Corporation of the City of
NEW WESTMINSTER

REPORT
Finance

To:	Mayor Johnstone and Members of Council – Budget Workshop	**Date**:	December 9, 2024
From:	Shehzad Somji CFO/Director of Finance	**File**:	2579165
		Item #:	2024-707

Subject: **Budget 2025: Draft 2025 - 2029 General Fund Five-Year Capital Plan and Funding Strategy Updated Report**

RECOMMENDATIONS

1. **THAT** a Capital Budget scenario and funding strategy be identified as the preferred option for the 2025 Capital Budget and the 2025 – 2029 Five-Year Capital Plan.

2. **THAT** staff report back with a 2025 – 2029 Consolidated Five-Year Financial Plan Bylaw.

This report has been updated to reflect Council's approval of additional scope of work for the Massey Theatre renovation project at the December 2nd workshop. This additional scope of work has been incorporated in the updated draft 2025 – 2029 General Fund Capital Plan.

PURPOSE

The purpose of this report and Council Budget Workshop is to identify a preferred option for the development of the 2025-2029 General Fund Five-Year Capital Plan and their corresponding funding strategies.

These scenarios are presented for Council's consideration and discussion, with a focus on incorporating the Budget 2025 public survey results and aligning the Plan to support Council's Strategic Priorities. The objective is to guide the selection of the most suitable 2025 General Fund Capital Budget, 2025-2029 General Fund Captial 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 of this Budget Workshop is for Council to provide staff with feedback and identify a preferred option that will enable staff to prepare the 2025 General Fund Capital Budget and the 2025 – 2029 Five-Year Capital Plan and the necessary Five-Year Financial Plan bylaw that will be presented to Council for consideration in early 2025.

SUMMARY

In preparation for Council's Budget Workshop on the General Fund Five-Year Capital Plan, staff have developed three distinct scenarios. These scenarios represent a continuation of the existing 2024 – 2028 Five-Year Capital Plan (Base Plan) with approximately $44.0 million (M) budget carried forward from 2024. These scenarios range from **$261.4M to $277.5M** over the five-year capital plan period. Each scenario is evaluated against anticipated outcomes, associated benefits and potential risks.

The 2025 – 2029 General Fund Five-Year Capital Plan scenarios presented for Council's consideration are as follows:

Scenarios ($ Million)	Base Plan	New Projects	Scenario #1	New Projects	Scenario #2	New Projects	Scenario #3
Asset Management and Infrastructure	139.2	16.2	155.3		155.3	1.5	156.8
Safe Movement of People	62.4		62.4	9.2	71.6	0.2	71.8
Community Belonging and Connecting	27.6	0.1	27.7	4.0	31.7	1.0	32.7
Homes and Housing Options	13.3	2.5	15.8		15.8		15.8
People-Centered Economy	0.2		0.2		0.2	0.3	0.5
Grand Total	**242.7**	**18.8**	**261.4**	**13.2**	**274.7**	**2.9**	**277.5**
Estimated Reserve Balance as of Dec 31, 2029			48.5		35.2		32.7
Estimated Reserve to Replacement Value Ratio (CRV)			3.1%		2.2%		2.1%

Scenario 1 – $261.4M Five-Year Capital Plan

Scenario 1 represents a continuation of the existing Five-Year Capital Plan rolling over to form the 2025 – 2029 Base Plan with approximately $44.0M budget carried forward from 2024 and $18.8M new non-discretionary projects. The Reserve to asset Current Replacement Value (CRV) ratio for this scenario is at **3.1%**, which is **not aligned** with the City's Reserve Policy (EDMS 63453); the Policy was approved by Council January 26, 2009 and recommends maintaining a reserve balance of 5.0% to 10.0% CRV of General Fund assets.

Scenario 2 – $274.7M Five-Year Capital Plan

Scenario 2 builds upon Scenario 1, with additional $13.2M new Council-supported projects. The CRV ratio is at **2.2%**, which is **not aligned** with the City's Reserve Policy that recommends maintaining a reserve balance of 5.0% to 10.0% CRV of General Fund assets.

Scenario 3 – $277.5M Five-Year Capital Plan

Scenario 3 builds upon Scenario 2, with an additional $2.9M for new discretionary projects. This scenario reduces the CRV ratio further to **2.1%**, which is **not aligned** with the City's Reserve Policy that recommends maintaining a reserve balance of 5.0% to 10.0% CRV of General Fund assets.

Draft 2025 – 2029 Capital Spending Forecast by Year

Scenarios ($ Million)	2025	2026	2027	2028	2029	Total
Base Plan	84.8	42.1	46.0	34.3	35.5	242.7
New Non-discretionary Projects	2.8	4.7	2.3	2.1	6.8	18.8
Scenario #1	**87.6**	**46.9**	**48.3**	**36.4**	**42.3**	**261.4**
New Council Support Projects	3.7	8.0	1.5	-	0.0	13.2
Scenario #2	**91.2**	**54.9**	**49.8**	**36.4**	**42.3**	**274.7**
New Discretionary Projects	1.2	0.3	0.1	-	1.3	2.9
Scenario #3	**92.4**	**55.2**	**49.9**	**36.4**	**43.6**	**277.5**

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

BACKGROUND

The Draft 2025 General Fund Capital Budget draws from the existing 2024 – 2028 Five-Year Capital Plan that is established in advance of the year of project delivery. As is the City's practice, if additions or changes to the Plan are required throughout the year, staff actively seek 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 Plan to prevent any delays or disruptions, particularly for 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 quarterly financial results so that Council is well informed on accomplishments or project deferrals due to various economic, internal or external factors;

- consulting on needed changes to the Approved Budget which, therefore, incorporates Council's feedback on project adjustments or new projects on a timely basis;
- increasing transparency and robust financial oversight which supports a more seamless transition into the next annual budget setting exercise and Five-Year Capital Plan update; and
- allowing Council time to set and re-set based on changing priorities or community needs and emergencies.

Throughout the quarterly monitoring and reporting process, as of Q2, Council has approved adjustment of $19.4M (including $17.2M carried forward from 2023) in the existing Five-Year Capital Plan to address immediate City needs to maintain service levels.

The scenarios presented in this report are based on the latest 2024 capital budget carryforward forecast. As forecasts are further refined at Q3, the forecasted 2024 carryforward amounts will be updated.

<u>Budget 2025 Target Timeline</u>

The table below outlines key dates for the 2025 Budgeting process. Staff aim to present the Draft 2025 – 2029 Five-Year Financial Plan to Council in January 2025. The Financial Plan includes the City's annual Operating and Capital Budgets and associated Utility and Property Tax Rates increases.

COUNCIL MEETING	BUDGET TOPIC
25-Nov	**Budget 2025 Council Workshop** * 2023 - 2026 Strategic Priorities Plan Implementation Strategy * Draft 2025 - 2029 Operating and Capital Utility Budgets and Utility Rates setting
2-Dec	**Budget 2025 Council Workshop** * Draft 2025 General Fund Service Enhancements, Funding Strategy and Property Tax Rates setting
2-Dec	**Open Council Meeting** * 2025 Utility Rate Bylaw Readings
9-Dec	**Budget 2025 Council Workshop** * Draft 2025 - 2029 General Fund Five-Year Capital Plan and Funding Strategy * Report on Council Direction on 2025 Property Tax Increase
16-Dec	**Open Council Meeting** * 2025 Utility Rate Bylaw Adoption
Jan-25	**Budget 2025** * Draft 2025 - 2029 Five-Year Financial Plan for Adoption

Financial Sustainability Principles

Development of the 2025 – 2029 Draft 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 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 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.

Budget 2025 Public Survey

Reflecting Council's Community Belonging and Connecting strategic priority, the first step the City has taken, in the development of City's 2025 budget, was to commission Ipsos, a professional public opinion research company, to conduct a survey for Budget 2025. Letters were mailed to 10,000 randomly selected residential addresses and all available New Westminster-based business addresses with an invitation to provide input on important community City services and priorities for investment. Residents and businesses that did not receive a letter had the opportunity to participate in the survey via an online portal on the City's website. The survey ran mid-August to September 2, 2024. The City received 899 responses from residents and 28 responses from business owners/operators.

Listed below is a summary of the survey results:

- Perceptions of the overall quality of life in New Westminster today are positive, with nearly nine-in-ten rating as "very good" or "good."
- Perceptions of the City's performance on Council's five strategic priorities are mixed. The priority scoring the highest is Community Belonging and Connecting, followed by Asset Management and Infrastructure. The overall lowest scores goes to Homes and Housing Options for community members.
- Residents are largely satisfied (combined "very/somewhat satisfied") with the delivery of specific City services. Services receiving the overall highest satisfaction ratings are fire and rescue services, clean water supply and wastewater treatment services, library services, and electrical services. The least satisfactory services overall are connecting vulnerable residents to services and support (e.g. unhoused, seniors, newcomers), road maintenance, traffic calming and traffic management.

- On an unprompted basis, nearly half of residents identify social issues as the most important issue facing the community. Transportation sits in second. Crime/Public safety, municipal government services, and the economy round out the top five important local issues.
- Perceptions of value for money are positive, with nearly four-in-five saying they receive good value for money they pay for the utility services they receive from the City. Overall residents prefer tax increases to service reductions. Of the nearly two-thirds opting for a tax increase, just less than half say they would prefer a "tax increase in line with inflation – to sustain current service levels."
- For capital investment, residents have mixed opinions on the City borrowing funds to deal with the backlog of capital replacement and upgrade on a more frequent basis. Overall opposition slightly outweighs support, but neither option secures a majority.

2025 Budget Public Survey Responses from Residents and Business was presented to Council on October 28, 2024. Input from the community is considered in the development of the draft Five-Year Capital Plan presented in this report.

Across the projects included in the Draft Capital Plan, input from community members through the City's public survey is a key component of how individual projects are developed/selected. 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 reinforce our dedication to transparency, inclusivity, and collaboration with our community members throughout the capital planning and implementation phases.

Reconciliation Lens and Capital Priorities

City Council strategic priorities are people-centered with a focus on relationship, belonging, and well-being for all. These principles have always motivated Indigenous ways of life, so by committing to reconciliation and Indigenous engagement, the City will better learn from Indigenous people how to exemplify those qualities while also learning how to make reparations for past harms.

Principles of reconciliation are integrated into capital project delivery. Indigenous capacity funding for capital projects is designed to empower Indigenous communities by providing financial resources to build expertise and increase their involvement in the planning and execution of infrastructure and development projects. This funding recognizes the value of their expertise and aims to foster self-sufficiency, enabling communities to manage projects that address their specific needs while aligning with cultural and environmental values. Support can include training, project management assistance, and technical expertise, facilitating Indigenous participation in areas like housing, energy, transportation, and public facilities.

ANALYSIS

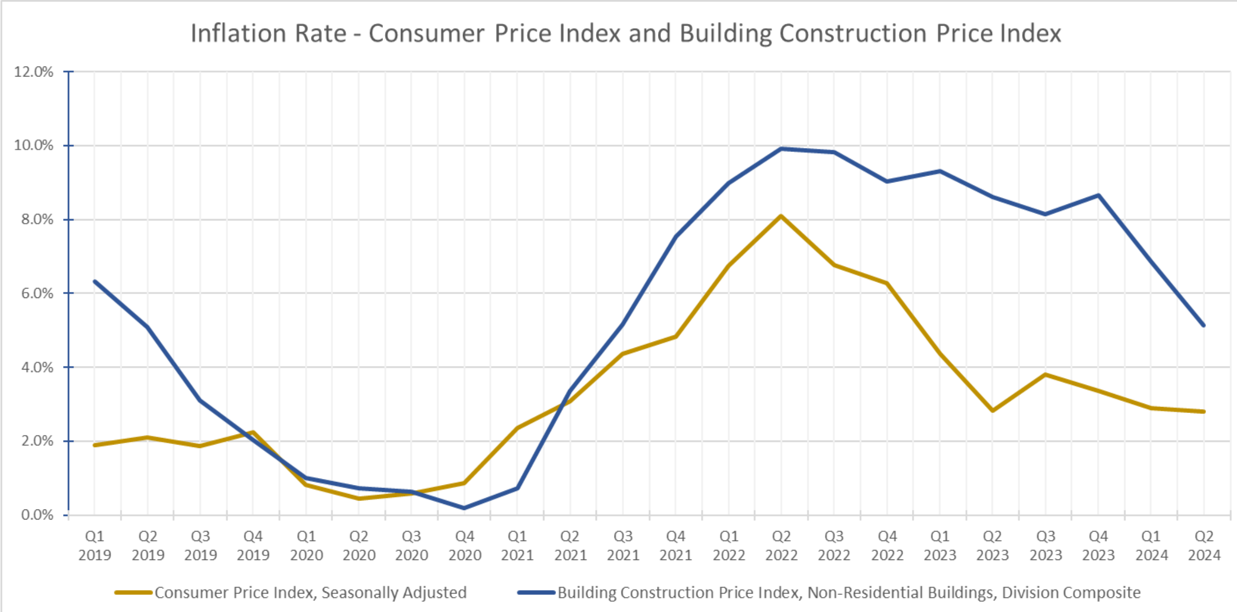
Several critical risk factors have been identified that may influence the General Fund Capital Plan. These factors include, but are not limited to, general risk such as economic downturn, climate change and environmental risks, energy prices and supply chain disruptions due to geopolitical instability, global trade tensions and protectionism, inflation, uncertainties associated with grant funding and changing government policy due to elections, 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 can significantly influence 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. Regulatory responses aimed at reducing carbon footprints also add compliance costs to infrastructure investments. Fluctuations in global energy prices can 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, geopolitical instability, or other disruptions, can disrupt the supply of essential materials and services. Global trade tensions and rising of protectionism are affecting global trade, with tariffs and sanctions creating further strain to the supply chain.

Inflation and Interest Rates

On October 23, 2024, the Bank of Canada reduced its key interest rate by 50 basis points to 3.75%. This was the bank’s fourth rate cut in 2024. The October Bank of Canada monetary report indicates that core inflation is expected to stabilize. Although interest rates and CPI have started to decline, Construction CPI generally lags behind and is slower to react to rate cuts, as shown in the chart below. As contracts for construction are often set months or years in advance, the City may not see significant cost reduction unless productivity improvements or material costs drop significantly. Materials, such as lumber and steel, are sensitive to both global supply chain issues and broader inflationary trends. Lower interest rates may not immediately decrease these costs, especially if inflation remains persistent or demand in other markets (like commercial real estate) remains high. Potential trade tariffs and sanctions due to geopolitical tensions may distort the inflation / interest trend.



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 global uncertainty and supply chain disruptions.

Grant Funding

Incorporating grant funding, including third-party contributions, into our financial strategy poses some risk, especially with election-related uncertainties. Although only secured or highly likely grants are forecasted, the recent BC election and upcoming October 2025 federal election may lead to policy shifts that could affect anticipated funding.

At times, the City needs to include certain projects in the Five-Year Capital Plan prior to securing related grants to demonstrate project commitment and "grant-ready" status. If anticipated grants fall through, we risk budget gaps that may delay project timelines. To keep the City’s capital plan on track, proactive monitoring, exploring alternative funding, and maintaining financial flexibility are essential.

Currently approximately 28% of the projected grant and contribution funding in the Draft Five-Year Capital Plan are not secured funding.

Carbon Tax Policy and Low Carbon Fuel Credits

Monitoring both BC and federal election outcomes will be key, as carbon tax policy could shift, affecting costs, market adaptation, and progress toward emissions targets. The BC government's carbon tax approach generally aligns with federal goals, balancing economic growth with environmental responsibility. Post-election shifts in BC policy could adjust carbon tax rates, rebates, or allocations, affecting costs for residents and businesses, especially in energy and transportation. The 2025 federal election could also affect carbon tax policy. If a party favoring lower carbon taxes or alternative measures wins, federal pricing mandates may change, influencing emissions costs and funding for green initiatives, with effects on emissions goals and the clean energy market across Canada. This is a period of potential volatility, making strategic adaptation essential for businesses, municipalities, and individuals alike.

In the Province of BC, suppliers of transportation fuels with a high carbon intensity (e.g. gasoline, diesel) are required to reduce the carbon intensity of their fuels by several means, including through the purchase of low carbon fuel credits (LCFC) which are generated by suppliers of transportation fuels with a low carbon intensity (e.g. electricity, biodiesel). This is a market-based mechanism that incentivizes suppliers of carbon intensive fuels to reduce their fuel's intensity and provides a financial investment to support the growth of low carbon fuels.

The City is a supplier of LCFC. Through provincial ministry's LCFC transfer mechanism, the City is able to sell its credits at market price, generating additional revenue that is deposited into the Climate Action Reserve Fund (CARF) to support the City's climate action initiatives. Due to the recent BC government election and anticipation of the 2025 federal government election, market price of LCFC is signaling a 50% or more decrease that represents a material financial impact to the 2025 – 2029 Financial Plan.

Master Plans in Development

Developing a Five-Year Capital Plan before finalizing key master plans, such as the 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.

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 are 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.

Funding Strategy ($ Million)	Grants/ Contributions	Development Cost Charges	Debt	Reserves	Total
Scenario #1	44.5	13.1	-	203.8	261.4
Scenario #2	48.0	13.1		213.5	274.7
Scenario #3	48.4	13.1		216.0	277.5

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 **$261.4M to $277.5M** over the Five-Year Capital Plan.

When developing the 2025 – 2029 Capital Plan, staff take into account the most important local issues identified in the public survey. Nearly half (48%) of residents identified “social” issues, including homelessness and housing affordability, as the most important local issue, followed by “transportation-related” issues such as roads/sidewalks condition or cycling infrastructure.

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 government and third party grants and contributions, Development Cost Charges (DCCs), debt and City reserves.

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.

GENERAL FUND CAPITAL PLAN SCENARIOS

Scenario 1 - $261.4M Five-Year Capital Plan

Scenario 1 represents a continuation of the existing Five-Year Capital Plan rolling over to form the 2025 – 2029 Base Plan with approximately $44.0M budget carried forward from 2024 and $18.8M new non-discretionary projects. The Reserve to asset Current Replacement Value (CRV) ratio for this scenario is at **3.1%**, which is **not aligned** with the City’s Reserve Policy that recommends maintaining a reserve balance of 5.0% to 10.0% CRV of General Fund assets.

Scenarios ($ Million)	Base Plan	New Projects	Scenario #1
Asset Management and Infrastructure	139.2	16.2	155.3
Safe Movement of People	62.4		62.4
Community Belonging and Connecting	27.6	0.1	27.7
Homes and Housing Options	13.3	2.5	15.8
People-Centered Economy	0.2		0.2
Grand Total	**242.7**	**18.8**	**261.4**
Estimated Reserve Balance as of Dec 31, 2029			48.5
Estimated Reserve to Replacement Value Ratio (CRV)			3.1%

$203.8M of Scenario 1 projects will be funded by reserves and the balance, $57.6M, will be funded with secured or well defined Grant Funding, Developer Contributions and Development Cost Charges.

$155.3M Asset Management and Infrastructure

Resilient Infrastructure that meets the community's needs today and into the future. Key projects in the 2025 -2029 Base Plan (**$139.2M**) include:

1. $29.3M Massey Theatre renovation
2. $21.8M Pavement Management
3. $12.2M Civic Buildings and Facilities maintenance
4. $3.8M Rail Crossing Upgrades, including advancing whistle cessation
5. $3.6M Structures Rehabilitation, including retaining walls
6. $2.9M Civic Buildings, Fleet and Equipment-related energy projects
7. $2.2M McInnis Overpass Improvements, including sidewalk widening
8. $2.1M Queens Park Stadium Repairs and Upgrades
9. $2.0M Hume Park Outdoor Lacrosse Box and Mercer Track improvement
10. $2.0M Land Acquisitions
11. $2.0M Pierce Platform Fire Truck
12. $1.7M Spartan Rescue Fire Truck
13. $1.5M 4th Street Feature Stairway

$16.2M new non-discretionary projects have been included in the Capital Plan. Some of the key projects are as follow:

1. $5.0M Urban Reforestation and Biodiversity Phase 2
2. $4.6M Replacement of 33 vehicles
3. $1.3M Mercer Oval Artificial Turf Field replacement
4. $1.2M Samson V moorage dredging
5. $1.2M Westminster Pier Park Retaining Wall replacement

The City has a roadway network of 235 centerline kilometers, 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 network (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 consistently spent its annual budget over the past few years. However, with increasing inflationary and construction cost pressures and competing reactive priorities, the program has been repaving fewer and fewer kilometers per year with the current static budget of +/- $4.0M per annum. The pavement program is anticipated to continue in this downward condition trend at these funding levels. A revised pavement condition assessment is currently underway and will be completed by the end of 2024. This assessment will provide the pavement infrastructure's updated condition state, which will be used as a vital input into the 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 Engineering Department has completed its first Facilities Asset Management Plan (FAMP). The FAMP, endorsed by Council in February 2024, indicates a portfolio-wide Facility Condition Index (FCI) of 17.5%, and 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.

Funding for 2027 and 2028 of $2.5M aligns with Scenario 2 in the FAMP. Under Scenario 2, the FCI deteriorates to 24.3% over a ten-year period (Fair but approaching Poor condition). The recommended funding level aligns with Scenario 4 in the FAMP, which aims to maintain the FCI% in a constant fair state. Scenario 4 requires a funding increase to $6.8M/year, which is recommended from 2029 onwards. Recruitment is underway to hire a Capital Planning and Project Delivery Project Manager, whose job mandate includes prioritizing, planning and delivery of capital projects needed for maintaining the FCI. This will include working with the team to plan for renewal work and considering staff resources needed to meet this target.

Planning around railway crossings, including whistle cessation and safety upgrades, is ongoing at a staff level, with thorough engagement at the Railway Technical Committee. The funding requirements for railway crossing upgrades and whistle cessation are anticipated to be further understood as plans are developed. Scenario 1 includes the current upgrades that have been advanced, based on our best information, but does not include the future planned infrastructure upgrades, nor the required resources, i.e. technical and legal consultants, project managers etc. This applies to both the mainland and Queensborough. The details of these programs are currently being developed, and adjustments to future Financial Plans are anticipated.

The structures rehabilitation program manages the rehabilitation and renewal needs of 12 bridges, 27 retaining walls and 1 pedestrian tunnel within the City. The bridges around the City are in fair to good condition. The structure's rehabilitation needs over the past few years and the upcoming years will be focused on the older retaining walls around the City, which are in a poor or very poor state.

In a report to Council on June 12, 2023, a budget of $20.1M was approved to deliver the identified Minimum Viable Option (MVO) scope for the Massey Theatre Renovation project. The MVO is defined in that report as ‘building upgrades necessary to keep the building safe, operational, and to provide a more inclusive space for employees and others who would access the building’. At the December 2, 2024 Council workshop meeting, Council approved that HVAC upgrades and public realm improvements be added to the scope of the Massey Theatre renovation scope. The funds in the 2025 – 2029 capital plan include both the MVO scope and the approved HVAC and public realm improvements.

$62.4M 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 2025 – 2029 Base Plan (**$62.4M**) include:

1. $24.3M Active Transportation Network Plan and Greenway upgrades
2. $5.4M Street Lighting Improvement
3. $4.9M Uptown Streetscape improvements
4. $3.6M Traffic Signal Installations & Improvements
5. $3.5M Neighbourhood Transportation Plan implementation & traffic calming
6. $3.4M Walking Infrastructure Improvements
7. $2.1M Q to Q Ferry Dock and Passenger Facilities improvements
8. $2.0M E. Columbia Great Street
9. $1.7M Community and EV Charging Strategy
10. $1.5M Transit priority – Implementation of minor bus speed and reliability projects

No new projects are added to this priority.

The City is ramping up implementation of the Active Transportation Network Plan, with construction expected to begin in early 2025 on two routes and planning and design already underway for seven more. Construction will also get underway on previously committed upgrades to the Rotary Crosstown Greenway in Uptown and on the Sixth Street streetscape improvements and permanent Uptown Plaza. Work will also get underway in 2025 on street lighting improvements in Massey-Victory Heights, on E. Sixth Avenue adjacent to təməsew̓txʷ Aquatic and Community Centre, and on various transit priority measures recommended in the Bus Speed & Reliability Strategy. The capital works in the 2025 budget will continue to improve walking, cycling and safety conditions in the transportation network as highlighted in the residential survey report.

$27.7M Community Belonging and Connecting

A Community where everyone belongs and has the opportunity to connect and contribute. Key projects in the 2025 - 2029 Base Plan (**$27.6M**) include:

1. $10.0M Westminster Pier Park expansion
2. $5.6M Artificial Turf Field
3. $4.5M Land Acquisitions
4. $2.2M Hume Park Masterplan implementation
5. $0.7M Public Art
6. $0.6M City-wide Public Washrooms strategy and improvements

$0.1M new non-discretionary projects have been included in the Capital Plan:

1. $0.07M Victoria Hill Pond Remediation
2. $0.01M Library materials return bin for təməsew̓txʷ Aquatic & Community Center

Public spaces and places play a vital role in supporting and promoting opportunities for residents to connect, learn, contribute and support each other. In support of the City's strategic priority of Community Belonging and Connecting, the five-year capital program prioritizes capital investments in related new amenities to support continued population growth, and re-investment in existing community serving amenities to expand capacity and extend service life. New amenities include the planning, design and construction of the City's third artificial turf field, and the westward expansion of Westminster Pier Park towards the new Pier West residential development. Funding has been set aside to support the purchase of lands to expand the City's park and greenway system, and to support implementation of the recommendations arising from the 2022 Hume Park Masterplan.

Ongoing investment in public art includes the commissioning of new works on civic sites, both permanent and temporary, and maintenance and conservation of the existing civic collection. Priorities will be aligned with the existing Public Art Policy and the new Public Art Plan (to be completed in 2025). Major initiatives currently underway include a new Indigenous public art project for Pier Park, and a public art project in Agnes Street Park reflecting the history of the city's early Chinese Canadian community.

$15.8M 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 projects in the 2025 – 2029 Base Plan (**$13.3M**) include:

1. $5.0M Affordable Housing Development
2. $2.0M Affordable Housing Fenton Street and Poplar Landing
3. $1.8M Affordable Housing Development Project Management and Due Diligence
4. $1.8M Corporate Energy and Emission Plan (CEEP) Phase 2
5. $0.9M Building Systems enhancement, including E-Permit, E-Plan approval and Digitizing building plans
6. $0.3M 22nd Street Bold Vision development and Implementation

$2.5M new non-discretionary projects have been included in the Capital Plan:

1. $1.5M Land Use Planning Policy development and implementation
2. $1.0M Housing Policy development and implementation

The Homes and Housing Options priority responds to the community's need for more housing supply and housing choice, particularly for those with the greatest need, e.g. unhoused individuals living with mental health and substance use issues, many of whom are Indigenous or seniors; low-income individuals and families who cannot afford market rents. The capital budget includes funds to support affordable, supportive and transitional housing development by external non-governmental and/or senior governmental agencies. It also includes funding to advance work to improve energy use and cooling for existing purpose-built rental buildings, which supports life safety in, and the longevity of, older buildings that provide more affordable rental units. In doing so, this work helps to address important local issues identified in the 2025 budget survey, related to the three crises of homelessness, mental health and substance use; housing affordability and availability; and support for vulnerable residents.

The new Provincial housing legislation has required the City refocus resources and work on maximizing overall housing approvals, regardless of need. The capital budget includes funds to support streamlining of applications review and approval (e.g. e-permit, e-plan), and implementation of key land use and housing policy development and implementation, consistent with requirements recently legislated by the Province.

Given the extensive scope of work required to address the provincially legislated changes, which have mandated timelines that are either tight or ongoing, the City has had to focus resources on this work. Once initial deadlines have been met, staff will reexamine the overall work plan to determine when other work can be launched toward achieving the housing outcomes of the strategic plan with a focus on housing for those most in need.

This work is funded both through the City's capital budget and through the Housing Accelerator Fund grant. 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 would see affordable housing, built on land owned by the City and, in the latter case, jointly with Metro Vancouver.
- Implementing the 22^{nd} Station Area Vision to enable growth in alignment with the Transit Oriented Development Area requirements while also considering the amenities and infrastructure needed to support this growth.
- Continuing implementation of the findings of the development application review process, including completing the digitization of all permits, and improving documentation and communication materials.
- Ongoing implementation of the Provincial Housing Legislation, which requires regular updates to the housing needs report, Official Community Plan, Queensborough Community Plan, and Downtown Community Plan. In the case of the Downtown Community Plan, a compressive update will be required once the initial legislation deadlines have been met.
- Updating housing policy to facilitate new development that prioritizes the housing need identified in the housing needs report and guidelines provided with the housing order.
- Aligning housing climate action by reducing emissions from new buildings, increasing support for the retrofit of existing buildings, and continuing to design our city to allow community members live and move in alignment with climate goals.

$0.2M People-Centered Economy

A local, nimble, resilient economy that serves our local community. Key projects in the 2025 -2029 Base Plan include:

1. $0.1M E-License and Open Data Development
2. $0.1M Public Realm on Great Streets

No new projects are added to this priority.

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, some components of the work 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.

Scenario 2 - $274.7M Five-Year Capital Plan

Scenario 2 builds upon Scenario 1, with an additional $13.2M new Council supported projects. Without capital levy, the CRV ratio is at **2.2%**, which is **not aligned** with the City's Reserve Policy that recommends maintaining a reserve balance of 5.0% to 10.0% CRV of General Fund assets.

Scenarios ($ Million)	Scenario #1	New Projects	Scenario #2
Asset Management and Infrastructure	155.3		155.3
Safe Movement of People	62.4	9.2	71.6
Community Belonging and Connecting	27.7	4.0	31.7
Homes and Housing Options	15.8		15.8
People-Centered Economy	0.2		0.2
Grand Total	**261.4**	**13.2**	**274.7**
Estimated Reserve Balance as of Dec 31, 2029	48.5		35.2
Estimated Reserve to Replacement Value Ratio (CRV)	3.1%		2.2%

$213.5M of Scenario 2 projects will be funded by reserves and the balance, $61.1M, will be funded with secured or well defined Grant Funding, Developer Contributions and Development Cost Charges.

$9.2M Safe Movement of People

Prioritize the movement of people on foot, cycle and transit on streets that are safe for all. New Council supported projects included in the 2025 - 2029 Capital Plan are:

1. $8.0M Fenton Street Complete Streetscape (sidewalk and ditch enclosure)
2. $1.2M Queensborough Quick-Build walking infrastructure

$4.0M Community Belonging and Connecting

A Community where everyone belongs and has the opportunity to connect and contribute. New Council supported projects included in the 2025 - 2029 Capital Plan are:

3. $3.5M Recreational-related amenities funded by the Growing Communities Fund Reserve
4. $0.4M Anvil Center 10-year review recommendations implementation
5. $0.1M FIFA celebration

Scenario 3 - $277.5M Five-Year Capital Plan

Scenario 3 builds upon Scenario 2, with an additional $2.9M new discretionary projects. This scenario reduces the CRV ratio further to **2.1%** without capital levy, which is **not aligned** with the City's Reserve Policy that recommends maintaining a reserve balance of 5.0% to 10.0% CRV of General Fund assets.

Scenarios ($ Million)	Scenario #2	New Projects	Scenario #3
Asset Management and Infrastructure	155.3	1.5	156.8
Safe Movement of People	71.6	0.2	71.8
Community Belonging and Connecting	31.7	1.0	32.7
Homes and Housing Options	15.8		15.8
People-Centered Economy	0.2	0.3	0.5
Grand Total	**274.7**	**2.9**	**277.5**
Estimated Reserve Balance as of Dec 31, 2029	35.2		32.7
Estimated Reserve to Replacement Value Ratio (CRV)	2.2%		2.1%

$216.0M of Scenario 3 projects will be funded by existing reserves and the balance, $61.5M, will be funded with secured or well defined Grant Funding, Developer Contributions and Development Cost Charges.

$2.9M new discretionary projects have been included in the Capital Plan. Some of the key projects are as follow:

$1.5M Asset Management and Infrastructure

Resilient Infrastructure that meets the community's needs today and into the future. Key projects in the 2025 -2029 in addition to the Base Plan include:

1. $0.22M Library Data Center A/C Upgrade

2. $0.20M Police Building back-up A/C renewal
3. $0.20M City-wide renovation project
4. $0.20M Civic Buildings Masterplan
5. $0.20M Parks Asset Management Plan

$0.2M 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 2025 – 2029 in addition to the Base Plan include:

1. $0.2M Transportation Asset Management Plan

$1.0M Community Belonging and Connecting

A Community where everyone belongs and has the opportunity to connect and contribute. Key projects in the 2025 - 2029 in addition to the Base Plan include:

1. $0.8M New Westminster Museum Gallery redevelopment
2. $0.2M Westburnco Sport Complex repair / improvement

$0.3M People-Centered Economy

A local, nimble, resilient economy that serves out local community. Key projects in the 2025 -2029 in addition to the Base Plan include:

1. $0.2M Economic Development Plan
2. $0.1M Employment Land Strategy

CLIMATE ACTION (SEVEN BOLD STEPS) AND CLIMATE ACTION RESERVE FUND (CARF) FOR CLIMATE ACTION

The Seven (7) Bold Steps, and their use as a budgeting framework was endorsed by Council in November 2019. The intention is to identify projects in the City's capital plan, that will in part, or in full, support advancing any one of the 7 Bold Steps. At a high level, this provides an indication of where the City's Strategic Priorities and core services have a co-benefit of advancing the 7 Bold Steps.

This section presents a sub-set of projects in the proposed capital plan that have been identified through the Bold Step budgeting framework. This is not an exhaustive list, but this sampling exemplifies the applying a climate lens on Council's Strategic Priorities will support delivering on climate action commitments. The proposed 2025 – 2029 capital plan identifies $131.4M of project funding to support initiatives that either will fully, or in part, advance the City's 7 Bold Steps, with $39.8M in 2025. The identified projects are led by departments across the organization as well as by the Climate Action Team. This work is funded through various project related funding streams, including the Climate

Action Reserve Fund, where allocation is determined by the on recommendation output from the Climate Action Decision Making Framework (CADMF).

The Climate Action Reserve Fund (CARF) has been 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, infrastructure, or Community services.

Money received from the sale of the City’s low carbon fuel credits, climate action levy and climate action parking surcharge, government grants or third party contributions for funding carbon neutrality, and any interest earned and accrued, are 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 has developed a Climate Action Decision Making Framework (CADMF) to enable the City to allocate funds from the CARF in a consistent and transparent manner, ensuring alignment with the objective of advancing the City towards meeting the greenhouse gas reduction targets resulting from the City’s Climate Emergency Declaration.

On March 4, 2024, Council adopted the CADMF, effectively immediately. Since then the Climate Action Team has been providing training to staff in preparation for broad use in the 2025 budget process. Staff are continuing to identify projects and gather information required to complete the framework submissions, and have identified projects that show a strong indication of being aligned with the reserve fund and framework requirements. Staff will continue to confirm funding alignment for proposed capital plan projects through this 2025 budget process with the completion of the frameworks to ensure consistent and transparent recommendations.

Below is a 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 Draft 2025 – 2029 General Fund Capital Plan for Council consideration. Final approval for the use of CARF will be subject to alignment with the CADMF.

Climate Action Reserve Fund ($ Millions)	2025	2026	2027	2028	2029
Active Transportation Network Plan	4.06	4.73	4.73	4.63	3.73
Massey Theatre Renovation	2.20	1.10	-	-	-
Corporate Energy & Emission Plan Update 2.0	0.36	0.40	0.40	0.40	0.25
Climate Action Decision Making Framework	0.05	-	-	-	-
Climate Changing Resilience & Adaptation	0.05	0.10	0.10	0.10	0.10
Community & Corporate EV Charging Strategy	0.40	0.35	0.35	0.35	0.25
Civic Buildings Energy Projects	0.20	0.23	0.24	0.24	0.28
EV Charging Infrastructure at Civic Buildings	0.20	0.20	0.20	0.20	-
Implementation of the Green Infrastructure Network	-	-	0.35	0.15	-
Natural Environment Enhancement	0.03	0.03	0.03	0.04	0.03
Corporate Electric Vehicles	2.34	1.08	1.33	3.46	1.67
Sub-Total	**9.90**	**8.22**	**7.73**	**9.57**	**6.31**
Estimated 3rd Party Grants/Contributions	(4.16)	(2.65)	(2.65)	(2.60)	(2.15)
Net CARF Contributions	**5.74**	**5.57**	**5.08**	**6.97**	**4.16**
Cumulative Total	**5.74**	**11.31**	**16.40**	**23.36**	**27.52**

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 City of New Westminster received $15.85M in March 2023 as part of the Growing Communities Fund (GCF). 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 2025 – 2029 General Fund Capital Plan for Council consideration. In order to meet the five-year spending criteria, the City should plan to fully expend the GCF by March 2028. The five-year GCF program is expected to contribute $16.63M to City's infrastructure investments which include $15.85M grant from the government and $0.78M projected interest revenue earned on the Fund balance.

On October 21, 2024, Council approved allocating a portion of the GCF reserve towards supporting new investments in recreation related amenities. Staff are currently working with Council to further define the scope and eligibility criteria guidelines for candidate capital projects. An undefined placeholder project ($3.5M) had been included in the capital plan to ensure budget is available once the specifics of the associated project(s) are determined and ultimately approved by City Council. For budget planning purposes, it is assumed that related project planning and design work would take place in 2025 with subsequent construction occurring during 2026 and 2027.

Growing Communities Fund ($ Millions)	2023 (Actual)	2024 (Forecast)	2025	2026	2027	2028 (March)
Bus Shelters	-	-	0.04	0.07	0.07	0.02
Bus Stop Improvements	0.05	0.07	0.08	0.08	0.08	0.02
Pedestrian Crossing Improvements	0.02	0.23	0.37	0.29	0.29	0.08
Road Safety Improvements	0.15	0.05	0.41	0.22	0.22	0.06
Street Lighting Improvements	0.01	0.12	1.32	1.15	1.15	0.21
Traffic Signal Installation &Improvements	0.02	0.80	0.75	0.74	0.75	0.19
Transit Priority	0.08	0.04	0.30	0.31	0.30	0.08
Walking Infrastructure Improvements	0.73	0.40	0.40	0.75	0.75	0.19
Recreational-related Amenities	-	-	0.50	1.50	1.50	-
Sub-Total	**1.07**	**1.71**	**4.17**	**5.09**	**5.11**	**0.83**
Estimated 3rd Party Grants/Contributions	(0.11)	(0.61)	(0.63)	-	-	-
Net GCF Contributions	**0.96**	**1.10**	**3.54**	**5.09**	**5.11**	**0.83**
Cumulative Total	**0.96**	**2.05**	**5.59**	**10.69**	**15.80**	**16.63**

CHALLENGES AHEAD

Aging Infrastructure

Aging infrastructure, including transportation networks, utilities, and public facilities, is increasingly affecting residents' safety, economic efficiency, and the quality of life. Across the nation, municipalities face similar issues, with many built assets operating well beyond their intended lifespans. Bridges, roadways, utility systems, recreational facilities and civic buildings require significant investment to prevent failures. Inadequate infrastructure investments and deferred maintenance has led to a backlog of repairs, replacements, upgrades, and modernization needs that most municipalities are currently facing.

Over the past decades, the City's infrastructure has aged significantly, affecting residents, businesses, and public safety. Much of the City's infrastructure was constructed in the mid-late 20th century, with many systems and facilities approaching or exceeding their intended lifespan. Factors contributing to the deteriorating infrastructure include strain from recent population growth in the City, natural wear and tear, and a lack of sufficient maintenance and replacement funding.

It is important to note that timely maintenance, replacement and upgrade of City's capital assets are essential for the continued and effective provision of city services. Relying on the repair of aged infrastructure will pose several challenges such as increasing maintenance costs over time, reduced efficiency and sub-optimal performance of infrastructure, and high risk of asset failure.

Growing Infrastructure Needs due to New Housing Legislation

As part of the Provincial Government's Homes for People Action Plan, wide ranging changes to housing legislation was introduced in 2023/2024. The changes included a Provincial Housing Target Order requiring New Westminster approve occupancy for 887 new units/year for the next five years. The Province also required that municipalities prepare an interim update of the provincially mandated Housing Needs Report (HNR) using the Province's prescribed methodology. The City's findings for this report, which will be presented to Council in December, identifies the need for 1,628 new units/year for the next five years, for a total of 8,137 new units. This is significantly higher than the City's current HNR that identifies the need for 584 new units/year. The City is required to ensure the Official Community Plan (OCP) and Zoning Bylaw include capacity for the number of units identified in the HNR, with the aim of speeding up housing approvals by reducing rezoning and OCP amendments.

The City's current planning for infrastructure, services and amenities is based on the amount, locations and type of growth identified in the OCP, which phases growth over time. New Transit Oriented Development (TOD) Areas, included as part of the Province's legislation changes, create significantly larger growth areas than anticipated by the OCP, enabling a more dispersed population and housing supply than previously planned for, which impacts planning for infrastructure (e.g. sewer, water, electrical) and amenities (e.g. parks, recreation facilities, fire halls). As a result, the City's asset management and strategic plans will need to be updated with consideration for this change in growth. This also affects projects funded by senior government (e.g. schools, transit, and childcare).

Ideally, "growth pays for growth," i.e. development pays for the growth portion of costs for new infrastructure and amenities needed to serve that growth. For various reasons, this has not been feasible for some time. The new legislation seeks to create a more consistent and transparent charge structure that will also be affordable to development. Once the Province set a Housing Target Order for New Westminster, staff identified a high-level analysis of the cost of infrastructure and amenities needed to support the growth target, the anticipated contribution from development, and the City's projected funding gaps. The City needs to develop a sustainable long-term financing strategy to fill those funding gaps, which is over-and-above the funds needed for renewing, replacing and upgrading existing capital infrastructure and amenities to maintain current service levels.

Infrastructure Funding Gaps

The City completed the Transportation Asset Management Plan (TAMP) in 2020 that identified approximately 8% of the transportation asset portfolio was deemed to be in "very poor" condition, and an infrastructure funding gap existed. An update to the Transportation AMP is anticipated to be completed in 2025, where revised conditions and funding gap numbers will be determined.

Council endorsed the City's first Facilities Asset Management Plan (FAMP) on February 26, 2024. Through the FAMP, it was identified that the average age of the City's buildings is 36.9 years with a Facility Condition Index (FCI) of 17.5% (estimated to be in "fair" condition, based on the FCI condition overview outlined on page iii in the FAMP). It is recommended that the City increase its annual capital investment for facilities from $2.5M in 2028 to $6.8M starting 2029 (aligns with the recommended "Scenario 4" on page VI in the FAMP). The $4.3M annual increase represents a 3.7% (using Budget 2024 as base) property tax impact.

Scenario 3 of the Draft Five-Year Capital Plan includes a funding request to prepare an asset management plan in 2026 for the City's park assets. The Park Asset Management Plan (PAMP) will guide management of the City's park assets and assist in decision making about long-term capital planning and funding for park asset maintenance and improvements. Based on the assessments and information provided in the TAMP, the FAMP, and other Utility Fund's AMPs previously completed, staff anticipate an infrastructure funding gap for Park assets is likely in existence.

In addition to the funding gaps identified in the TAMP and FAMP, the City plans to replace approximately 180 vehicles, including seven fire and rescue trucks, for a total cost of over $30M in the next 10 years.

There is a significant funding demand for capital reinvestment, either renewing, replacing or expanding the City's capital infrastructure/assets in the next decade.

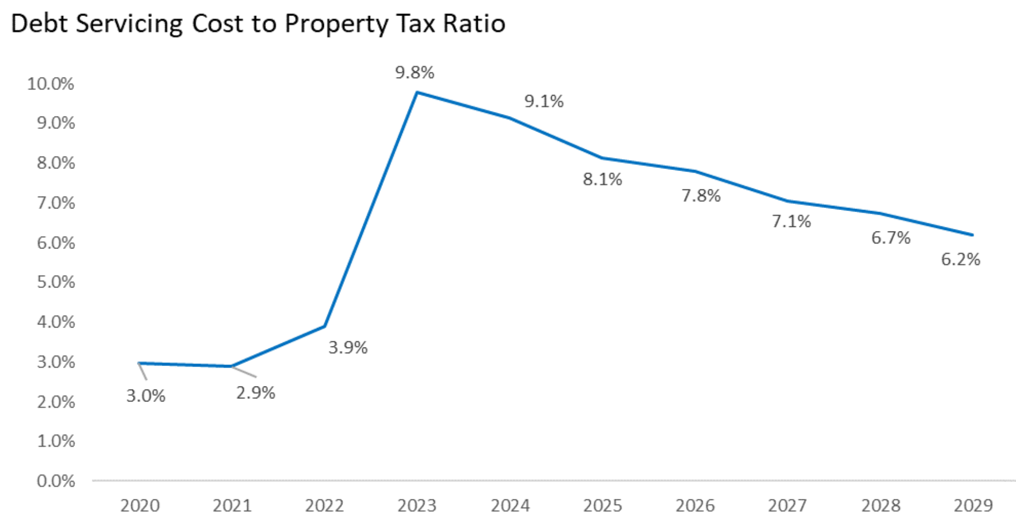
<u>RESERVES</u>

The General Fund reserve balance is made up of over 20 statutory and non-statutory reserves including the Climate Action Reserve and the Growing Communities Fund Reserve. The General Fund reserve balance is projecting a steady decline over the five year planned period, an issue that poses significant challenges to the City's long-term financial stability and service delivery. Reserves play a crucial role in maintaining the quality of public services, funding critical infrastructure projects, and providing a financial buffer against unforeseen events. As reserve balances dwindle, the City's ability to respond to emergencies, invest in necessary infrastructure, and support community priorities is increasingly at risk.

Several factors have contributed to the deterioration of reserves, including growing infrastructure needs, inflationary cost pressures and limited revenue growth. Without adequate reserves, the City faces an increased likelihood of service disruptions, delayed infrastructure maintenance, and a heightened reliance on borrowing to cover essential projects - each of which carries significant financial consequences for taxpayers.

The Budget 2025 public survey results outlined mixed opinions on the City borrowing funds to deal with the backlog of capital replacement and upgrade more frequently. **Overall opposition slightly outweighed support, but neither opinion secured a majority**. The results indicate that approximately half of the residents have concerns with the City's long-term financial sustainability if the City relies on funding capital investments with borrowing.

Borrowing for construction of təməsew̓txʷ Aquatic and Community Centre increased the debt servicing costs to property tax ratio from 3.0% in 2020 to 9.8% in 2023. In other words, in 2023 for every $1.00 of property tax revenue collected approximately $0.10 is allocated to cover debt-servicing costs.



Relying on debt increases the debt servicing costs to property tax ratio and places financial pressure on property taxpayers as property tax rates ultimately increase. This is not sustainable, as high debt reduces financial flexibility and limits future investment options. To respond to public opinions and be fiscally responsible, staff do not recommend funding capital investments by debt.

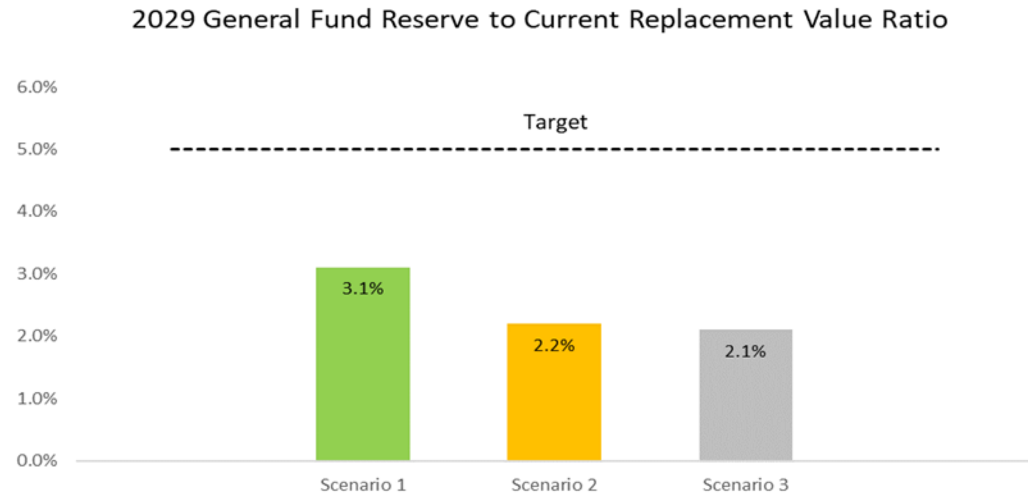
On the other hand, Budget 2025 public survey results show that **residents overall prefer tax increases to service reductions**. Of the nearly two-thirds of respondents opting for a tax increase, just less than half say they would prefer "tax increase in line with inflation – to sustain current service levels". Delaying or reducing infrastructure renewals, replacements or upgrades due to insufficient capital reserve funding will affect service levels.

FUTURE CONSIDERATION

To address deteriorating reserves balance and infrastructure funding gaps, staff recommend Council consider introducing a Capital Levy beginning in 2026.

A capital levy would provide a dedicated, sustainable funding stream to maintain or improve City infrastructure, thereby reducing debt reliance and borrowing costs; aiding with increasing public safety and improving service levels; supporting economic growth; and, minimizing shocks in future years when significant capital investments are needed.

Currently, without additional funding, the Reserve to asset CRV ratio for all three scenarios is **not aligned** with the City's Reserve Policy that recommends maintaining a reserve balance of 5.0% - 10.0% CRV of General Fund assets.



In Q2 2025, the Finance Department will provide Council with a detailed report that provides the rationale for a capital levy. The report will outline how a capital levy will help replenish the reserves, an important measure that aligns with fiscal best practices.

INTERDEPARTMENTAL LIAISON

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

OPTIONS

There are three options for Council's consideration:

Option 1 – THAT a Capital Budget scenario and funding strategy be identified as the preferred option for the 2025 Capital Budget and the 2025 – 2029 Five-Year Capital Plan.

Option 2 – THAT staff report back with a 2025 – 2029 Consolidated Five-Year Financial Plan Bylaw.

Option 3 – THAT Council provides alternate direction to staff.

Staff recommend Options 1 and 2

CONCLUSION

Council's feedback from the November 25th Utility Capital and Operating Budgets and Rates Setting workshop, the December 2nd General Fund Service Enhancements and Funding Strategy workshop, and the December 9th General Fund Five-Year Capital Plan and Funding Strategy workshop will help form the finanical options for the 2025 - 2029 Five-Year Financial Plan Bylaw.

ATTACHMENTS

Attachment 1 - Draft 2025 - 2029 General Fund Capital Plan

APPROVALS

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