

REPORT
Office of the Chief Administrative Office
And
Finance Department

To: Mayor Johnstone and Members of
Council

Date: February 5, 2024

From: Lisa Spitale
Chief Administrative Officer

File:

Shehzad Somji
CFO/Director of Finance

Item #: 2024-68

Subject: Budget 2024: Draft 2024 - 2028 Five Year Financial Plan

RECOMMENDATION

THAT Council instruct staff to convert the Draft 2024 – 2028 Five-Year Financial Plan into a Bylaw and bring forward for three readings.

THAT Council approve the **\$180.4M** 2024 Multi-Year Capital Budget.

PURPOSE

To seek Council's direction to convert the Draft 2024 – 2028 Five Year Financial Plan (the "Financial Plan") into a Bylaw in accordance with section 165 of the Community Charter that incorporates the approved 2024 Electrical, Water, Sewer, Solid Waste rates increase and Property tax revenue increase and the proposed Operating and Capital Budgets.

Members of the public will be invited to review and provide comments on the proposed Financial Plan on Be Heard New West.

BACKGROUND

UTILITY FUND – CAPITAL AND OPERATING BUDGETS

At the November 27, 2023 Council workshop on the 2024 Utility Fund Capital and Operating Budgets, staff presented the 2024 Utility and Climate Action Fund Service Enhancement Requests, the proposed 2024 – 2028 Capital Plans and estimated Operating Budgets.

Council members discussed the proposed budgets during the workshop and approved the following 2024 Utility rates increases.

Utility Rate	Electric	Water	Sewer	Solid Waste
2024 Rate Increase	3.3%	6.0%	8.0%	12.0%

Based on Council's instructions, staff incorporated the approved Utility rates increase and the Capital and Operating budgets into the Draft Five Year Financial Plan.

GENERAL FUND – CAPITAL BUDGET

At the October 16, 2023 Council workshop on the General Fund 2024 – 2028 Capital Plan, staff presented three distinct scenarios, each tailored to meet specific financial parameters and strategic priorities. These scenarios ranged from \$162.5M to \$225.4M in capital investments over the five year period.

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.

At the January 8, 2024 Council Workshop, staff presented an updated General Fund 2024 – 2028 Capital Plan which increased by \$20.6M from \$188.1M in Scenario 2 to **\$208.7M**. This was primarily due to \$15.4M being carried over from 2023. The remaining \$5.2M increase is driven by incorporating Council's feedback along with amendments staff believe are important to include in the updated Capital Plan.

Council members discussed the updated Five Year Capital Plan and instructed staff to incorporate the updated Capital Plan into the Draft 2024 – 2028 Five Year Financial Plan.

GENERAL FUND – OPERATING BUDGET

At the December 11, 2023 Council workshop on the 2024 General Fund Operating Enhancements and Funding Strategy, staff presented three distinct scenarios, each tailored to meet specific financial parameters and strategic priorities. These scenarios reflected a property tax rate increase ranging from 5.5% to 8.5% for 2024.

Council members discussed the three scenarios during the workshop and instructed staff to use Scenario 2 and include four enhancements from Scenario 3.

At the January 22, 2024 Council Workshop, staff presented an updated 2024 - 2028 General Fund Service Enhancements and Funding Strategy that increased by \$1.5M from \$20.6M to **\$22.1M**. The \$1.5M increase is driven by incorporating Council's feedback (\$1.1M) and staff amendments (\$0.4M) that are important to include in the updated Operating Plan. The updated Enhancements reflect a 0.9% increase to the Property Tax rate from 6.8% in Scenario 2 to **7.7%** for 2024.

Council members discussed the updated Service Enhancements and Funding Strategy and instructed staff to incorporate the proposed Property Tax rate increase into the Draft 2024 – 2028 Five Year Financial Plan.

GUIDING FINANCIAL PRINCIPLES AND VALUES

The draft Five Year Financial Plan which includes the 2024 Capital and Operating Budgets are based on projections and best estimates that advance Council Strategic Priorities and the Climate Action Goals.

The proposed Capital and Operating Budgets are guided by the following Financial Sustainability principles that align with City's core values.

- **Sustainable** - Maintain assets in a state of good repair through reasonable tax rate increases, and without disruptions to services; living within our means;
- **Adaptable** - The ability to change debt levels or leverage reserves; ability to ramp up or down on spending;
- **Stable** - Predictability of City's Sustainable Revenue Sources, & 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.

2024 DRAFT BUDGET AND FIVE YEAR FINANCIAL PALN

Table 1-1: 2024 – 2028 DRAFT Consolidated Financial Plan – All Funds

**CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN (DRAFT)**

	2024	Budget Projections			
	Budget	2025	2026	2027	2028
Total Revenues	310,730,330	332,452,460	334,984,562	339,481,324	350,625,935
Total Expenses	272,790,071	279,479,294	286,477,222	294,467,971.00	305,769,245
Increase in Total Equity	37,940,259	52,973,166	48,507,340	45,013,353	44,856,690
Reconciliation to Financial Equity					
Asset Amortization and Accretion Expense	30,771,000	31,763,000	32,712,000	34,076,000	35,758,000
Capital Expenses	(140,727,491)	(75,391,400)	(58,060,983)	(62,349,317)	(110,888,900)
Debt Retirement	(8,581,203)	(8,693,577)	(9,289,686)	(9,055,609)	(11,525,404)
Proceeds on Debt Issuance	1,690,700	12,000,000	8,000,000	-	60,000,000
CHANGE IN FINANCIAL EQUITY (Reserves)	(78,906,735)	12,651,189	21,868,671	7,684,427	18,200,386
Financial Equity, beginning of year	256,831,525	177,924,790	190,575,980	212,444,651	220,129,078
FINANCIAL EQUITY (Reserves), end of year	\$ 177,924,790	\$ 190,575,979	\$ 212,444,651	\$ 220,129,078	\$ 238,329,464

2024 REVENUES

The total 2024 budgeted revenues of **\$310.7M** includes: \$114.2M from Municipal Taxes; \$115.6M from Utility Cost Recovery; \$19.1M from sale of City services, \$31.6M, from government and other third-party grants and contributions; and the balance of \$30.2M is from other revenues.

2024 EXPENSES

The total 2024 budgeted operating expenses of **\$272.8M** includes: \$183.7M to support core services in the General Fund; \$47.2M for Electrical Utility Costs; \$30.1M for the Water & Sewer Costs; \$4.8M for Solid Waste or Garbage Collection costs; and \$7.0M of Interest Charges.

2024 – 2028 CAPITAL PLAN

Multi-Year Budget

As per the Community Charter and the City's Procurement Policy, an approved capital budget must be in place before contracts can be awarded or committed.

Some capital project or program spending may span over multiple years. In order to procure and award contracts, these types of projects may require a commitment of more than one year of the capital budget at the beginning stage. Providing a multi-year budget to these projects will allow the City to be more flexible in responding to global supply chain issues and minimize the impact from inflation (lock in prices earlier), which will provide better control of the overall cost of the projects.

During the capital budgeting process, staff have identified 22 projects which require multi-year funding commitments. **Staff are seeking Council's approval for a \$180.4M Multi-Year Capital Budget for 2024**, with \$151.9M anticipated to be spent in 2024 and the balance will be spent within the next four years.

A list of capital projects requiring multi-year budget commitments and timing of the spending is presented in Attachment 6.

The following tables, 2-1 and 2-2, list the capital plan by fund and by Council's strategic priority over the next five-years.

Table 2-1: 2024 – 2028 Capital Plan by Fund

Fund	Multi-Year Budget \$M	2024 \$M	2025 \$M	2026 \$M	2027 \$M	2028 \$M	5-Year Total \$M
General Fund	94.9	82.9	33.3	24.2	40.4	28.1	208.8
Electrical Fund	36.2	35.8	31.3	23.2	9.8	69.8	169.9
Water Fund	15.3	12.3	6.1	6.3	6.7	8.0	39.4
Sewer Fund	32.3	19.8	10.3	9.3	10.6	9.0	58.9
Solid Waste Fund	1.6	1.2	1.0	0.8	0.6	1.1	4.7
TOTAL	180.4	151.9	82.0	63.7	68.1	116.0	481.7

Table 2-2: 2024 – 2028 Capital Plan by Strategic Priorities

Strategic Priority	Multi-Year Budget \$M	2024 \$M	2025 \$M	2026 \$M	2027 \$M	2028 \$M	5-Year Total \$M
Asset Management and Infrastructure	143.5	116.7	70.0	53.4	49.7	105.0	394.8
Safe Movement of People	20.8	19.6	7.9	7.8	8.8	8.9	52.9
Community Belonging and Connecting	10.1	9.8	0.6	0.6	7.9	0.4	19.3
Homes and Housing Options	6.0	5.7	3.5	2.0	1.7	1.7	14.5
People-Centered Economy	0.1	0.1	0.0	0.0	0.1	0.0	0.3
TOTAL	180.4	151.9	82.0	63.7	68.1	116.0	481.7

The 2024 Draft Multi-Year Capital Budget of \$180.4M emphasizes the delivery of important capital projects that support Council's Strategic Priorities, the Climate Action Seven Bold Steps and the City's core services.

Over the next 5 years, staff is estimating **\$481.7M** of Capital Plan spending which includes:

- Completion of the təməsewtx^w Aquatics and Community Centre;

- Implementation of the Active Network Transportation Plan;
- Cycling and Greenways construction;
- Advanced Metering Infrastructure Project;
- Massey Theatre Renovation Project;
- West End Sewer Separation and Water Mains Replacement Project;
- Royal Substation Upgrades;
- New Sapperton Substation construction;
- District Energy System Project;
- Civic Buildings and Facilities Upgrades;
- Other major capital works.

FINANCIAL EQUITY (RESERVES)

The \$481.7M Draft 2024 – 2028 Capital Plan will be funded as follows:

Table 2-3: 2024 – 2028 Capital Plan by Funding Source

Funding Source	5-Year Total \$M	DCC \$M	Gants / Contributions \$M	Debt \$M	Reserves \$M
General Fund	208.8	8.8	22.5	-	177.6
Electrical Fund	169.9	-	36.5	80.0	53.4
Water Fund	39.4	0.6	-	-	38.8
Sewer Fund	58.9	1.5	10.5	-	47.0
Solid Waste Fund	4.7	-	-	-	4.7
TOTAL	481.7	10.9	69.4	80.0	321.5

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

Forecasted reserve balance as at the year ended December 31, 2023 is projected at \$256.8M. The 2024 Budget estimates a net reduction or draw down of the reserves by \$77.9M, leaving an estimated balance of **\$177.9M by the end of 2024**.

Table 2-4: Estimated Five Year Reserve Balance

		2023	2024	2025	2026	2027	2028
		Estimate	Forecast	Forecast	Forecast	Forecast	Forecast
		\$M	\$M	\$M	\$M	\$M	\$M
Fund	Non-Statutory Reserves						
General	Affordable Housing	1.8	(1.9)	(4.3)	(4.7)	(4.9)	(4.1)
General	Community Amenity	7.5	7.3	7.5	7.5	7.6	7.7
General	Community Development	7.5	2.9	4.6	5.2	3.4	4.5
General	Community Endowment	5.1	5.1	5.2	5.3	5.4	5.5
General	Computer Replacement	1.1	0.8	0.4	0.4	0.4	0.4
General	Environmental/Childcare Grants	0.2	0.2	0.2	0.2	0.2	0.2
General	Equipment Replacement	3.7	0.2	0.0	1.9	0.7	3.1
General	Facility Maintenance	3.9	0.9	0.7	0.8	1.5	3.7
General	General Amenity	0.4	0.5	0.5	0.5	0.5	0.5
General	General Fund Provisions	21.4	5.2	1.6	1.1	(2.8)	(7.2)
General	Off-street Parking	1.7	0.8	0.6	0.3	0.3	0.3
General	Public Art	0.8	0.7	0.7	0.6	0.5	0.4
General	Climate Action	41.9	43.6	48.0	52.1	55.5	57.3
General	Growing Communities Fund	15.2	10.8	9.0	7.0	-	-
General	Pier Park	22.2	22.8	23.3	23.8	24.3	24.8
Electrical	Electrical Fund Provisions & Equipment Replacement	42.9	18.2	24.8	31.5	35.7	36.6
Water	Water Fund Provisions & Equipment Replacement	22.8	18.3	20.2	22.1	24.5	26.4
Sewer	Sewer Fund Provisions & Equipment Replacement	32.2	30.4	36.5	43.2	50.8	60.0
Solid Waste	Solid Waste Fund Provisions & Equipment Replacement	1.4	1.5	2.5	4.6	7.4	10.1
Fund	Statutory Reserves						
General	Cemetery	1.0	1.0	1.1	1.1	1.2	1.3
General	Construction of Municipal Works	9.1	5.4	4.5	4.6	4.7	3.4
General	Parking Cash in Lieu	1.2	0.9	0.9	0.9	0.9	0.9
General	Park Land Acquisition	0.3	0.3	0.3	0.4	0.4	0.4
General	Tax Sale Land	1.9	1.9	2.0	2.0	2.1	2.1
		256.8	177.9	190.6	212.5	220.1	238.3

2024 -2028 GENERAL FUND – OPERATING FINANCIAL PLAN

The General Fund operating budget is the most significant component and the driver of annual property tax increases. The 2024 – 2028 Financial Plan for the General Fund is presented in Attachment 2.

The 2024 General Fund Expenses of **\$188.7M** can be viewed by major service area or by major expenditure category. Tables below provide both views. General Fund Department Budgets are included in Attachment 3.

Table 3-1: General Fund Five Year Financial Plan by Major Service AreaCORPORATION OF THE CITY OF NEW WESTMINSTER
GENERAL FUND BUDGET (DRAFT)

	2024 Budget	\$ Change	Budget Projections			
			2025	2026	2027	2028
REVENUE						
Municipal Taxation	\$ 114,237,981	\$ 9,095,937	\$ 121,237,981	\$ 126,437,981	\$ 131,837,981	\$ 137,437,981
Sale of Services	18,556,565	4,330,180	18,556,565	18,556,565	18,556,565	18,556,565
Grants from Other Governments	7,369,639	(17,517,183)	5,960,706	5,818,445	5,497,984	6,549,861
Contributions	16,581,899	3,123,752	13,891,768	10,826,563	11,786,613	9,960,063
Other Revenue	28,799,660	6,448,719	28,621,457	28,762,272	28,839,055	28,961,636
Total Revenues	185,545,744	5,481,405	188,268,477	190,401,826	196,518,198	201,466,106
EXPENSES						
General Services						
Police Services	40,763,993	3,498,045	41,805,773	42,787,096	44,022,283	45,306,752
Parks and Recreation	29,238,137	9,363,407	30,105,597	31,313,493	32,504,025	31,693,790
Fire & Rescue	20,293,907	1,497,385	21,388,728	22,203,028	23,030,991	23,885,896
Planning and Development	13,998,394	6,144,581	12,674,197	11,369,992	11,063,875	11,337,589
Engineering	37,021,652	4,930,480	36,962,575	37,613,763	38,702,739	39,129,663
Corporate Services	25,563,517	(7,546,204)	26,513,084	27,460,848	28,001,500	28,621,535
Library	5,254,507	110,952	5,266,450	5,374,012	5,470,048	5,573,442
Community Services	11,580,201	11,580,201	11,120,730	11,198,257	11,455,245	11,559,488
	183,714,308	29,578,847	185,837,134	189,320,489	194,250,706	197,108,155
Fiscal Expenses						
Interest Charges	4,976,710	118,323	4,781,987	4,761,203	4,739,733	4,737,734
Total Expenses	188,691,018	29,697,170	190,619,121	194,081,692	198,990,439	201,845,889

In late 2023, a decision was made to restructure City departments to improve efficiency and to provide better community services. The Community Services Department, which includes Economic Development, Communications, Public Engagement, Business Licensing, Anvil Centre and Theatre, Arts and Services, Irving House, Filming, and Special Events Business units, will be in place to provide community services effective 2024.

In addition to the above change, the Climate Action Team, which was part of the Planning and Development Department, merged with the Electrical Department under the Electrical Fund. The department is renamed to Energy and Climate Action.

Table 3-2: General Fund Five Year Financial Plan Major Expenditure Category

**CORPORATION OF THE CITY OF NEW WESTMINSTER
GENERAL FUND BUDGET (DRAFT)**

	2024 Budget	Budget Projections			
		2025	2026	2027	2028
EXPENSES					
Salaries, Benefits and Training	117,867,700	124,967,813	128,727,828	132,775,349	137,071,365
Contracted Services	22,617,559	18,196,548	17,782,820	17,945,106	16,871,539
Supplies and Materials	12,526,054	11,993,778	11,985,846	11,895,256	11,895,256
Interest Charges	4,976,710	4,781,987	4,761,203	4,739,733	4,737,734
Cost of Sales	1,720,862	1,700,862	1,700,862	1,700,862	1,700,862
Grants	1,137,550	1,137,550	1,137,550	1,027,550	1,027,550
Insurance and Claims	4,935,583	4,935,583	4,935,583	4,935,583	4,935,583
Amortization	22,909,000	22,905,000	23,050,000	23,971,000	23,606,000
Total Expenses	188,691,018	190,619,121	194,081,692	198,990,439	201,845,889

The following table and discussion summarizes and explains the major changes in operating revenues and expenses for 2024 excluding Capital and Reserve Expenditures.

Table 3-3: General Fund 2024 Operating Revenues and Expenditures

		Operations		
		2023	2024	\$Chg
		\$000	\$000	\$000
REVENUE				
	Municipal Taxation	\$ 105,142	\$ 114,238	\$ 9,096
	Sale of Services	14,226	18,557	4,331
	Grants / Contributions	38,345	23,952	(14,393)
	Other Revenue	22,351	28,800	6,449
	Total Revenues	180,064	185,546	5,482
EXPENSES				
	Salaries, Benefits and Training	103,495	117,868	14,373
	Contracted Services	12,849	22,618	9,769
	Supplies and Materials	10,873	12,526	1,653
	Insurance and Claims	4,236	4,936	700
	Other Budget Line Items	2,892	2,858	(34)
	Interest and Bank Charges	4,858	4,977	119
	Amortization	19,791	22,909	3,118
	Total Expenses	158,994	188,691	29,697
INCREASE (DECREASE) IN TOTAL EQUITY		21,070	(3,145)	(24,215)
Debt Retirement & Internal Adjustments and Transfers				
	Amortization of Tangible Capital Assets	19,791	23,109	3,318
	Debt Retirement	(5,673)	(5,876)	(203)
	Transfer from/(to) Other Funds	7,910	6,772	(1,138)
	Internal Charges	(10,272)	(10,472)	(200)
	Internal Recoveries	12,969	13,158	189
NET TRANSFER TO RESERVES		\$ 45,795	\$ 23,546	\$ (22,249)

Revenues to pay for General Fund City services are budgeted at approximately **\$185.5M** (2023 - \$180.0M). Of this, taxation revenue contributes \$114.2M or 61.5% of total general revenues. The increase in taxation revenue reflects a proposed 7.7% Property Tax rate increase for 2024 and new developments anticipated during the year.

The balance of the funds required to pay for general services comes from Sale of Services, Grants / Contributions, and Other Revenues. Sale of Services is expected to increase by \$4.3M year over year mainly due to increased third party cost recovery for Police and other sale of services (\$0.5M), increase in parking revenue (\$0.3M), and increase in recreational facilities revenue (\$3.5M) largely from the opening of tənəsewtx^w Aquatics and Community Centre (TACC). Grants / Contributions are expected to decrease by \$14.4M due to the City receiving the one-time \$15.85M Growing Communities Fund grant from the Province of BC in 2023. Net of the GCF, the budget projects an increase of \$1.5M in Grants/Contributions for 2024. Other Revenue is expected to go up by \$6.5M which is largely due to higher interest income (\$3.6M) and an increase in building permit application revenue (\$2.6M).

The 2024 General Fund operating expenses total approximately **\$188.7M** (2023 - \$159.0M) and provide on-going municipal services including: Police and Fire Services; Parks and Recreation Services; Engineering; Planning and Development Services; Library; Cultural; Community and Corporate Services.

In late 2023, the City reached a negotiated agreement with CUPE and IBEW. Increases in salaries and benefits of approximately \$14.4M reflect a catch-up of the contractual wage increments and inflation adjustments as well as costs for additional staff to be hired in 2024 to support delivery of Council Strategic Priorities, Climate Action goals, and other major initiatives and projects.

Increase in Contracted Services of \$9.7M is primarily due to a change in budgeting practice where capital program expenditures that do not meet the definition of Tangible Capital Assets (TCA), in accordance with Canadian Public Sector Accounting Standards, will be accounted for as operating expenses. In 2024, \$9.6M of capital program expenditures are anticipated to be reclassified as Operating Expenses. Third Party operation service costs for Police went up by \$0.6M which is offset by reclassifying the Inter-government Relations (IGR) department's contracted services cost of \$0.6M to Supplies and Materials.

Increases in Supplies and Materials of \$1.6M is mainly due to the opening of TACC (\$0.7M), reclassification of contracted services costs from IGR (\$0.6M), increase from Massey Theatre (\$0.2M), and inflation adjustments and budgets for IT equipment, furniture and training for new staff.

The majority of the City's 2024 operating expenditure impacts are detailed in the 2024 General Fund Service Enhancement Requests in Attachment 4.

2024 - 2028 UTILITY FUND FINANCIAL PLAN

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

The budgets in the Draft 2024 – 2028 Five-Year Financial Plan for the utilities are projections based on best estimates of future events that may materially affect the City, such as annual wage increments, and higher fees charged by Metro Vancouver and BC Hydro. The budget plans also include funding to support some of the City's major initiatives including the BridgeNet Dark Fibre Utility, Advanced Metering Infrastructure, the Royal Substation upgrade, and a possible District Energy System. The proposed rates are also required to fund utility infrastructure replacement and to increase utility reserves.

The detailed budgets for the Utilities are presented in Attachment 7. The following table summarizes the Electric, Water, Sewer and Solid Waste Utility user rate adjustments that were previously approved effective January 1, 2024.

Table 4-1: Utility Fund 2024 Budgets and Rate Increase

Utility Fund	Electric \$M	Water \$M	Sewer \$M	Solid Waste \$M
Revenue	64.62	18.19	35.77	6.60
Operating Expenses	49.25	10.87	19.17	4.81
Capital Expenditures	34.65	12.04	19.56	1.23
Reserves	18.18	18.33	30.43	1.46
Rate Increase	3.3%	6.0%	8.0%	12.0%

INTERDEPARTMENTAL LIAISON

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

OPTIONS

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

Option 1 – Council instruct staff to convert the Draft 2024 – 2028 Five-Year Financial Plan into a Bylaw and bring forward for three readings.

Option 2 – Council approve the \$180.4M 2024 Multi-Year Capital Budget.

Option 3 – Council provides further direction.

Staff recommend Option 1 and 2

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 for three readings at Council meeting on February 26, 2024. To provide input on the plan, residents may submit written comments by following the instructions on the Comment Sheet provided in Attachment 8.

ATTACHMENTS

Attachment #1 - Draft 2024 – 2028 Five-Year Financial Plan

Attachment #2 - General Fund Budget

Attachment #3 - General Fund Department Budgets

Attachment #4 - General Fund Service Enhancement Requests

Attachment #5 - 2024 - 2028 Capital Plan

Attachment #6 – Multi-Year Capital Budget

Attachment #7 - Utility Fund Budgets

Attachment #8 - Comment Sheet

APPROVALS

This report was prepared by:

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This report was approved by:

Shehzad Somji, CFO/Director of Finance

Lisa Spitale, Chief Administrative Officer