

Attachment #2

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

REPORT

Office of the Chief Administrative Officer and Finance

To: Mayor Johnstone and Members of Council – Budget Workshop
Date: October 16, 2023

From: Lisa Spitale
Chief Administrative Officer
File:

Jacqueline Dairon
Acting CFO/Director of Finance
Item #: 2023-668

Subject: **Budget 2024: Proposed 2024 General Fund Capital Budget & 2024 - 2028 Five Year Capital Plan and Funding Strategy**

RECOMMENDATIONS

THAT Council provide direction on which of the three proposed 2024 General Fund Capital Budget and Funding Strategies they support.

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

THAT Council approve the re-allocation of \$6.0M GCF initially assigned to Massey Theatre Renovation project to other eligible General Fund capital projects.

PURPOSE

The purpose of this report and Council Budget Workshop is to present three General Fund Five-Year Capital Plan scenarios, each with increasing levels of investment, along with their corresponding funding strategies.

These scenarios will be presented for Council's consideration and discussion, with a focus on how each scenario aligns with existing approved plans, supports Council's strategic priorities and incorporates public engagement. The objective is to guide the selection of the most suitable 2024 General Fund Capital Budget, 2024-2028 General

Fund Capital Plan and Funding Strategy that not only addresses our municipality's infrastructure needs but also aligns with Council's strategic priorities, while maintaining fiscal responsibility and resilience.

The aim is for Council to provide staff with feedback during this Budget Workshop that will set the direction. This will enable staff to prepare the necessary bylaws for the 2024-2028 Financial Plan that will be considered by Council later this year.

SUMMARY

In preparation for Council's Budget Workshop on the General Fund Five-Year Capital Plan, staff has developed three distinct scenarios, each tailored to meet specific financial parameters and strategic priorities. These scenarios encompass a financial range of **\$162.5M to \$225.4M** over the five-year capital plan. Each scenario is evaluated against anticipated outcomes, associated benefits and potential risks. Each scenario enables flexibility - which is necessary in a multi-year budget framework - and allows City staff to implement strategic procurement strategies to mitigate procurement challenges and delays that have been experienced in recent years. None of the scenarios enable full realization of all of Council's approved plans and priorities within the next five years, mainly due to financial and other resourcing constraints. The 2024-2028 General Fund Five-Year Capital Plan scenarios presented for Council's consideration are as follows:

Scenario 1 - \$162.5M Capital Plan

Scenario 1 is considered the base. Scenario 1 represents a continuation of the existing capital plan with a **\$2.8M** or **3.0%** adjustment for inflationary pressures on routine asset renewal and replacement projects. This scenario builds upon the existing approved Five Year Financial Plan, to deliver core City services and capital needs. At **7.2%** this scenario is **aligned** with the City's Reserve Management Policy that recommends maintaining a reserve balance of 5.0% to 10.0% of General Fund assets Current Replacement Value (CRV).

Scenario 1	\$M
Asset Management and Infrastructure	99.2
Safe Movement of People	35.8
Community Belonging and Connecting	15.2
Homes and Housing Options	12.1
People-Centered Economy	0.2
Grand Total	162.5
Estimated Reserves Balance as of Dec 31, 2028	129.0
Reserve to Current Replacement Value (CRV)	7.2%

Scenario 2 - \$188.1M Capital Plan

Scenario 2 builds upon the Scenario 1 base, adjusting for inflationary pressures and incorporating some additional funding to move Council's strategic priorities forward. This scenario demonstrates a strong commitment to approved plans and long-term strategic objectives, investing an additional **\$14.8M** toward Asset Management and Infrastructure and **\$10.1M** for Safe Movement of People. This scenario aims to ensure a balanced approach between financial resilience and strategic priorities. At **5.9%** this scenario is **aligned** with the City's Reserve Management Policy that recommends maintaining a balance of 5.0% to 10.0% of General Fund assets CRV.

Scenario 2	\$M
Asset Management and Infrastructure	114.0
Safe Movement of People	45.9
Community Belonging and Connecting	15.8
Homes and Housing Options	12.2
People-Centered Economy	0.2
Grand Total	188.1
Estimated Reserves Balance as of Dec 31, 2028	106.3
Reserve to Current Replacement Value (CRV)	5.9%

Scenario 3 - \$225.4M Capital Plan

Scenario 3 builds upon the Scenario 1 base, including accelerated funding to drive Council's strategic priorities forward and a **\$4.3M or 3.3%** adjustment for inflationary pressures on routine asset renewal and replacement projects. This scenario demonstrates an aggressive commitment to approved plans and long-term strategic objectives, investing an additional **\$43.3M** toward Asset Management and Infrastructure and **\$18.7M** for Safe Movement of People. This scenario may require the issuance of debt in order to complete. At **4.0%** this scenario is **not aligned** with the City's Reserve Management Policy that recommends maintaining a balance of 5.0% to 10.0% of General Fund assets CRV.

Scenario 3	\$M
Asset Management and Infrastructure	142.5
Safe Movement of People	54.5
Community Belonging and Connecting	15.9
Homes and Housing Options	12.3
People-Centered Economy	0.3
Grand Total	225.4
Estimated Reserves Balance as of Dec 31, 2028	71.5
Reserve to Current Replacement Value (CRV)	4.0%

At the Budget Workshop, City staff will be seeking direction from Council regarding which scenario(s) best aligns with Council's preferences for capital spending and building reserves.

BACKGROUND

The annual budget draws from the 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. Through the annual budgeting process, staff seek Council's direction and approval on the Multi-Year Operating and Capital Budget to facilitate development of the Five Year Financial Plan Bylaw.

As is the City's practice, if additions or changes to the Plan are required throughout the year, staff actively search for ways to cover costs within the existing plan. This is to mitigate against expansion of the Plan and the need for an amendment. In cases where no such offsets are available, staff will request an amendment to the Five Year Financial Plan Bylaw (i.e. to increase the total Plan amount) to prevent any delays or disruptions to major projects already underway.

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 changes happen over the course of any given fiscal year. Accordingly, this approach allows for:

- reporting out on the quarter results so that Council is well informed on accomplishments or project deferrals due to economic or internal factors;
- consultation on needed changes to the Approved Multi-Year Budget which, therefore, incorporates Council's feedback on project adjustments or new projects on a timely basis;
- 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
- allows Council time to set and re-set based on changing priorities or community needs and emergencies.

Throughout the quarterly monitoring and reporting process to-date, Council has endorsed the reallocation of the 2023 multi-year capital budget amounting to **\$6.3M** within the existing Five Year Financial Plan to address immediate City needs to maintain service levels.

All three scenarios presented are based on the June 30th forecasted 2023 capital carryforward balance. As forecasts are further refined during the remainder of the quarterly updates, the forecasted 2023 carryforward amounts will be updated.

Massey Theatre Renovation Project

In March 2023, the City secured a funding allocation of **\$15.9M** from the Growing Communities Fund (GCF), a Provincial initiative aimed at supporting infrastructure projects in rapidly growing communities.

On June 12, 2023 Council approved the recommended scope of work, schedule and an additional **\$6.0M** budget, for the renovation of the Massey Theatre, as a Quarterly adjustment funded from GCF.

2024 APPROVED BUDGET FRAMEWORK

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

The table below outlines the updated key dates around the 2024 Budget, which incorporates public feedback and Council input 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 General Fund Budget: Proposed Service Enhancements
Nov 6 2023	2024 User Fees (Adoption)
Nov 27 2023	2024 Utility Budget: Capital and Operating
Dec 11 2023	2024 Utility Rates (Three Readings)
Dec 11 2023	Quarter 3 Capital & Operating Performance Report
Jan 2024	2024 Utility Rates (Adoption)
Jan 2024	2024 DRAFT Budget & 5 Year Financial Plan Bylaw (Presentation)
Jan 2024	2024 DRAFT Budget & 5 Year Bylaw post on City Website/Paper
Jan 2024	2024 DRAFT Budget & 5 Year Financial Plan Bylaw (Three Readings)
Feb 2024	2024 DRAFT Budget & 5 Year Financial Plan Bylaw (Adoption)

Financial Sustainability Principles

The 2024 Proposed General Fund Capital Budget is guided by Financial Sustainability Principles that align with the City's core values when building ***a vibrant, compassionate, resilient city where everyone can thrive*** 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.

Public Engagement Lens & Community Input on Capital Priorities

Across the projects included in the Capital Plan, input from impacted community members through the City's public engagement efforts is a key component of how individual projects are developed. Input from residents also informs the Budget and 5 Year Financial Plan. This commitment to engagement is woven into our capital planning approach, and the associated costs of project-based engagement are considered within the budgets of projects that necessitate extensive community involvement. By embedding engagement funding within project budgets, we underscore our dedication to transparency, inclusivity, and collaboration with our community members throughout the capital planning and implementation phases.

Input from the community has also been considered in development of the three Capital Plan scenarios presented in this report. Public engagement on the 2024 Budget, including priorities for capital projects, took place from June through August 2023. The engagement approach was endorsed by Council in May 2023, and sought to address Council's April 3 resolution seeking community priorities for future capital spending.

On August 28, 2023, staff presented to Council the Budget 2024 Engagement Results, which included participants' priorities for capital investment within the categories of Transportation, Parks, Facilities and Amenities, Utilities, and Climate Action. Detailed engagement results can be found on the Budget 2024 page on the City's Be Heard New West website.

A significant majority, comprising 67% of participants both online and in-person, expressed a desire for a balanced approach between spending and saving, reflecting their fiscal responsibility and long-term financial stability concerns. Additionally, 78% of participants said they support or somewhat support Council's strategic priorities as a

guide for prioritizing spending. While indirectly related to Capital budget funding, 74% of respondents indicated their willingness to back a tax increase of 4% or higher in 2024, demonstrating a willingness to funding key initiatives.

As we assess the top-rated projects within the General Fund Capital budget, it is evident that our community values investments in Asset Management and Infrastructure and Safe Movement of People. Identified community priorities include transportation projects like sidewalk repairs and expansion, a focus on enhancing our parks through tree planting initiatives, crucial repairs and upgrades to existing civic buildings and facilities, and a commitment to addressing climate concerns through building retrofits and heat pump incentives. These insights play an important role in shaping our capital budget decisions to better serve the needs and aspirations of our community.

Reconciliation Lens and Capital Priorities

Council's strategic priorities are viewed, planned and implemented through the lenses of reconciliation with first nations, diversity, equity, inclusion and anti-racism, climate action and environment, and public engagement; and the priorities are pursued in a manner that builds on the City's foundations 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 reconciliation. The City's Reconciliation Working Group, comprised of staff from 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 appear to be leaders in this work. This ground work aims to establish new tools that can ensure Indigenous interests are incorporated into City planning efforts

Similar to our engagement process, reconciliation and collaboration with local nations and the Indigenous community will be tantamount to the development of these new tools. While the Capital plan may not feature a specific line item for reconciliation, its principles are becoming increasingly embedded in our operations and capital budget, with financial considerations for reconciliation factored into our projects.

The Reconciliation lens aligns with our strategic priorities, and the connection between them will only continue to strengthen. For example, priorities such as 'Homes and Housing' are closely linked to reconciliation, as reflected by our efforts to support housing options that address the needs of Indigenous residents of the City. Further, the People Centered Economy priority can support reconciliation through economic redress actions that support local nations that continue to be affected by their severance from the land, or, the development of programs aimed at supporting indigenous business in our City.

ANALYSIS

Several critical risk factors have been identified that may influence the General Fund Capital Plan. These factors include, but are not limited to, general risk such as economic downturn, climate change, energy prices, supply chain delays, inflation, uncertainties associated with grant funding, estimation of reserve balances, and the potential for misalignment with key master plans. The following section will elaborate on these risk factors ensuring Council is well-informed.

General Risks

Global economic conditions, such as a worldwide recession, can significantly impact investment markets and access to financing for capital projects. Furthermore, climate change presents global risks, including rising sea levels, extreme weather events, and prolonged droughts, necessitating the City's investment in infrastructure to mitigate and respond to these challenges. Fluctuations in global energy prices can also have a substantial impact, affecting the cost of constructing, operating, and maintaining infrastructure, which, in turn, may influence budget allocations for capital projects. Additionally, supply chain risks, stemming from natural disasters, political instability, or other disruptions, can disrupt the supply of essential materials and services.

Inflation

The impact of inflation on the 2023 Capital budget has been significant. A 3.5% increase was implemented in the 2023 operating budget across contracted services and supplies and materials; however no such adjustment was extended to 2023 capital budget. This omission has left the capital budget exposed to the full extent of rising inflation rates. According to the Consumer Price Index (CPI), inflation surged by 5.8% from June 2022 to 2023, while the Industrial Product Price Index (IPPI) increased substantially by 14.4% during the same period.

These broad guides, while useful for tracking general inflation trends, may not adequately reflect the specific cost dynamics faced by municipalities. For instance, specific projects in New Westminster, such as the Sapperton Sewer Separation program and vehicle acquisitions, experienced cost escalations well above the expected rates based on CPI and IPPI. Moreover, specialty equipment like Boom Trucks saw a cost increase from \$0.2M in 2022 to \$0.3M in 2023, marking a 50% increase.

Historically, the City has used various mitigation strategies to manage budget challenges. These strategies include scope adjustments and value engineering, project deferrals, project cancellations, capital budget reallocation, deferred replacements, and other cost-cutting measures. While these tactics can provide short-term relief, they also come with inherent risks, such as compromised project quality, deferred maintenance, risk of infrastructure failure, and potential long-term cost escalation. Therefore, a balanced approach that considers both immediate budget constraints and the long-term

sustainability of essential services and infrastructure is crucial for effective budget management in the face of inflation.

The City is actively exploring further measures to address budget constraints and enhance long-term capital planning, including additional inflation support, standardized business case templates, asset management strategies, procurement policy reviews, and leveraging technology. These initiatives aim to ensure the City's financial stability in the face of rising inflation and supply chain disruptions.

Grant Funding

Incorporating grant funding into our financial strategy introduces some risk. Although we have only forecasted grants that are either secured or highly likely to be received, the inherent uncertainty surrounding grant approvals remains. It is important to acknowledge the situation where we may need to include certain projects in the Five Year Capital Plan before securing the grants themselves.

This approach outlines our commitment to these projects, which is often a necessary step to be “grant-ready” in order to secure funding. If anticipated grants do not materialize as expected, there is a potential risk of budget shortfalls that could impact the timely execution of projects outlined in our Five Year Capital Plan. Continuously monitoring grant applications, exploring alternative funding sources, and ensuring our financial strategy remains adaptable is crucial to securing the necessary resources to realize the City's capital plan.

City Reserves

The estimation of reserve balances involves inherent uncertainties, particularly relying on assumptions such as replenishment of reserves through operating surpluses, operating enhancements funded through property tax increases and, as noted above, estimating grant funding.

In the coming months, the City's budget and funding strategies will continue to develop. On November 6, a Workshop is scheduled with Council to discuss operating budget enhancements. These discussions will play a pivotal role in shaping future funding strategies for the Five Year Capital Plan and the City's overall budget.

Master Plans in Development

Developing a Five Year Capital Plan before finalizing key master plans, such as Parks and Recreation Comprehensive Plan and Asset Management Plans, introduces some risks that should be highlighted. One significant risk is the potential for misalignment between the capital plan and the priorities outlined in these crucial master plans. This misalignment may result in suboptimal resource allocation, delayed implementation of vital projects, and the need for costly adjustments to accommodate the finalized plans' objectives. Moreover, there is a risk of not fully addressing emerging needs or responding

effectively to changing community dynamics if the capital plan is based on incomplete or outdated information. Another risk is associated with estimated asset value. As staff continue to work on Asset Management Plans and each asset class, the understanding of asset condition and replacement value improves. That may result in a significant adjustment to reserve balance requirements and capital cost estimates for infrastructure renewal.

To mitigate these risks, it is essential to maintain flexibility within the capital plan, and ensure continuous communication and coordination among departments, Council and the community throughout the planning process. This approach can help align capital investments with the City's evolving priorities and needs, ultimately enhancing the effectiveness and efficiency of the capital planning process.

GENERAL FUND CAPITAL PLAN

Three scenarios have been developed for this Council Workshop, each tailored to meet specific financial parameters and strategic priorities. The scenarios encompass a financial spend ranging from **\$162.5M to \$225.4M** over the Five Year Capital Plan. All three scenarios share a common attribute: the flexibility inherent in a multi-year capital plan framework. This flexibility empowers staff to implement strategic procurement strategies to mitigate challenges and procurement delays that have been experienced in recent years.

The Finance Department has reviewed capital submissions and has met with all major operational areas to confirm the priority projects and viable funding strategies. General Fund Capital projects are typically funded through a combination of sources, including surpluses from general operating funds, government and 3rd party grants and contributions, Development Cost Charges (DCCs) and debt.

Estimated General Fund reserve balance at the end of each Five Year Capital Plan scenario will include all General Fund reserves. In our estimated forecasts, we continue to adopt a conservative approach, focusing primarily on grants with well-defined parameters and a high likelihood of receiving funding. This approach underscores our commitment to prudent financial planning and resource allocation.

Massey Theatre Renovation Project: Update

The Province determined that the Massey Theatre Renovation Project does not align with the eligibility criteria set forth by the GCF. As a result, the \$6.0M GCF funding will now be allocated towards other eligible general fund capital projects. This adjustment allows the City to free up funding within the existing approved general fund capital plan, which will be redirected to support the Massey Theatre Renovation.

GENERAL FUND CAPITAL PLAN SCENARIOS

SCENARIO 1 - \$162.5M CAPITAL PLAN

Scenario 1 represents a continuation of the current capital plan with a **\$2.8M** or **3.0%** adjustment for inflationary pressures on routine asset renewal and replacement projects. This scenario builds upon the existing approved Five Year Financial Plan, to deliver core City services and capital needs.

Scenario 1	\$M
Asset Management and Infrastructure	99.2
Safe Movement of People	35.8
Community Belonging and Connecting	15.2
Homes and Housing Options	12.1
People-Centered Economy	0.2
Grand Total	162.5
Estimated Reserves Balance as of Dec 31, 2028	129.0
Reserve to Current Replacement Value (CRV)	7.2%

At **7.2%** this scenario is **aligned** with the City's Reserve Management Policy that recommends maintaining a balance of 5.0% to 10.0% of General Fund assets CRV. **\$138.6M** will be funded by existing reserves which are serviced annually from property taxes. The balance, **\$23.9M**, will be funded with secured or well defined Partnership/Grant Funding, Developer Contributions and DCCs. The objective of Scenario 1 is to ensure financial stability while trying to minimize disruptions to ongoing capital projects.

\$99.2M Asset Management and Infrastructure

Resilient Infrastructure that meets the community's needs today and into the future. Key projects in the 2024-2028 capital plan include:

1. \$19.4M Pavement Management
2. \$19.0M Massey Theatre
3. \$2.7M Walking Infrastructure Improvements, including sidewalk repairs and replacements
4. \$2.1M Structures Rehabilitation, including retaining walls
5. \$2.0M Land Acquisitions
6. \$1.7M McInnis Overpass Improvements, including sidewalk widening
7. \$1.5M Rail Crossing Upgrades, including advancing whistle cessation
8. \$1.2M Pierce Platform Fire Truck
9. \$1.1M Spartan Rescue Fire Truck
10. \$1.1M QP Artificial Turf Field

The Engineering Department has been advancing the Facilities Asset Management Plan (FAMP). A preliminary draft of the FAMP indicates that the portfolio-wide Facility Condition Index (FCI) is predicted to be **16%** at the start of 2024, a rating of “Fair”. Facility Condition Index (FCI) is the total cost of needed building repairs and renewal divided by the current cost of replacing the building. Each building’s FCI score reflects the current condition of the building: good, fair, poor, or critical. It is normal to see buildings in all stages of condition. Under Scenario 1, which includes no new facility renewal funding, the FCI would continue to deteriorate with a projected FCI of **22%** at the end of the Five Year Capital Plan (still within the “Fair” range of 15.0-30.0%). The FAMP is expected to be completed in early 2024, and there will be an opportunity for council input prior to completion.

The City has a roadway network of 235 centerline kilometres, including arterial, collector, local bus routes, local non-bus routes, laneways, and TransLink-designated Major Road Network (MRN) routes. The pavement management program is an asset management program that rehabilitates and maintains the road networks (excluding local non-bus routes) to meet prescribed condition and ride quality targets. The 2019 pavement condition assessment report indicates that **28%** of the City’s pavements are in poor or very poor condition. The pavement program has spent its annual budget over the past few years, but, with the increasing inflationary and construction costs and increasing competing reactive priorities, the program has been repaving fewer and fewer kilometres per year with the current static budget of +-\$4M per annum. Scenario 1 maintains this downward trend for the pavement program. A revised pavement condition assessment will be conducted in 2024 to provide the pavement infrastructure’s updated state, followed by an updated transportation asset management plan in 2025. It is anticipated that a significant increase in pavement rehabilitation spending will be recommended from these studies.

The structures rehabilitation program manages the rehabilitation needs of the 12 bridges, 27 retaining walls and 1 pedestrian tunnel within the City. The bridges around the City are in fair to good condition, with the majority of rehabilitation needs over the past few years and the coming few years being focused on the older retaining walls around the City which are in a poor or very poor state.

The planning around railway crossings, including whistle cessation, is ongoing at a staff level and with through engagement with the Railway Technical Committee. The funding requirements for railway crossing upgrades and whistle cessation are anticipated to be further understood as the plans are further developed. Scenario 1 includes the current upgrades that have been advanced but does not include the future planned infrastructure upgrades, nor the required resources, i.e. technical and legal consultants, project managers etc. These details are currently being developed and adjustments to future Financial Plans are anticipated.

\$35.8M Safe Movement of People

Prioritize the movement of people on foot, cycle and transit on streets that are safe for all. Key projects in the 2024-2028 capital plan include:

1. \$10.1M Active Transportation Network Plan
2. \$4.8M Sixth Street Great Street
3. \$3.6M Street Lighting Improvement
4. \$2.7M Traffic Signal Installation & Improvements
5. \$2.3M Crosstown Greenway Construction
6. \$2.1M Downtown Transportation Plan
7. \$2.0M E. Columbia Great St RCH Frontage
8. \$1.4M Pedestrian Crossing Improvement
9. \$1.1M Sidewalk Installation and Improvement

The current Active Transportation Network Plan (ATNP) implementation is at **\$10.1M**, with approximately **50%** of funding from unsecured grants from other levels of government. Scenario 1 will minimally advance the strategic priority, resulting in only **30-40%** of the ATNP implemented by 2028. This translates to approximately 1-2 new or improved active transportation route (of 26 planned routes) per year over the timeframe of the plan, with some additional incremental improvements achieved through redevelopment, third-party utility work, and previously committed capital projects, such as the Crosstown Greenway and E Columbia Great Street. These previously committed projects are not included in the total cost estimate for the ATNP. Other programs, such as Transit Priority and Traffic Calming, would continue to be advanced at a pace similar to existing.

\$15.2M Community Belonging and Connecting

A Community where everyone belongs and has the opportunity to connect and contribute. Key project in the 2024-2028 capital plan include:

1. \$4.5M Land Acquisitions
2. \$3.2M təməsew̓txʷ Aquatic & Community Centre (TACC)
3. \$2.0M Artificial Turf Field
4. \$1.4M WPP West Expansion
5. \$1.0M Public Art
6. \$0.6M Free-Standing Public Washroom

The City is currently supporting this priority with the completion of the TACC in 2024. The update to the Parks & Recreation Comprehensive Plan is expected to be finalized in early 2025 at which time the City will have a clear plan toward creating vibrant parks and recreation services with a focus on equity, inclusion and access for our growing population. Scenario 1 includes \$4.5M for parkland acquisition to be undertaken in coordination with proposed street and urban planning initiatives to ensure that the limited land available for parkland acquisition are leveraged in park deficient areas of the city. In

addition to these funds, public open spaces not traditionally perceived as “park”, such as roads, streets and the river’s edge, will be planned and designed with outdoor recreation, walking, cycling and social objectives in mind. In addition to funds for land acquisition and public art maintenance and development, Scenario 1 represents a continuation of the existing capital plan with a **3.0%** adjustment for inflationary pressures on routine asset renewal and replacement projects.

\$12.1M 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. Scenario 1 represents a continuation of the existing capital plan with a **3.0%** adjustment for inflationary pressures on Affordable Housing Development Project Management and Due Diligence work. Key project in the 2024-2028 capital plan include:

1. \$6.5M Affordable Housing Development
2. \$2.1M Affordable Housing Development Project Management and Due Diligence
3. \$2.0M Affordable Housing Fenton Street and Poplar Landing

The Homes and Housing Options priority responds to the community’s need for more and more affordable housing, as outlined in the City’s Housing Needs Report, which identifies the need for 584 new housing units per year through 2031, including ownership (195/year), rental (138/year), affordable rental (208/year) and supportive/transitional (36/year). This year, the Province released its Homes for People Action Plan, which further underlines the need to create housing for our community, including signaling the need for municipalities to approve more housing faster, potential future changes to the Local Government Act regulating how cities do approvals, and recently setting required housing targets for specific municipalities, for which New Westminster continues to be on the “long list” of municipalities which may receive such requirements.

The work to achieve this Council priority is taking a multi-prong approach, including streamlining and updating development application approvals from rezoning through occupancy permit; reviewing and updating all housing related policy to align with contemporary best practices and facilitate more transparent development review; implementing neighbourhood plans to open up more developable land; advocating for senior government partnerships and funding to achieve affordable housing projects in New Westminster; seeking other senior government funding to offset costs of this work; and, creating a new Housing Division focused on planning and implementing this work.

This work is funded both through the City’s capital budget and operating budget. The work funded through the capital plan focuses on:

- Providing capital assistance to affordable housing projects through grants to help offset development costs. Through this process, City contributions are used to leverage investment by senior levels of government into affordable housing construction in New Westminster. This includes Fenton Street and Poplar Landing

projects which will see affordable housing built on land owned by the City and, in the latter case, jointly with Metro Vancouver. This work is key to achieving the Housing Needs Report target of 36 new supportive/transitional housing units per year through 2031.

- Accelerate and expand infill housing policy which will permit more units per property across the city.
- Further bylaw updates to permit townhouses without a rezoning, and to expand the Crisis Response bylaw to allow affordable rental on properties owned by non-profit operators.
- Carry out the 22nd Station Area Plan work to enable future housing development in that neighbourhood.
- Funds the planning and first phase implementation stages of streamlining the development approvals process from rezoning to occupancy permit.

\$0.2M People-Centered Economy

A local, nimble, resilient economy that serves out local community. Key project in the 2024-2028 capital plan include:

1. \$0.1M Open Data Development
2. \$0.1M Public Realm on Great Streets

The focus of this strategic priority is creating an environment for businesses to innovate and grow, while creating sustainable employment opportunities in our community. While the majority of this work involves necessary enhancements to operating budgets, there are some components of the work that are capital in nature. This includes additional investments to commercial area streetscapes, along with work to improve business license processing and permitting times, and data collection for development of performance metrics for informed policy and decision-making.

Climate Action – 7 Bold Steps and Environment

- \$1.8M Corporate Energy – Vehicles
- \$1.1M Corp Energy Projects Buildings
- \$0.6M CEEP Update 2.0
- \$0.5M Community & Corp EV Charging Strategy
- \$0.2M Street and Boulevard Replacement Trees
- \$0.1M Climate Change Resilience & Adaptation

This proposed option sees the funding for projects lead by the Climate Action Team ending after 2025. The 5 years funding plan for Climate Action was created in 2020, and the extension of funding for years beyond 2025 was paused in order to assess the teams capital budget needs until after the completion of the eMobility Strategy and Community Energy and Emissions Plan 2050. Based on the outcomes of the City's climate action plans, 69 implementation actions will be lead, or significantly supported by, the Climate Action Team. This budget option does not extend the climate action team capital budget beyond 2025 and will reduce the City's ability to deliver the council endorsed accelerated

Climate Action workplan (August 28th, 2023 council report) and city's climate action goals.

Scenario 1 offers several key benefits, most notably it ensures financial stability by aligning with the City's Reserve Management Policy, maintaining reserve balances within recommended levels. This stability allows for the continued delivery of essential City services and the completion of ongoing capital projects. Additionally, the scenario minimizes potential disruptions to existing capital initiatives, promoting project continuity and timely execution.

However, Scenario 1 is not without its inherent risks. One notable risk is the potential for minimal progress on Council's strategic priorities, as a significant portion of the budget is allocated to routine asset renewal projects, leaving limited room for new strategic initiatives. We also risk not meeting the City's GHG emission reduction commitments. Furthermore, the plan faces the challenge of managing the impact of rising inflation and cost escalation, which could erode the purchasing power of allocated funds. There is also a risk of underfunding key asset maintenance categories, potentially leading to deferred maintenance, increased risk of failure, and increased long-term costs. Lastly, the scenario may miss out on valuable grant funding opportunities if project plans are not sufficiently defined in the Five-Year Capital Plan.

SCENARIO 2 - \$188.1M CAPITAL PLAN

Scenario 2 builds upon Scenario 1, adjusting for inflationary pressures and incorporating some additional funding to move Council's strategic priorities forward. This scenario demonstrates a strong commitment to approved plans and long-term strategic objectives, investing an additional **\$14.8M** toward Asset Management and Infrastructure and **\$10.1M** for Safe Movement of People.

Scenario 2	\$M
Asset Management and Infrastructure	114.0
Safe Movement of People	45.9
Community Belonging and Connecting	15.8
Homes and Housing Options	12.2
People-Centered Economy	0.2
Grand Total	188.1
Estimated Reserves Balance as of Dec 31, 2028	106.3
Reserve to Current Replacement Value (CRV)	5.9%

At **5.9%** this scenario is **aligned** with the City's Reserve Management Policy that recommends maintaining a balance of 5.0% to 10.0% of General Fund assets CRV. Although, the total General Fund reserve balance is within the recommended range it is worth noting, that a number of individual reserve balances will be in deficit. Under Scenario 2, it is assumed that capital projects will be funded through existing General

Fund reserves pending Council direction on GCF, Climate Action Reserve Fund (CARF) and Westminster Pier Park (WPP) Fire Insurance settlement proceeds allocation/usage.

\$160.6M will be funded by existing reserves which are serviced annually from property taxes. The balance, **\$27.5M**, will be funded with secured or well defined Partnership/Grant Funding, Developer Contributions and DCCs. This scenario aims to ensure a balanced approach between financial resilience and strategic priorities.

\$114.0M Asset Management and Infrastructure

Resilient Infrastructure that meets the community's needs today and into the future. Key projects in the 2024-2028 capital plan include:

1. \$19.4M Pavement Management
2. \$19.0M Massey Theatre
3. **\$5.0M Maintain Facility Condition Index**
4. **\$3.1M Walking Infrastructure Improvements, including sidewalk repairs and replacement**
5. **\$2.8M Rail Crossing Upgrades, including advancing whistle cessation**
6. \$2.1M Structure Rehabilitation, including retaining walls
7. \$2.0M Land Acquisitions
8. \$1.7M McInnis Overpass Improvements, including sidewalk widening
9. \$1.2M Pierce Platform Fire Truck
10. \$1.1M Spartan Rescue Fire Truck
11. \$1.1M QP Artificial Turf Field

Scenario 2 builds on Scenario 1 adding **\$14.8M** to Asset Management and Infrastructure which includes **\$5M** to begin addressing the facility renewal backlog and an additional **\$0.4M** to walking infrastructure improvements to repair sidewalks, plus an additional **\$1.3M** for rail crossing upgrades and whistle cessation.

The \$1.3M increase in the rail portfolio adds budget to the 2026 – 2028 capital plan years. These years currently do not have any budget allocated. This funding maintains the current level of funding and work on the rail portfolio to 2028.

Although \$5.0M has been added to address the facility renewal backlog, it is predicted that the FCI will continue to deteriorate to a projected **21%** at the end of the Five Year Capital Plan (still within the “Fair” range of 15.0-30.0%).

\$45.9M Safe Movement of People

Prioritize the movement of people on foot, cycle and transit on streets that are safe for all. Key projects in the 2024-2028 capital plan include:

1. **\$16.9M Active Transportation Network Plan**
2. **\$5.1M Sixth Street Great Street**
3. **\$4.2M Street Lighting & Improvement**
4. \$2.7M Traffic Signal Installation & Improvements
5. \$2.3M Crosstown Greenway Construction
6. \$2.1M Downtown Transportation Plan
7. \$2.0M E. Columbia Great St RCH Frontage
8. **\$1.9M Sidewalk Installation and Improvement**
9. \$1.4M Pedestrian Crossing Improvement

The ATNP, as endorsed by Council, has a total cost estimate of approximately **\$36.0M** for a five-year period, with roughly half of the funding potentially sourced from third-party grants, and some elements expected to be delivered through incidental works (e.g., third-party utilities) and adjacent property redevelopment. Scenario 2 provides an additional **\$6.8M** over Scenario 1 for a total of **\$16.9M** toward ATNP implementation in the Five-Year Capital Plan.

In addition to external funding sources, some elements of the ATNP will be advanced through implementation of previously committed capital projects, such as the Crosstown Greenway upgrade and the E Columbia Great Street, although these committed projects are not included in the total ATNP cost estimate. This proposed option is less aggressive than the implementation plan outlined in the ATNP and would enable **50-60%** completion by 2028, or 2-3 new or improved active transportation routes per year (of 26 planned routes). This scenario would enable a slightly increased pace of implementation for certain other transportation programs, such as transit priority, and is a reasonable pace of delivery with existing staff resources.

\$15.8M Community Belonging and Connecting

A Community where everyone belongs and has the opportunity to connect and contribute. Key project in the 2024-2028 capital plan include:

1. \$4.5M Land Acquisitions
2. \$3.2M təməsew̓txʷ Aquatic & Community Centre (TACC)
3. **\$2.1M Artificial Turf Field**
4. \$1.4M WPP West Expansion
5. **\$1.4M Public Art**
6. \$0.6M Free-Standing Public Washroom

The City is currently supporting this priority with the completion of the TACC project in 2024. The update to the Parks & Recreation Comprehensive Plan is expected to be finalized in early 2025 at which time the City will have a clear plan toward creating vibrant parks and recreation services with a focus on equity, inclusion and access for our growing population. Scenario 2 includes public art funding to support new Indigenous public art projects, emerging community projects and funds to address enhanced maintenance needs of the collection.

\$12.2M 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. Key project in the 2024-2028 capital plan include:

1. \$6.5M Affordable Housing Development
2. \$2.1M Affordable Housing Development Project Management and Due Diligence
3. \$2.0M Affordable Housing Fenton Street and Poplar Landing

Scenario 2 includes the same investments as Scenario 1

\$0.2M People-Centered Economy

A local, nimble, resilient economy that serves out local community. Key project in the 2024-2028 capital plan include:

1. \$0.1M Open Data Development
2. \$0.1M Public Realm on Great Streets

Scenario 2 includes the same investments as Scenario 1

Climate Action – 7 Bold Steps and Environment

- \$1.8M Corporate Energy – Vehicles
- **\$1.4M Street and Boulevard Replacement Trees**
- **\$1.4M CEEP Update 2.0**
- **\$1.3M Community & Corp EV Charging Strategy**
- \$1.1M Corp Energy Projects Buildings
- \$0.1M Climate Change Resilience & Adaptation

This proposed option see the funding for projects lead by the Climate Action Team receiving ongoing and consistent funding, through the full 5-year capital plan. Based on the outcomes of the City's climate action plans, 69 implementation actions will be lead, or significantly supported by, the Climate Action Team. This budget option has been developed with the aim to deliver the council endorsed accelerated Climate Action workplan (August 28th, 2023 council report) to meet the city's climate action goals. The workplan is designed to be delivered by the council endorsed (in principle) operating enhancements for the Climate Action Team (September 11th, 2023) and is focused on ongoing community programming for energy and efficiency retrofits, transportation emission reduction programs, climate and energy policy development and regulatory reporting.

Scenario 2 offers several key benefits, its commitment to financial stability and is aligned with the City's Reserve Management Policy. While slightly depleting some reserves, it still maintains them within recommended levels, ensuring the City's ability to continue delivering essential services and completing ongoing capital projects. This scenario strongly supports long-term strategic objectives by addressing facility renewal, active

transportation, and asset maintenance backlogs. It provides a balanced approach that allows for significant progress on crucial projects while safeguarding financial resilience.

However, Scenario 2 is not without its inherent risks. There is a potential risk of financial and resourcing constraints resulting in slower progress on Council's strategic priorities, as a substantial portion of the budget is allocated to asset management and infrastructure projects. The impact of inflation and cost escalation remains a challenge, potentially eroding the purchasing power of allocated funds over time. Ensuring adequate funding for key asset maintenance categories is essential to avoid potential issues. Furthermore, focusing funding on developed plans may limit resources available for other master plans once they are developed. Clear project plans are necessary to secure grant funding, and a lack of such plans in the five-year capital plan could result in missed opportunities.

SCENARIO 3 - \$225.4M CAPITAL PLAN

Scenario 3 builds upon Scenario 1, including accelerated funding to drive Council's strategic priorities forward and a **\$4.3M or 3.3%** adjustment for inflationary pressures on routine asset renewal and replacement projects. This scenario demonstrates an aggressive commitment to approved plans and long-term strategic objectives, investing an additional **\$43.3M** toward Asset Management and Infrastructure and **\$18.7M** for Safe Movement of People. This scenario may require the issuance of debt in order to complete.

Scenario 3	\$M
Asset Management and Infrastructure	142.5
Safe Movement of People	54.5
Community Belonging and Connecting	15.9
Homes and Housing Options	12.3
People-Centered Economy	0.3
Grand Total	225.4
Estimated Reserves Balance as of Dec 31, 2028	71.5
Reserve to Current Replacement Value (CRV)	4.0%

At **4.0%** this scenario is **not aligned** with the City's Reserve Management Policy that recommends maintaining a balance of 5% to 10% of General Fund assets CRV. **\$195.4M** will be funded by existing reserves which are serviced annually from property taxes. The balance, **\$30.0M**, will be funded with secured or well defined Partnership/Grant Funding, Developer Contributions and DCCs. Similar to Scenario 2 a number of individual reserve balances will be in deficit. Under Scenario 3, it is assumed that capital projects will be funded through existing General Fund reserves pending Council direction on GCF, CARF, and WPP Fire Insurance settlement proceeds allocation/usage.

\$142.5M Asset Management and Infrastructure

Resilient Infrastructure that meets the community's needs today and into the future. Key projects in the 2024-2028 capital plan include:

1. **\$21.7M Pavement Management**
2. \$19.0M Massey Theatre
3. **\$17.5 Maintain Facility Condition Index**
4. \$3.1M Walking Infrastructure Improvements
5. **\$5.5M Rail Crossing Upgrades, including Whistle Cessation**
6. **\$4.8M Structure Rehabilitation**
7. \$2.0M Land Acquisitions
8. \$1.7M McInnis Overpass Improvements, including sidewalk widening
9. \$1.2M Pierce Platform Fire Truck
10. \$1.1M Spartan Rescue Fire Truck
11. \$1.1M QP Artificial Turf Field

Scenario 3 builds on Scenario 1 adding **\$43.3M** to Asset Management and Infrastructure which includes a sustainable increase of **\$17.5M** to address the facility renewal backlog and an additional **\$4M** for rail crossing upgrades plus **\$2.7M** for structure rehabilitation work. The increase in rail crossing upgrades includes the anticipated future upgrade projects, including an estimate of the resources (consultants, project managers etc.) required to deliver the upgrades plus whistle cessation. The structures rehabilitation work includes the anticipated major rehabilitation of the poor and very poor retaining walls that are necessary in 2028. This scenario includes the increase in pavement funding required to “catch-up” on the pavement kilometres that have not been addressed in past years and begin actively reducing the system's 28% poor and very poor pavement condition.

Although **\$17.5M** has been added to address the facility renewal backlog, the FCI is projected to continue to deteriorate but at a slower rate hitting **18%** by end of 2028 (still within the “Fair” range of 15.0-30.0%). The FCI could plateau and then start to improve by 2032 pending continued gradual increased funding to reduce the backlog carryover from underfunded years.

The capital investment required to reach full target in the draft FAMP and return to a Civic Buildings and Facilities portfolio FCI rating of “Good” is not feasible within the Five Year Capital Plan given the financial and resourcing constraints. Engineering and Finance staff are working to develop a sustainable funding strategy and project delivery plan, and will report back to Council prior to final adoption of the FAMP.

\$54.5M Safe Movement of People

Prioritize the movement of people on foot, cycle and transit on streets that are safe for all. Key project in the 2024-2028 capital plan include:

1. **\$21.9M Active Transportation Network Plan**
2. **\$5.9M Street Lighting Improvement**
3. **\$5.8M Sixth Street Great Street**
4. \$2.7M Traffic Signal Installation & Improvements
5. \$2.3M Crosstown Greenway Construction
6. \$2.1M Downtown Transportation Plan
7. **\$2.1M Sidewalk Installation and Improvement**
8. \$2.0M E. Columbia Great St RCH Frontage
9. \$1.4M Pedestrian Crossing Improvement

The ATNP, as endorsed by Council, has a total cost estimate of approximately **\$36.0M** for a five-year period, with roughly half of the funding potentially sourced from third-party grants. Scenario 3 provides an additional **\$11.8M** over Scenario 1 for a total of **\$21.9M** toward ATNP implementation in the Five-Year Capital Plan.

This proposed option is more aggressive than Scenario 2, but still less aggressive than the implementation plan presented in the ATNP. It would result in approximately **65-75%** completion by 2028, or approximately 3-4 new or improved routes per year (of 26 planned routes), with some additional incremental work being delivered through development projects, third-party utility projects, and previously committed capital projects. This scenario, while implemented slower than the endorsed ATNP plan, is a very aggressive implementation plan for the City and will require significant use of consultant project managers or temporary staff resources. This funding scenario will also enable a slightly accelerated pace of implementation for other transportation programs, such as transit priority.

\$15.9M Community Belonging and Connecting

A Community where everyone belongs and has the opportunity to connect and contribute. Key project in the 2024-2028 capital plan include

1. \$4.5M Land Acquisitions
2. \$3.2M təməsewtxw Aquatic & Community Centre
3. \$2.1M Artificial Turf Field
4. \$1.4M WPP West Expansion
5. \$1.4M Public Art
6. \$0.6M Free-Standing Public Washroom

Scenario 3 includes the same investments as Scenario 2

\$12.3M 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. Key project in the 2024-2028 capital plan include:

1. \$6.5M Affordable Housing Development
2. \$2.1M Affordable Housing Development Project Management and Due Diligence
3. \$2.0M Affordable Housing Fenton Street and Poplar Landing
4. \$0.1M E-Plan Approval

Scenario 2 includes the same investments as Scenario 1, plus provides additional funds for the digital permitting component of the implementation phase of the development approvals streamlining work, which will update and digitize development application approvals from rezoning through occupancy permit.

\$0.3M People-Centered Economy

A local, nimble, resilient economy that serves out local community. Key project in the 2024-2028 capital plan include:

1. \$0.1M Open Data Development
2. \$0.1M Public Realm on Great Streets

Scenario 3 includes the similar investments as Scenario 2.

Climate Action – 7 Bold Steps and Environment

- \$1.8M Corporate Energy – Vehicles
- \$1.4M Street and Boulevard Replacement Trees
- \$1.4M CEEP Update 2.0
- \$1.3M Community & Corp EV Charging Strategy
- \$1.2M Corp Energy Projects Buildings
- \$0.1M Climate Change Resilience & Adaptation

Scenario 3 includes the same investments as Scenario 2.

Scenario 3 demonstrates a strong commitment to Council's strategic priorities by allocating additional funding to drive these priorities forward. It provides vital financial support for addressing routine asset renewal and replacement projects while making substantial progress on long-term strategic objectives, particularly in Asset Management and Infrastructure and Safe Movement of People. This scenario represents an aggressive approach to fulfilling approved plans, aligning with Council's vision for the future.

However, Scenario 3 is not without its associated risks. While it aims to make significant strides, it deviates from the City's Reserve Management Policy by projecting a reserve balance below the recommended range. This could necessitate the issuance of debt, potentially requiring additional tax base support to replenish reserves. Furthermore, while it supports currently developed or partially developed master plans, it may leave limited funding capacity for plans still in development.

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 General Fund Capital Budget and Funding Strategies they support.

Option 2 – Staff be directed to report back on the Draft Consolidated Financial Plan Bylaw, 2024 – 2028.

Option 3 – Council approve the re-allocation of \$6.0M GCF initially assigned to Massey Theatre Renovation project to other eligible General Fund capital projects.

Option 4 – Council provides alternate direction.

Staff recommend Options 1, 2 and 3

CONCLUSION

Council's feedback from the October 16th General Fund Capital Budget Workshop, the November 6th General Fund Service Enhancement Workshop and the November 27th Utility Operating and Capital Workshop will help form the financial options for the Budget 2024 Five Year Financial Plan Bylaw.

ATTACHMENTS

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

Attachment 2 - Draft 2024 - 2028 General Fund Capital Plan by Scenarios

APPROVALS

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