

REPORT

Office of the Chief Administrative Officer And Finance Department

To: Mayor Johnstone and Members of Council
Date: January 8, 2024

From: Dean Gibson
Acting Chief Administrative Officer
File:

Shehzad Somji
CFO/Director of Finance
Item #: 2024-15

Subject: **Budget 2024: Refined 2024 – 2028 General Fund Capital Plan and Funding Strategy**

RECOMMENDATION

THAT Council approve the \$15.4M capital expenditure budget carry over from 2023 into the 2024 – 2028 General Fund Capital Plan.

THAT Council approve the \$5.2M proposed refinements in the updated Capital Plan.

THAT Council instruct staff to incorporate the updated \$208.7M 2024 – 2028 General Fund Capital Plan into the City's 2024 – 2028 Consolidated Five Year Financial Plan Bylaw and bring forward for three readings; and

THAT Council receive the information about the Second Street and Sixth Avenue intersection contained in this report and provide direction to staff.

PURPOSE

The purpose of this report is to present Council with the updated 2024 – 2028 General Fund Capital Plan that incorporated Council's feedback from the October 16th capital budget workshop and staff proposed amendments since the workshop.

SUMMARY

At the October 16, 2023 Council Workshop on the General Fund Five-Year Capital Plan, staff presented three distinct scenarios, each tailored to meet specific financial parameters and strategic priorities. These scenarios encompassed a financial range of \$162.5M to \$225.4M in capital investments over the Five Year Capital Plan.

Council members discussed the three scenarios during the workshop and instructed staff to use Scenario 2 as a base and update the Five Year Capital Plan incorporating Council's feedback.

Since the workshop, Finance staff worked collaboratively with all departments to incorporate Council's feedback in the revised Capital Plan and identified funding to support incremental investments.

The updated 2024 – 2028 Capital Plan has increased by \$20.6M from \$188.1M in Scenario 2 to \$208.7M. This is primarily due to \$15.4M being carried over from 2023. The remaining \$5.2M increase is driven by incorporating Council's feedback with a few amendments staff believe are important to include in the updated Capital Plan.

BACKGROUND

At the October 16, 2023 City Council Workshop, staff presented the following three General Fund Five-Year Capital Plan scenarios, each with increasing levels of investment, along with their corresponding funding strategies:

Strategic Priorities (\$ in Millions)	Scenario 1	Scenario 2	Scenario 3
Asset Management and Infrastructure	99.2	114.0	142.5
Safe Movement of People	35.8	45.9	54.5
Community Belonging and Connecting	15.2	15.8	15.9
Homes and Housing Options	12.1	12.2	12.3
People-Centered Economy	0.2	0.2	0.3
Grand Total	162.5	188.1	225.4
Estimated Reserve Balance as of Dec 31, 2028	129.0	106.3	71.5
Reserve to Current Replacement Value (CRV)	7.2%	5.9%	4.0%

Council provided comments and feedback during the workshop that are incorporated into the 2024 Budget.

2024 APPROVED ADJUSTED BUDGET TIMELINES

The 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. A Draft Budget and 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)

UPDATES TO THE CAPITAL BUDGET

At the October 16, 2023 City Council Workshop, Council directed staff to pursue Scenario 2 and incorporate specific capital items from Scenario 3.

Since the workshop, the proposed 2024 – 2028 Capital Plan has increased by \$20.6M from \$188.1M to \$208.7M in the updated Plan. This is primarily due to a \$15.4M capital expenditure budget carried over from 2023. Different than routine operating expenses, capital expenditures are dependent on the progress of capital projects. Some capital projects can be quite unique and complicated which makes forecasting of project spending a challenge. At each quarter, project staff review project progress, update the spending forecast, and instruct Finance staff to adjust the multi-year project budgets accordingly. It is anticipated that \$15.4M of the 2023 capital budget, since the October workshop, will be deferred to 2024.

The remaining **\$5.2M** increase is driven by incorporating Council's feedback along with amendments proposed by staff:

- Based on Council's feedback, investment in the Active Network Transportation Plan has increased by **\$1.7M** from \$16.9M to \$18.6M over the next five years.

- Based on Council's feedback, investments in Transit, which include installation & improvement of bus stops/shelters and implementation of the Bus Speed and Reliability Strategy, has increased by **\$1.5M** from \$0.3M to \$1.8M over the next five years.
- Staff propose to increase the investment in fleet replacements by **\$1.6M** which includes a \$1.3M inflationary adjustment and \$0.3M for three new vehicles. New vehicle prices have increased significantly due to inflation and supply chain issues. A \$1.3M inflationary adjustment is required to bring all new vehicle estimates closer to market price. Since the October 16 capital plan workshop, three more vehicles have been identified as having reached their estimated useful lives within the next five years.
- The remaining **\$0.4M** net increase is a result of budget re-allocations and minor adjustments to other capital projects.

Updated 2024 - 2028 General Fund Capital Plan	Scenario 2 \$M	Carryover from 2023 \$M	Refinement \$M	Updated Capital Plan \$M
Asset Management and Infrastructure	114.0	7.4	1.8	123.2
Safe Movement of People	45.9	3.6	3.4	52.9
Community Belonging and Connecting	15.8	3.1	(0.1)	18.8
Homes and Housing Options	12.2	1.2	0.1	13.5
People-Centered Economy	0.2	0.1	-	0.3
Grand Total	188.1	15.4	5.2	208.7
Estimated Reserve Balance as of Dec 31, 2028				108.6
Reserve to Current Replacement Value (CRV)				6.0%

Funding for the \$5.2M increase in capital investments is fully offset by higher than expected interest, building permits and other revenue since the October 16th workshop. The projected Reserve to Current Replacement Value of the City's assets is projected to remain at around 6.0%.

FUNDING STRATEGY

When developing the funding strategy for the proposed General Fund Five Year Capital Plan, staff take into account the four guiding financial principles (Sustainable, Adaptable, Stable and Accountable) that align with the City's core values. Generally capital projects will be funded by four funding sources which are senior government Grants or Third Party Contributions, Development Cost Charges (DCC), Debt and City Reserves.

- Senior Government Grants or Third Party Contributions – when considering the funding source for a capital project, staff will first pursue government grants / third party contributions whenever possible. It is important to note when pursuing

government grants, it is often a requirement that the capital project must already be in the approved capital plan before the grant application is accepted. In this case, the project will first be funded by reserves and then switched to grant funding when confirmed.

- Development Cost Charge (DCC) – Staff will consider funding from DCC if the purpose of doing the project is to meet future growth.
- Debt – Staff will consider debt funding if the cost of borrowing is comparatively low or there are insufficient funds in the reserves to finance the project.
- Reserves – Reserves are funds set aside by the City to fund capital investments or to stabilize rates. There are statutory and non-statutory reserves. Statutory reserves are required by legislation. Council may, by bylaw, establish a non-statutory reserve fund for a specific purpose. Staff will consider funding a capital project by Reserve if the above three funding sources are not available or deemed not appropriate.

During 2022 and 2023, the City established the following three distinct Reserve Funds:

CLIMATE ACTION RESERVE FUND (CARF)

The Climate Action Reserve Fund (CARF) is established to receive funding to provide investments in one-time funding for both Capital and Operating investments to accelerate climate mitigation and adaptation projects, actions and initiatives that target energy and greenhouse gas reductions associated with City lands, facilities, or infrastructure, or Community services.

Money received from the sale of the City's low carbon fuel credits, government grants or third party contributions for the purpose of funding carbon neutrality, contributions from annual operating budgets as authorized by Council, and any interest earned and accrued, may be deposited into the Reserve Fund.

To enable transparent and consistent identification and prioritization of projects which can be supported with monies from the CARF, the City retained KPMG to develop a Climate Action Decision Making Framework (CADMF), work on which was initiated in July 2023. Development of the CADMF will enable the City to allocate funds from the CARF to projects that will specifically advance the City's goals to meet the greenhouse gas reduction targets from the City's Climate Emergency Declaration.

Staff aimed to deliver a framework in fall 2023 to allow Finance to independently beta-test the framework on a small subset of projects in the 2024 budget. On September 11, 2023, staff presented the recommended guiding principles and the CADMF structure and criteria to Council in a workshop. Through the workshop discussion and Council feedback, the guiding principles and CADMF have been developed.

Since the September workshop, staff have been working with KPMG to incorporate Council's feedback in the proposed CADMF and conducting some beta-testing with a sample of projects from the 2024 budget. Staff continue to work with KPMG to complete some adjustments to the framework as a result of the testing and anticipate final delivery of the framework in early 2024. Staff will continue to work on the process of integrating the framework into the budget process and will work interdepartmentally to support internal training in preparation to apply it more broadly in the 2025 budget process.

Below is a sample list of projects/initiatives which are in alignment with the City's climate action plans and strategies and the emerging CADMF guiding principles, and which *may* meet the eligibility criteria of the CADMF. These projects/initiatives formed part of the updated 2024 – 2028 General Fund Capital Plan for Council approval. Final approval for the use of CARF will be subject to alignment with the adopted CADMF.

Climate Action Reserve Fund (\$ Million)	2024	2025	2026	2027	2028
Civic Buildings Energy Projects	0.22	0.22	0.23	0.24	0.24
EV Charging Infrastructure at Civic Buildings	0.95	-	-	-	-
Natural Environment Enhancement	0.05	0.03	0.03	0.03	0.04
Corporate Energy and Emissions Plan Update 2.0	0.77	0.25	0.25	0.25	0.25
Community and Corporate EV Charging Strategy	0.55	0.25	0.25	0.25	0.25
Climate Changing Resilience & Adaptation	0.10	-	-	-	-
KPI Dashboard Software	0.02	-	-	-	-
Climate Action Decision Making Framework	0.10	-	-	-	-
Green Infrastructure Network	-	-	-	0.35	0.15
Corporate Electric Vehicles	1.30	0.70	0.87	1.33	3.11
Sub-Total	4.06	1.45	1.63	2.45	4.04
Estimated 3rd party Grants/Contributions	(0.29)	(0.29)	(0.29)	(0.29)	(0.29)
Net CARF Contributions	3.77	1.16	1.34	2.16	3.75
Cumulative Total	3.77	4.93	6.27	8.43	12.18

GROWING COMMUNITIES FUND RESERVE FUND (GCFRF)

The Growing Communities Fund Reserve Fund is established to place the Provincial Growing Communities Fund in a separate dedicated reserve fund. The GCFRF is a one-time grant to all B.C. municipalities and regional districts to address their community's infrastructure and amenity needs. The eligible infrastructure projects as per the Province's communication are:

- Public drinking water supply, treatment facilities and water distribution
- Development finance portions of infrastructure costs that support affordable/attainable housing. These may include DCCs or subdivision servicing charges payable or similar costs
- Childcare facilities
- Municipal or regional capital projects that service, directly or indirectly, neighbouring First Nation communities

- Wastewater conveyance and treatment facilities
- Storm water management
- Solid waste management infrastructure
- Public safety/emergency management equipment and facilities not funded by senior level government
- Local road improvements and upgrades
- Sidewalks, curbing and lighting
- Active transportation amenities not funded by senior level government
- Improvements that facilitate transit service
- Natural hazard mitigation
- Park additions/maintenance/upgrades including washrooms/meeting space and other amenities; and
- Recreation related amenities

The City of New Westminster received \$15.85M in March 2023 as part of the Growing Communities Fund. The provincial government requests that the funds be expended within approximately five years of receipt.

The following table identifies projects that meet the eligibility criteria of the Funds and are part of the updated 2024 – 2028 General Fund Capital Plan for Council approval. In order to meet the 5-year spending criteria, the City should plan to fully spend the GCF by Decemebr 2027.

Growing Communities Fund (\$ Million)	2023	2024	2025	2026	2027
Bus Shelters Improvements	0.01	0.05	0.05	0.05	0.05
Bus Stop Improvements	0.05	0.08	0.08	0.08	0.08
Pedestrian Crossing Improvements	0.05	0.33	0.27	0.27	0.28
Road Safety Improvements	0.18	0.17	0.16	0.17	0.17
Street Lighting Improvements	0.01	2.44	1.00	0.15	0.15
Traffic Signal Installation & Improvements	0.06	1.55	0.53	0.55	0.56
Transit Priority	0.13	0.24	0.24	0.24	0.24
Walking Infrastructure Improvements	0.73	0.40	0.40	0.75	0.75
Sub-Total	1.22	5.26	2.73	2.26	2.28
Estimated 3rd party Grants/Contributions	(0.25)	(0.41)	(0.58)	(0.11)	-
Net GCF Contributions	0.97	4.85	2.15	2.15	2.28
Cumulative Total	0.97	5.82	7.97	10.12	12.40

PARKS RESERVE FUND (PRF)

The Parks Reserve Fund was created from the insurance settlement of the Westminster Pier Park fire that occurred on September 13, 2020. A spending plan for the fund will be determined and provided to Council after collaboration with Rights and Title Holders to establish principles/criteria for a riverfront project that reflects Indigenous rights, history, values and priorities. Together, the project partners would then co-create a subsequent

process and timeline for community engagement, concept development and implementation, funded through the insurance proceeds

FUNDING SUMMARY

The \$208.9M proposed Five Year Capital Plan will be funded from the following sources:

- Grants/Contributions - \$22.4M
- Development Cost Charges - \$8.8M
- Reserves - \$177.5M

ADDITIONAL BUDGET CONSIDERATION

At the November 6th council meeting, council passed the following motion:

THAT Council direct staff to report back as part of the 2024 budget process regarding the opportunity to prioritize the installation of a fully controlled traffic signal at the intersection of Second Street and Sixth Avenue.

In reviewing the above motion, staff note that the work plan for traffic signals includes replacing and installing one signal annually. That means that across the 5-year plan, only 5 signals have been identified and prioritized for replacement, upgrade or as a new installations. Locations are prioritized based on safety, condition, risk and level of service criteria. To implement the above motion, there are 2 options: 1. Either staff will have to reprioritize the current work plan by removing a previously planned signal from the 5-year plan and replacing it with the Second Street and Sixth Avenue signal, or; 2. An additional \$500,000 would have to be added to the Capital Plan as a place holder to enable an additional signal to be considered. This may have the unintended consequence of delaying the planned replacement of a signal that is at end-of-life, which could lead to some safety and operational concerns should an older signal fail.

Staff also note that this location was the subject of technical analysis, a subsequent Council report, and Council deliberation in 2019, which resulted in Council directing staff to implement the existing signal and other recent intersection upgrades that have since been installed at this location. Implementing the November 6, 2024 council motion could lead to the replacement of recently installed signal infrastructure. Staff also wish to draw to Council's attention that, while there have been crashes at the intersection of Sixth Avenue and 2nd Street, there have been no serious injuries or fatalities at this location, and nor have there been any pedestrian or cyclist-involved crashes. The location was not identified as an area of significant safety concern in the latest Intersection Safety Study, as reported to Council on September 11, 2023. In that Study, this location did not appear in the initial screening for top 51 high collision risk intersections, nor in the final list of top 25 locations for safety concerns.

To fully understand the requirements and concerns of this intersection, an updated technical analysis is needed to assess the implications and complete a signal warrant analysis for signal changes at this intersection. Should Council wish to pursue this further, staff propose that Council direct staff to undertake the technical analysis required for the Second Street and Sixth Avenue intersection and report back to council with additional information on whether the intersection warrants changes, the technical implications, and the potential cost.

Subject to Council direction, the funding for this technical analysis will be sourced from the current traffic signal installation and improvement program (BU 10966), and it will require that staff efforts be redirected from other road safety work plan tasks to support the necessary analysis, resulting in a delay to other road safety technical analysis at documented locations of concern.

INTERDEPARTMENTAL LIAISON

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

OPTIONS

The following options are presented for Council's consideration:

1. THAT Council approve the \$15.4M capital expenditure budget carry over from 2023 into the 2024 – 2028 General Fund Capital Plan.
2. THAT Council approve the \$5.2M proposed refinements in the updated Capital Plan.
3. THAT Council instruct staff to incorporate the updated \$208.7M 2024 – 2028 General Fund Capital Plan into the City's 2024 – 2028 Consolidated Five Year Financial Plan Bylaw and bring forward for three readings; and
4. THAT Council receive the information about the Second Street and Sixth Avenue intersection contained in this report and provide direction to staff.
5. That Council provide staff with alternative direction.

Staff recommend Options 1, 2, 3, and 4.

NEXT STEPS

This report and the attachments will be available in the 2024 Budget section of the City's website.

The Draft 2024 – 2028 Five Year Financial Plan Bylaw will be presented to Council at a Council meeting in February 2024

CONCLUSION

Council's feedback of this 2024 – 2028 refined General Fund Capital Plan and approval of the Budget 2024: Operating and Capital Utility Budgets will help form the basis for the 2024 – 2028 consolidated Five Year Financial Plan Bylaw.

ATTACHMENTS

Attachment 1 – Refined 2024 - 2028 General Fund Capital Plan by Funding Sources

Attachment 2 – October 16, 2023 Proposed 2024 General Fund Capital Budget & 2024 - 2028 Five Year Capital Plan by Funding Strategy Council Report

APPROVALS

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