVICE ENHANCEMENTS

Scenario 1 is considered the baseline, which includes necessary increases that are exclusively contractual or regulatory in nature. This scenario builds upon the City's existing approved Five Year Financial Plan to deliver previously-identified core service and operating needs. It also addresses new legislative requirements related to planning, approving and servicing of housing, in addition to the launch of a new housing division and other housing-related enhancements.

Scenario 1	\$M
Organizational Effectiveness	8.7
Homes and Housing Options	1.8
Resiliency	1.5
Asset Management and Infrastructure	0.1
Community Belonging and Connecting	0.1
Grand Total	12.2
Estimate 2024 Property Tax Revenue Impact	5.5%

SCENARIO 2 - \$20.6M SERVICE ENHANCEMENTS

Scenario 2 builds upon Scenario 1 by incorporating enhancements to move Council's Strategic Priorities forward. The additional \$8.4M investment under this scenario demonstrates a strong commitment to approved work plans and long-term strategic objectives, including, the opening of TACC, implementation of the Crises Response Team Pilot Project, advancing priorities for Community Services, foundational support for Human Resources, Information Technology, Diversity Equity Inclusion and Anti-Racism (DEIAR), Public Engagement, Reconciliation and Indigenous Relations work, and increased internal capacity support for Emergency Services. Scenario 2 aims to strike a balance between the City's financial resilience and affordability, while enabling advancement of Council's Strategic Priorities.

Scenario 2	\$M
Asset Management and Infrastructure	0.8
Community Belonging and Connecting	1.7
Homes and Housing Options	1.9
People-Centered Economy	0.1
Lenses and Foundations	16.1
Grand Total	20.6
Estimate 2024 Property Tax Revenue Impact	6.8%

SCENARIO 3 - \$23M SERVICE ENHANCEMENTS

Scenario 3 builds upon Scenario 2 through investment of an additional \$2.4M, demonstrating an aggressive commitment to the City's approved plans and long-term strategic objectives. The added investment supports additional TACC, Emergency Services, HR and IT needs, and the streamlining of housing unit approvals.

Scenario 3	\$M
Asset Management and Infrastructure	1.2
Safe Movement of People	0.1
Community Belonging and Connecting	2.3
Homes and Housing Options	2.0
People-Centered Economy	0.1
Lenses and Foundations	17.3
Grand Total	23.0
Estimate 2024 Property Tax Revenue Impact	8.5%

Under Scenario 3, proposed service enhancements increase the 2024 estimated property tax revenue impact to 8.5%. While recognizing the importance of these additional investments, staff acknowledge that some can be deferred to future years without significantly compromising Council's Strategic Priorities Plan (2023-2026).

At the budget workshop, staff will be seeking direction from Council regarding which scenario best aligns with Council's preferences for operating budget spending.

Summary of 2024 Budget Risks and Assumptions

The General Fund Operating Budget presented acknowledges various risks, encompassing general factors like economic downturn, climate change, and staffing challenges, in addition to specific concerns related to uncertainties around grant funding for Homes and Housing Options work. The budget strategy makes prudent assumptions, utilizing increasing investment and development revenue to mitigate 2024 property tax increases. Accordingly, a multi-year funding strategy to prioritize expansion of the City's workforce is proposed, which results in a tax deferral in 2024 that will transition into contractual obligations for the 2025 budget.

FINANCIAL SUSTAINABILITY PRINCIPLES

The 2024 Proposed Operating and Capital Budget(s) are guided by financial sustainability principles that align with the City's core values while building a vibrant compassionate City that includes everyone and ensuring 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, and less reliance on external funding or third party funding; and
- **Accountable** - Fiscally prudent and responsible; the ability to ensure that the City's financial decisions are in the best interest of all.

STRATEGIC PRIORITIES, LENSES AND FOUNDATIONS

The 2023-2026 Council Strategic Priorities Plan was adopted in May 2023 and is based on the vision of New Westminster as: "a vibrant, compassionate, resilient city where everyone can thrive."

The Strategic Priorities Plan consists of five key priority areas, four lenses and three foundations, all designed to shape the forward trajectory of the City. These priorities, lenses, and foundations have been instrumental in steering staff decision-making and budget report preparation. Accordingly, this report focusses on presenting enhancements directly tied to the plan based on the goals and principles listed below.

Strategic Priority	Goal
Community Belonging and Connecting	A community where everyone belongs and has the opportunity to connect and contribute
Homes and Housing Options	Clear the way for all types of homes needed by people today and tomorrow, prioritizing homes for those with the greatest need
People-Centered Economy	A local, nimble, resilient economy that serves our local community
Safe Movement of People	Prioritize the movement of people on foot, cycle, and transit on streets that are safer for all
Asset Management and Infrastructure	Resilient infrastructure that meets the community's needs today and into the future

Lenses	Principle
Reconciliation	Incorporating Indigenous perspectives into our planning
DEIAR	Advocating for equity and social justice
Climate and Environment	Prioritizing sustainability practices
Public Engagement	Actively involving residents in decision-making

Foundations	Principle
Organizational Effectiveness	Enhancing processes for commitment fulfillment
Resilience	Adapting to change and unforeseen challenges
Healthy Governance	Ensuring transparent and ethical decision-making

Public Engagement Lens and Community Input

Over the past few years, the City's annual budget process has been improved through implementation of budget surveys, public engagement workshops, Budget 101 webinars and Special Council Workshops.

The Budget 101 Webinar, online survey, and Council Budget Workshops have enabled alignment between valued community input and the City's Senior Management Team (SMT) recommendations.

Input from the community plays a crucial role in shaping various City budgets, such as the Operating Budget, Capital Budget, Utility Budget, and 5-Year Financial Plan. This approach is underscored by a commitment to transparency, inclusivity, and collaboration with the community, as public engagement feedback is embedded into budget workshops and discussions.

Public engagement for the 2024 Budget took place from June to August, 2023. The engagement approach was endorsed by Council in May 2023, and sought to address the April 3, 2023 Council resolution directing staff to seek community priorities for future spending.

Key budget engagement findings were presented to Council on August 28, 2023. Of note, public feedback emphasized the importance of supporting vulnerable community members, such as seniors, children, low-income residents, tenants, and people experiencing homelessness. Community feedback also included revenue generation strategies and ideas, including the increasing of fines, investing in amenities and programming, and seeking external investments. Detailed engagement results can be found on the Budget 2024 page on the City's *Be Heard New West* website.

Community input revealed a strong consensus, with 67% of both online and in-person engagement participants advocating for a balanced approach between spending and saving, and showcasing a shared concern for fiscal responsibility and long-term financial stability. Further, a substantial 78% expressed support for using Council's strategic priorities as a guide for spending decisions, and 74% indicated a willingness to support a tax increase of 4% or higher in 2024, demonstrating community backing for crucial initiatives.

Reconciliation Lens and Operating Priorities

Council's strategic priorities are viewed, planned and implemented through the lenses of reconciliation with first nations, diversity, equity, inclusion and anti-racism (DEIAR), climate action and environment, and public engagement; and are pursued in a manner that builds on the City's foundational principles of resilience, organizational effectiveness and healthy governance.

The Year of Truth at the City of New Westminster represents a pivotal moment in our commitment to the important work of reconciliation. The City's Reconciliation Working Group, comprised of staff across all departments, is seeking ways to develop new systems informed through two-eyed seeing approach - a way of learning to see from one eye with the strengths of Indigenous ways of knowing and from the other eye with the strengths of Western ways of knowing and using both eyes together. This work includes

conducting research into policies, processes and systems developed by other municipalities, governments, agencies, not-for-profits and organizations that are leaders in this work. This ground work aims to establish new tools and practices that ensure Indigenous interests are incorporated into City planning efforts.

The Reconciliation lens aligns with Council's strategic priorities. For example, a priority such as 'Homes and Housing Options' is closely linked to reconciliation, as reflected by efforts to support housing options that address the needs of Indigenous residents of the City. Further, the People-Centered Economy priority can promote reconciliation through economic redress actions that support local nations continuing to be impacted by their severance from the land, or the development of programs aimed at supporting Indigenous-owned businesses in our city.

BACKGROUND

In April 2023, Council approved the 2023 - 2027 Five-Year Financial Plan, which included the 2023 Capital and Operating Budgets. The 2023 General Fund Operating Expenditure Budget was \$154.0M of which \$103.0M was generated from property taxes with the balance from other funding sources such as gaming, permits, parking, and community services fees, etc.

The General Fund Operating Budget supports a city-wide Library, Parks and Recreation, Police, Fire, Engineering and ongoing General Government services. It also includes funding to support annual debt servicing and reserve contributions for many of the City's major facilities and infrastructure.

As part of the City's commitment to flexibility and transparency, the Finance Department reports back to Council on a quarterly basis throughout the year and seeks Council approval for any adjustments where budgets need to be reset or altered from original budget targets. The quarterly monitoring and reporting process is recognized as a best practice and acknowledges that changing circumstance can happen over the course of any given fiscal year. Accordingly, this approach allows for:

- reporting out regularly so that Council is well-informed on accomplishments or project deferrals due to changing economic or internal factors;
- increased transparency and robust financial oversight, which supports a more seamless transition into the annual budget exercise year over year, and Five-Year Financial Plan update; and,

- time for Council to set and reset based on emerging priorities, community needs and emergencies.

The intent for this year's Budget process, similar to the last year's, is for Council to consider all of the proposals made by City Departments and provide feedback. This feedback will be incorporated in the final Annual Budget and Five-Year Financial Plan, which includes the municipal portion of an annual property tax rate increase.

2024 APPROVED ADJUSTED BUDGET TIMELINES

Approved 2024 budget timelines were based on a best practice approach, which aimed to have the Draft Five-Year Financial Plan to Council before the New Year. Staff now estimate that all major budget workshops will be finalized prior to December 31, 2023 and Draft Budget and Draft Five-Year Financial Plan will be presented in early 2024. The Draft Five-Year Financial Plan includes the annual Budget and associated Utility and Property Tax Revenue Rate increases.

The table below outlines updated key dates for the 2024 Budget process, which includes public feedback and Council input delivered via Open Council Workshops:

Date	Description
May 8 2023	2024 Budget Engagement Framework & Timelines
Jun 12 2023	Quarter 1 Operating & Capital Performance Report
Sep 11 2023	Quarter 2 Capital & Operating Performance Report
Aug 28 2023	2024 Engagement Results: What We Heard Report
Oct 16 2023	**2024 General Fund Capital Budget **Open Council Workshop
Oct 30 2023	2024 User Fees (Three Readings)
Nov 6 2023	2024 User Fees (Adoption)
Nov 20, 2023	2024 Budget Council Workshop: Strategic Priorities Plan Implementation
Nov 27 2023	2024 Utility Budget: Capital and Operating
Dec 4 2023	2024 Utility Rates (Three Readings)
Dec 11 2023	2024 General Fund Budget: Proposed Service Enhancements
Dec 11 2023	2024 Utility Rates (Adoption)
Dec 11 2023	Quarter 3 Capital & Operating Performance Report
Jan 8 2024	2024 Budget Workshop: Capital Update
Jan 22 2024	2024 Budget Workshop: Operating Update
Feb 2024	2024 DRAFT Budget & 5 Year Financial Plan Bylaw (Presentation)
Feb 2024	2024 DRAFT Budget & 5 Year Bylaw post on City Website/Paper
Feb 2024	2024 DRAFT Budget & 5 Year Financial Plan Bylaw (Three Readings)
Feb 2024	2024 DRAFT Budget & 5 Year Financial Plan Bylaw (Adoption)

ANALYSIS

Several risk factors and budget assumptions have been identified that may influence the General Fund Operating Budget. These include, but are not limited to, economic

downturn, climate change, energy prices, supply chain delays, inflation, uncertainties associated with grant funding, aggressive revenue projections and multi-year prioritized hiring strategies. The following section will elaborate on these risk and assumptions ensuring Council is well-informed. It is also important to note that, within the body of the report, enhancements have been rounded to the nearest hundred thousand for presentation, however, exact amounts are provided in Attachment 1.

Unsecured Grants

Homes and Housing Options Work

The budget is constructed with an underlying assumption that grant funding for the enhancements needed to carry out the legislated Homes and Housing Options work (including the Housing Division and related interdepartmental enhancements and project costs) will be secured; however, staff has made this assumption cautiously. Staff has forecasted hiring start dates for early 2024, as staffing must be in place by June 2024 toward achieving the new legislated requirements from the Province. Should the grant funding for these crucial enhancements not materialize in 2024, the City will have no option but to use funding from reserves to sustain them; required funding may be as high as \$1.4M. Council would then need to re-evaluate the plan and potential tax increases required going forward. This budget risk stems from approving the Budget Bylaw prior to receiving notification of senior government grant funding.

Additionally, it is important to note that the senior government grant funding is expected to have a finite contribution. While this may not immediately impact the budget, it prompts the need for a funding strategy in the coming years to sustain permanent full-time staff once the grant funding is exhausted; the legislated requirements are both immediate and ongoing, requiring permanent resourcing. A possible funding strategy would be for Council to approve a 0.25% to 0.50% annual increase for the next 3-5 years so when the funding runs out, the impact to property taxes would be reduced. Allocating the annual increases to a dedicated housing reserve fund, along with any grants received for this work, would create a sustainable resource for funding the Homes and Housing Options resources as they work to addressing both Council's and senior government's aggressive housing mandates.

Crises Response Team Pilot Project

Similar to the Homes and Housing Options work, Finance is proposing a temporary enhancement for the Crises Response Team Pilot Project prior to securing Provincial grants and funding. Should the grant funding not become available in 2024, the City's only option will be to fund this critical work through reserves.

Climate Action Team

At the September 11, 2023 Council meeting, Council officially endorsed the establishment of the accelerated climate action work and related additional staffing required. Council agreed funding for this work should be drawn from the Climate Action Levy, signifying a pivotal step towards aligning our financial strategy with our climate action goals. To build upon this endorsement and establish a reliable funding source for future years, the Finance Department's recommendation is to fund the Climate Action Team moving forward through the Climate Levy.

The Climate Action Team has, up to this point, relied primarily on property taxes for financial support, with an annual allocation of approximately \$465K. The new funding approach ensures that the City's climate initiatives remain adequately resourced and unlocks the potential to reallocate these property tax funds towards other vital Council initiatives, which all help to curtail any potential tax increases in the 2024 budget. The restructuring plan that merges the Climate Action Division with the Electric Utility to form the new Energy and Climate Action Department aligns with the funding approach.

Investment Revenue

Historically, between 2018 and 2021, the City's average investment revenue was approximately \$4.0M annually. By adopting a more proactive investment strategy, investment revenue has almost doubled from an annual average of \$4.0M to \$7.4M in 2022. This positive shift has prompted the Finance Department to conservatively increase allocation of investment revenue for funding on-going operations by \$1.7M annually starting 2023.

For Budget 2024, Finance has conducted a comprehensive analysis of current/forecasted interest rates and cash flow projections. This analysis has led staff to conservatively estimate that an additional \$1.0M can be allocated from investment revenue to fund operations. The intent is to utilize these funds to offset 2024 property tax increases for residents and businesses, thus offering some financial relief to the community.

It is important to recognize the inherent budget risk associated with this model. While staff are confident in the increased investment revenue estimates for the next 12 months, mainly through locking-in of GICs, there remains a high level of uncertainty tied to current financial market volatility going forward. The budget risk is funding the operating budget with investment revenue that may not be sustained over the long term.

CAPD and Engineering Revenue Increases

The City's current budget approach for forecasting revenue including building/plumbing permits, planning approvals, business licensing, parking and penalties, considers historical data, which has experienced considerable growth over the past three years. These historical figures provide valuable reference points but do not solely dictate the budget due to the cyclical nature of these revenue sources.

While the City has traditionally maintained a conservative approach due to the unpredictable nature of this revenue, this year staff recommend a different strategy. Specifically, the Finance Department recommends utilization of the estimated \$3.5M in additional anticipated revenue over 2023 budget amounts encompassing known projects scheduled for 2024 and reasonable historical increases. However, it is important to note that this strategy relies on an assumption of revenue stability in the years to come.

The primary budget risk lies in the unpredictability of this revenue. Just as with investment revenue, revenue streams can fluctuate. Should revenue take a downward turn in the future, this could necessitate higher property tax increases to ensure continued operation of city services.

Prioritized Expansion - Hiring and Funding Strategy

As outlined in preceding sections and accompanying attachments of this report, the City is presently confronting a number of competing priorities. A staffing increase of approximately 55 new Full-Time Equivalent (FTE) positions is being recommended for 2024, marking a ~10% increase to the existing workforce. Successful execution of this prioritized expansion requires additional support and collaboration from Human Resources, Information Technology, and Facilities Management.

To support this expansion, staff are recommending a multi-year funding strategy that aligns with current hiring expectations. This approach is designed to distribute the tax burden over a two-year period, offering taxpayers relief until the funds are operationally required. A component of this strategy recommends an approximate \$1.26M deferral on enhancements for 2024, which will become a contractual obligation for the 2025 budget process.

Estimated Property Tax Revenue Impact

In the General Fund Operating Budget Report, staff present scenario-based estimates regarding the potential impact on property tax revenue. It is important to note that, although comprehensive modeling and forecasting have been applied, the associated

figures remain estimations at this time and may not precisely represent the final percentage tax impact on residents and businesses.

GENERAL FUND OPERATING BUDGET SCENARIOS

SCENARIO 1 - \$12.2M SERVICE ENHANCEMENTS

Scenario 1 is considered a baseline which includes increases that are obligations exclusively contractual or regulatory in nature. This scenario builds upon the existing approved Five-Year Financial Plan to deliver previously identified core City services and operating needs. This scenario also supports the current and prior year catch up for collective agreements increases, E-COMM levy increase, insurance premiums increases, and legislated fire prevention and emergency management work. In addition, it responds to legislative requirements related to planning, approving and servicing housing. As such this investment includes resourcing the Homes and Housing Options work necessary to fulfill senior government requirements (including the new Housing Division and other interdepartmental housing-related enhancements).

Scenario 1	\$M
Organizational Effectiveness	8.7
Homes and Housing Options	1.8
Resiliency	1.5
Asset Management and Infrastructure	0.1
Community Belonging and Connecting	0.1
Grand Total	12.2
Estimate 2024 Property Tax Revenue Impact	5.5%

Funding Strategy

- **\$5.6M or 5.5%** 2024 Property Tax Increase
- **\$3.8M or 3.72%** Other Fees and Charges:
 - \$2.8M New and Y/Y Fees and Charges
 - \$1.0M Interest Revenue - GIC Investment Improvements
- **\$1.25M or 1.2%** Grant Funding:
 - \$1.25M Housing Grants: Senior Levels of Government*
- **0.9M or 0.8%** Reserve Funding:
 - \$0.9M General Fund Provisions - One time Service Enhancements
- **\$0.5M or 0.5%** Budget Transfers and Reallocations
- **\$0.15M or 0.1%** Salaries prorated - deferred to 2025 as contractual obligation

**Pending funding availability from Senior Levels of Government. If funding is not secured spending will have to be funded via reserves*

\$8.7M Total Organizations Effectiveness

Scenario 1 Key enhancements include:

1. \$8.0M Collective Agreements
2. \$0.4M 3rd Party Contractual Agreements
3. \$0.3M Building and Plumbing Inspectors

\$1.8M Total Homes and Housing Options

Scenario 1 Key enhancements include:

1. \$1.2M Planning
2. \$0.3M Engineering Administration
3. \$0.2M Human Resources
4. \$0.1M Building

\$1.5M Total Resiliency

Scenario 1 Key enhancements include:

1. \$0.7M Insurance
2. \$0.5M E-COMM Levy
3. \$0.1M Fire Prevention
4. \$0.1M Fire Emergency Management
5. \$0.1M Parks – Irrigation Technician

\$0.1M Total Community Belonging and Connecting

Scenario 1 Key enhancements include:

1. \$0.1M Welcome Centre Community Navigator and Rent Bank

\$0.1M Total Asset Management and Infrastructure

Scenario 1 Key enhancements include:

1. \$0.1M Massey Theatre Maintenance

Scenario 1, while outlined for consideration, presents a precarious approach that falls short in adequately addressing critical aspects of our City's needs. The primary objective of ensuring financial stability comes at the cost of neglecting key priorities, exemplified by a lack of funding for strategic initiatives, the opening of the new TACC, emergency services, and foundational support for HR and IT. This strategy, marked by minimal property tax increases, risks undermining the City's capacity to meet evolving challenges and uphold essential services.

SCENARIO 2 - \$20.6M SERVICE ENHANCEMENTS

Scenario 2 builds upon Scenario 1 by incorporating additional enhancements to move Council's Strategic Priorities forward. Through investment of an additional \$8.4M, this scenario demonstrates a strong commitment to approved plans and long-term strategic objectives. This additional investment provides for the opening of TACC, implementation of the Crises Response Team Pilot Project, advancement of Community Services priorities, additional internal capacity support for Emergency Services, and foundational support for: HR and IT, Diversity Equity Inclusion and Anti-Racism (DEIAR), Public Engagement, Reconciliation and Indigenous Relations work.

Scenario 2	\$M
Asset Management and Infrastructure	0.8
Community Belonging and Connecting	1.7
Homes and Housing Options	1.9
People-Centered Economy	0.1
Lenses and Foundations	16.1
Grand Total	20.6
Estimate 2024 Property Tax Revenue Impact	6.8%

Funding Strategy

- **\$7.0M or 6.8%** 2024 Property Tax Revenue Increase
- **\$6.9M or 6.7%** Other Fees and Charges:
 - \$5.9M New and Y/Y Fees and Charges
 - \$1.0M Interest Revenue - GIC Investment Improvements
- **\$2.2M or 2.2%** Grants and Contributions:
 - \$1.3M Housing Grants: Senior Levels of Government*
 - \$1.0M Crises Response Team *
- **\$2.0M or 1.9%** Reserve Funding:
 - \$2.0M One time General Fund Service Enhancements
- **\$1.3M or 1.3%** Proration deferred to 2025 as contractual obligation
- **\$1.2M or 1.2%** Budget Transfers and Reallocations

**Pending funding availability from Senior Levels of Government. If funding is not secured spending will have to be funded via reserves.*

The proposed funding strategy for Scenario 2 will have an impact on reserve balances. During the October 16 General Fund Capital workshop, it was decided to proceed with the development of a 5-year Capital Plan that upheld a Reserve to Current Replacement Value (CRV) of 5.9%. With the aim of maintaining alignment with City's Reserve

Management Policy, staff recommend holding capital spending as presented in Scenario 2 during the General Fund Capital Workshop. Upon receiving further direction from Council, staff will return with a refined 2024-2028 General Fund Capital Plan on January 8, 2024.

During the November 20 Budget workshop, a comprehensive overview of strategic and organizational plans that are shaping the 2024 budget process was presented. These plans underscored the City's key priorities for 2024 and beyond. Subsequently, on December 4, in response to the council's request, staff outlined potential implications should these plans not be approved, or be endorsed on a sliding scale. As a reference to the reader of this report the information from this workshop and memos are included in Attachment 3 of this report.

\$0.8M Total Asset Management and Infrastructure

Incremental investment in Scenario 2 is \$0.7M and key enhancement include:

1. \$0.4M TACC Building Service and Pool Workers, Supplies
2. \$0.2M Urban Forestry
3. \$0.1M Massey Theatre Gas

\$1.7M Total Community Belonging and Connecting

Incremental investment in Scenario 2 is \$1.6M and key enhancement include:

1. \$1.0M TACC Recreation and Operations
2. \$0.2M Parks and Recreation
3. \$0.3M Community Services Department
4. \$0.1M Museums and Heritage Services

\$1.9M Total Homes and Housing Options

Incremental investment in Scenario 2 is \$0.05M and key enhancement include:

1. \$0.05M Planning Salary Reclassifications

\$0.1M Total People-Centered Economy

Scenario 2 Key enhancements include:

1. \$0.1M Business License & Economic Development

\$11.5M Total Organizations Effectiveness

Incremental investment in Scenario 2 is \$2.8M and key enhancement include:

1. \$1.0M TACC Activation
2. \$0.5M Human Resources
3. \$0.5M Contracted Services, Supplies & Materials

4. \$0.3M Information Technology Support
5. \$0.2M Engineering Reclassifications and Public Works Inspector
6. \$0.1M Communications Coordinator
7. \$0.1M Financial Services Manager
8. \$0.1M Horticulture Attendant

\$3.9M Total Resiliency

Incremental investment in Scenario 2 is \$2.4M and key enhancement include:

2. \$1.0M Crises Response Team
3. \$0.7M Police - Backfill Strategy
4. \$0.3M Fire Operations – Two Suppression Firefighters
5. \$0.2M Emergency Management
6. \$0.1M Information Technology
7. \$0.1M Facilities Space Planning

\$0.1M Total Reconciliation

Scenario 2 Key enhancements include:

1. \$0.1M All Nation Councils and Reconciliation work

\$0.2M Total Diversity, Equity, Inclusion, & Anti-Racism

Scenario 2 Key enhancements include:

1. \$0.2M DEIAR Advisor

\$0.2M Total Engagement

Scenario 2 Key enhancements include:

1. \$0.1M Public Engagement Coordinator
2. \$0.1M Community Advisory Assembly Facilitator and Crises Response Support

\$0.2M Total Healthy Governance

Scenario 2 Key enhancements include:

1. \$0.1M Corporate Rebranding and Intergovernmental Relations Assistant
2. \$0.1M Ethics Commissioner

SCENARIO 3 - \$23M SERVICE ENHANCEMENTS

Scenario 3 builds upon Scenario 2 with an incremental investment of \$2.4M in the areas of Asset Management and Infrastructure, Safe Movement of People, Community Belonging and Connecting, Homes and Housing Options, Organizational Effectiveness and Resiliency. While the additional investments are considered important and merit discussion with council, staff believe that these requests could be strategically

incorporated into a multi-year plan, with implementation in 2025 or beyond. This approach would ensure minimal disruption to the delivery of core services and the ongoing pursuit of Council's strategic priorities.

Scenario 3	\$M
Asset Management and Infrastructure	1.2
Safe Movement of People	0.1
Community Belonging and Connecting	2.3
Homes and Housing Options	2.0
People-Centered Economy	0.1
Lenses and Foundations	17.3
Grand Total	23.0
Estimate 2024 Property Tax Revenue Impact	8.5%

Funding Strategy

- **\$8.8M or 8.5%** 2024 Property Tax Revenue Increase
- **\$7.0M or 6.8%** Other Fees and Charges:
 - \$6M New and Y/Y Fees and Charges
 - \$1M Interest Revenue - GIC Investment Improvements
- **\$2.4M or 2.3%** Grants and Contributions:
 - \$1.4M Housing Grants: Senior Levels of Government*
 - \$1.0M Crises Response Team *
- **\$2.2M or 2.0%** Reserve Funding:
 - \$2.1M One time General Fund Service Enhancements
- **\$1.5M or 1.4%** Proration deferred to 2025 as contractual obligation
- **\$1.2M or 1.2%** Budget Transfers and reallocations

**Pending funding availability from Senior Levels of Government. If funding is not secured spending will have to be funded via reserves*

As with Scenario 2, Scenario 3 will have an impact on the 5.9% Reserve to CRV presented during the October 16, 2023 General Fund Capital workshop. Upon receipt of further direction from Council, staff will return with a refined 2024-2028 General Fund Capital Plan on January 8, 2024.

\$1.2M Total Asset Management and Infrastructure

Incremental investment in Scenario 3 is \$0.4M and key enhancement include:

1. \$0.3M TACC: Additional Building and Pool Maintenance workers
2. \$0.1M Arboriculture supplies, cellphones and license fees

\$0.1M Total Safe Movement of People

Scenario 3 Key enhancements include:

1. \$0.1M Engineering Reclassification

\$2.3M Total Community Belonging and Connecting

Incremental investment in Scenario 3 is \$0.5M and key enhancement include:

1. \$0.5M Parks and Rec - Recreation Supervisor, Youth and Arena Services, Clerks
2. \$0.1M Engineering Operations - Advanced Parklet Cleaning

\$2.0M Total Homes and Housing Options

Incremental investment in Scenario 3 is \$0.1M and key enhancement include:

3. \$0.1M Housing Analyst

\$11.7M Total Organizations Effectiveness

Incremental investment in Scenario 3 is \$0.2M and key enhancement include:

1. \$0.15M Information Technology – Network Analyst
2. \$0.05M Communications, Summer Environmental Ambassador

\$4.9M Total Resiliency

Incremental investment in Scenario 3 is \$1.1M and key enhancement include:

1. \$1.0M Fire Operations – 7 Suppression Firefighters
2. \$0.1M Human Resources – Health and Safety

INTERDEPARTMENTAL LIAISON

All departments participate in the annual budget process. The Senior Management Team (SMT) provides overall direction. The Finance Department provides overall financial oversight.

OPTIONS

There are four options for Council's consideration; they are:

Option 1 - Council provide direction on which of the three proposed 2024 Service Enhancement for the General Fund Budget scenarios they support.

Option 2 - Council provide direction on the estimated proposed property tax revenue increase for 2024;

Option 3 - Staff be directed to report back on the Draft Consolidated Financial Plan Bylaw, 2024 - 2028; or

Option 4 - Provide alternate direction.

Staff recommend Options 1, 2 and 3

CONCLUSION

Council's feedback from the October 16th General Fund Capital Budget Workshop, November 27th Utility Operating and Capital Workshop and the December 11th General Fund Service Enhancement Workshop will help form the financial options for the Budget 2024 Five Year Financial Plan Bylaw.

ATTACHMENTS

Attachment 1 – 2024 Proposed Service Enhancements

Attachment 2 – 2024 Department Service Enhancement Memos

Attachment 3 – 2024 Service Enhancements and Strategic Plan Implementation Memos

Attachment 4 – 2024 Service Enhancements List By Scenario

APPROVALS

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