

REPORT

Finance and Information Technology

To: Mayor Johnstone and Members of Council
Date: January 13, 2025

From: Shehzad Somji
CFO/Director of Finance and Information Technology
File:

Item #: 2025-15

Subject: **Budget 2025: Proposed Consolidated 2025 – 2029 Five-Year Financial Plan**

RECOMMENDATION

1. **THAT** staff report back with a bylaw reflective of the proposed 2025 – 2029 Five-Year Financial Plan as outlined in Attachment 1 to the staff report titled “Budget 2025: Proposed Consolidated 2025 – 2029 Five-Year Financial Plan.
2. **THAT** \$243.6M for the 2025 Multi-Year Capital Budget be approved.

PURPOSE

To seek Council’s direction to convert the Draft Consolidated 2025 – 2029 Five Year Financial Plan (the “Financial Plan”) into a Bylaw in accordance with section 165 of the Community Charter that incorporates the approved 2025 Electric, 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 25, 2024 Council workshop on the 2025 Utility Fund Capital and Operating Budgets, staff presented the 2025 Utility and Climate Action Team Service

Enhancement Requests, the proposed 2025 – 2029 Capital Plans and estimated Operating Budgets. Council members discussed the proposed budgets during the workshop and approved the following 2025 Utility rates increases.

Utility Rate	Electric	Water	Sewer	Solid Waste	Blended Rate
2025 Rate Increase	3.5%	6.0%	10.0%	12.0%	6.7%

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 December 9, 2024 Council workshop on the 2025 – 2029 General Fund Five Year Capital Plan and Funding Strategy, staff presented three distinct scenarios, each tailored to meet specific financial parameters and strategic priorities. These scenarios ranged from \$261.4M to \$277.5M in capital investments over the five year period. Council members discussed the three scenarios during the workshop and instructed staff to incorporate Scenario 3 into the Draft Five Year Financial Plan.

Since the workshop, the proposed General Fund Five Year Capital Plan Scenario 3 has increased from \$277.5M to \$282.9M primarily due to \$5.4M capital budgets being carried over from 2024.

GENERAL FUND – OPERATING BUDGET

At the December 2, 2024 Council workshop on the 2025 General Fund Operating Enhancements and Funding Strategy, staff presented a number of scenarios for the General Fund operating enhancements. These scenarios reflected a property tax rate increase ranging from 4.5% to 7.6% for 2025. Council members discussed the scenarios during the workshop and approved a 7.6% property tax rate increase and operating enhancements, as outlined in Scenario 2, for 2025.

At the December 9, 2024 Council Workshop on the 2025 Property Tax Rate, staff provided Council with further details of the components of the preferred Scenario 2 that Council approved. Council members discussed additional information received during the workshop and amended the approval for the 2025 operating enhancements from Scenario 2 to Scenario 3a to 3d, which reduced the property tax rate increase for 2025 from 7.6% to 6.6%. Staff were instructed to incorporate the amended General Fund operating budget into the Draft Five Year Financial Plan.

GUIDING FINANCIAL PRINCIPLES AND VALUES

The draft Five Year Financial Plan which includes the 2025 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.

2025 DRAFT BUDGET AND FIVE YEAR FINANCIAL PALN

Table 1-1: 2025 – 2029 DRAFT Consolidated Financial Plan – All Funds

CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN

	2025 Budget	Budget Projections			
		2026	2027	2028	2029
Total Revenues	\$ 338,348,250	\$ 339,334,000	\$ 367,896,477	\$ 376,058,087	\$ 388,351,668
Total Expenses	300,117,355	307,404,376	314,190,627	322,040,594	335,026,262
Increase in Total Equity	38,230,895	31,929,624	53,705,850	54,017,493	53,325,406
Reconciliation to Financial Equity					
Asset Amortization Expense	32,189,000	33,966,000	36,394,000	37,399,000	40,877,000
Capital Expenses	(149,648,631)	(78,145,811)	(95,062,769)	(75,687,931)	(142,840,619)
Debt Retirement	(8,261,578)	(8,544,488)	(8,708,639)	(9,299,026)	(11,267,720)
Proceeds on Debt Issuance	-	-	12,000,000	8,000,000	55,000,000
CHANGE IN FINANCIAL EQUITY (Reserves)	(87,490,314)	(20,794,675)	(1,671,558)	14,429,536	(4,905,933)
Financial Equity, beginning of year	260,202,227	172,711,913	151,917,238	150,245,681	164,675,218
FINANCIAL EQUITY (Reserves), end of year	\$ 172,711,913	\$ 151,917,238	\$ 150,245,680	\$ 164,675,217	\$ 159,769,285

2025 REVENUES

The total 2025 budgeted revenues of **\$338.4M** includes: \$122.9M from Municipal Taxes; \$122.5M from Utility Cost Recovery; \$21.4M from sale of City services, \$42.3M, from government and other third-party grants and contributions; and the balance of \$29.2M from other revenues.

2025 EXPENSES

The total 2025 budgeted operating expenses of **\$300.1M** includes: \$200.4M to support core services in the General Fund; \$50.0M for Electrical Utility Costs; \$37.6M for the Water & Sewer Costs; \$5.3M for Solid Waste or Garbage Collection costs; and \$6.8M of Interest Charges.

2025 – 2029 CAPITAL PLAN

Multi-Year Capital 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 67 projects which require multi-year funding commitments. **Staff are seeking Council’s approval for a \$243.6M Multi-Year Capital Budget for 2025**, with \$159.1M anticipated to be spent in 2025 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: 2025 – 2029 Capital Plan by Fund

Fund (\$M)	Multi-Year						5-Year
	Budget	2025	2026	2027	2028	2029	Total
General Fund	149.1	97.6	55.6	49.5	36.5	43.7	282.9
Electrical Fund	28.5	27.4	11.0	33.6	24.3	81.1	177.4
Water Fund	26.7	12.4	8.7	7.4	7.7	7.2	43.3
Sewer Fund	36.9	19.3	10.4	10.7	12.3	15.2	68.0
Solid Waste Fund	2.4	2.4	1.2	0.8	0.2	0.4	4.9
TOTAL	243.6	159.1	87.0	102.0	81.0	147.5	576.6

Table 2-2: 2025 – 2029 Capital Plan by Strategic Priorities

Strategic Priority (\$M)	Multi-Year						5-Year
	Budget	2025	2026	2027	2028	2029	Total
Asset Management and Infrastructure	172.0	118.9	59.6	76.4	62.9	133.0	450.8
Safe Movement of People	54.8	25.1	18.0	12.0	11.2	8.6	74.8
Community Belonging and Connecting	12.4	10.8	3.9	10.3	4.0	3.7	32.7
Homes and Housing Options	4.2	3.7	5.1	2.7	2.4	2.2	16.1
People-Centered Economy	0.2	0.6	0.5	0.6	0.4	0.0	2.1
TOTAL	243.6	159.1	87.0	102.0	81.0	147.5	576.6

The 2025 Multi-Year Capital Budget of \$243.6M 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 **\$576.6M** of Capital Plan spending which includes:

- Active Network Transportation Plan and Greenway Upgrades;
- Massey Theatre Renovation Project;
- Civic Buildings and Facilities Upgrades;
- Advanced Metering Infrastructure Project;
- West End Sewer Separation and Water Mains Replacement Project;
- New Royal 3 Substation;
- Queensborough N-1 Supply Project;
- District Energy System Project; and
- Other major capital works.

FINANCIAL EQUITY (RESERVES)

The \$576.6M 2025 – 2029 Capital Plan will be funded as follows:

Table 2-3: 2025 – 2029 Capital Plan by Funding Source

Funding Source (\$M)	Grants / Contributions	Development Cost Charges	Debt	Reserves	5-Year Total
General Fund	32.9	13.1	-	236.9	282.9
Electrical Fund	38.0	-	75.0	64.4	177.4
Water Fund	-	1.4	-	41.9	43.3
Sewer Fund	8.3	1.6	-	58.1	68.0
Solid Waste Fund	-	-	-	4.9	4.9
TOTAL	79.2	16.1	75.0	406.3	576.6

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, 2024 is projected at \$260.2M. The 2025 Budget estimates a net reduction or draw down of the reserves by \$87.5M, leaving an estimated balance of **\$172.7M by the end of 2025**.

Table 2-4: Estimated Five Year Reserve Balance

Fund (\$M)	Dec-2025	Dec-2026	Dec-2027	Dec-2028	Dec-2029
General Fund	89.0	58.8	41.6	38.0	29.1
Electrical Fund	22.4	25.8	30.9	38.5	30.6
Water Fund	21.4	20.4	21.2	22.2	24.7
Sewer Fund	37.3	42.3	48.9	54.2	59.2
Solid Waste Fund	2.5	4.7	7.7	11.7	16.2
TOTAL	172.7	151.9	150.2	164.7	159.8

2025 -2029 GENERAL FUND – OPERATING FINANCIAL PLAN

The General Fund operating budget is the most significant component and the driver of annual property tax increases. The 2025 – 2029 Financial Plan for the General Fund is presented in Attachment 2.

The 2025 General Fund Expenses of **\$205.3M** can be viewed by major service area or by major expenditure category. The following tables provide both views. General Fund Department Budgets are included in Attachment 3.

Table 3-1: General Fund Five Year Financial Plan by Major Service Area

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

	2025 Budget	Budget Projections			
		2026	2027	2028	2029
REVENUE					
Municipal Taxation	\$ 122,945,728	\$ 130,593,014	\$ 138,922,665	\$ 147,968,798	\$ 157,767,238
Sale of Services	20,807,353	21,003,353	21,198,353	21,399,353	21,606,353
Grants from Other Governments	7,014,859	5,319,368	6,850,030	2,571,402	2,525,002
Contributions	26,403,113	13,040,733	13,237,432	13,776,382	10,236,382
Other Revenue	27,969,350	30,771,252	30,948,056	31,135,537	30,950,757
Total Revenues	205,140,403	200,727,720	211,156,536	216,851,472	223,085,732
EXPENSES					
General Services					
Police Services	44,415,399	45,840,171	47,440,617	49,162,460	50,895,295
Parks and Recreation	32,450,869	32,604,805	33,786,781	34,070,117	34,560,567
Fire & Rescue	23,119,227	24,102,058	25,312,431	26,308,634	27,126,706
Planning and Development	13,821,649	14,404,576	12,639,591	12,622,254	12,683,387
Engineering	39,551,905	39,963,283	41,193,473	41,046,289	42,563,803
Corporate Services	28,668,758	29,632,122	29,595,588	30,325,882	30,901,713
Community Services	12,925,716	14,023,686	13,759,366	13,052,914	12,726,631
Library	5,528,810	5,696,902	5,655,264	5,680,798	5,687,417
	200,482,333	206,267,603	209,383,111	212,269,348	217,145,519
Fiscal Expenses					
Interest Charges	4,781,988	4,761,203	4,739,733	4,737,734	4,819,735
Total Expenses	205,264,321	211,028,806	214,122,844	217,007,082	221,965,254

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

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

EXPENSES	2025	Budget Projections			
	Budget	2026	2027	2028	2029
Salaries, Benefits and Training	132,991,692	137,454,591	141,598,896	145,963,317	149,760,288
Contracted Services	23,428,288	23,546,008	21,778,590	20,213,172	20,246,991
Supplies and Materials	12,817,358	12,756,009	12,391,630	12,439,864	12,491,245
Interest Charges	4,781,988	4,761,203	4,739,733	4,737,734	4,819,735
Cost of Sales	1,700,862	1,700,862	1,700,862	1,700,862	1,700,862
Grants	1,137,550	1,137,550	1,027,550	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	23,471,000	24,737,000	25,950,000	25,989,000	26,983,000
Total Expenses	205,264,321	211,028,806	214,122,844	217,007,082	221,965,254

The following table and discussion summarizes and explains the major changes in operating revenues and expenses for 2025 excluding Capital and Reserve Expenditures.

Table 3-3: General Fund 2025 Operating Revenues and Expenditures

	Operations		
	2024	2025	\$Chg
	\$000	\$000	\$000
REVENUE			
Municipal Taxation	\$ 114,238	\$ 122,946	\$ 8,708
Sale of Services	18,557	20,807	2,250
Grants / Contributions	23,952	33,418	9,466
Other Revenue	28,800	27,969	(831)
Total Revenues	185,547	205,140	19,593
EXPENSES			
Salaries, Benefits and Training	117,868	132,992	15,124
Contracted Services	22,618	23,428	810
Supplies and Materials	12,526	12,817	291
Insurance and Claims	4,936	4,936	-
Other Budget Line Items	2,858	2,838	(20)
Interest and Bank Charges	4,977	4,782	(195)
Amortization	22,909	23,471	562
Total Expenses	188,692	205,264	16,572
INCREASE (DECREASE) IN TOTAL EQUITY	(3,145)	(124)	3,021
Debt Retirement & Internal Adjustments and Transfers			
Amortization of Tangible Capital Assets	23,109	23,471	362
Debt Retirement	(5,876)	(5,465)	411
Transfer from/(to) Other Funds	6,772	6,635	(137)
Internal Charges	(10,472)	(11,196)	(724)
Internal Recoveries	13,158	12,704	(454)
NET TRANSFER TO RESERVES	\$ 23,546	\$ 26,025	\$ 2,479

Revenues to pay for General Fund City services are budgeted at approximately **\$205.1M** (2024 - \$185.5M). Of this total, taxation revenue accounts for \$122.9M or 60.0% of the overall general revenues. The increase in taxation revenue reflects a proposed 6.6% property tax rate increase for 2025, as well as 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 \$2.3M year over year mainly due to increase in third party cost recovery for Police and other sale of services (\$0.2M), increase in parking revenue (\$1.0M), and increase in recreational facilities revenue (\$1.0M) largely from the first full year of operations for the tēmәsewtx^w Aquatics and Community Centre (TACC).

Grants and Contributions are expected to increase by \$9.5M, largely due to the timing of recognizing one-time contribution revenue funding the delivery of capital programs. These include programs such as the Westminster Pier Park west expansion, greenway constructions, Active Transportation Network Plan implementation, and various housing initiatives.

Other Revenue is expected to decrease by \$0.8M which is largely due to higher interest income (\$2.6M), higher tax penalties income (\$0.2M), and filming and street occupancy revenue (\$0.2M). These are partially offset by and an anticipated temporary decrease in building permit application revenue (\$2.5M) due to economic uncertainties and market slowdown.

The 2025 General Fund operating expenses total approximately **\$205.3M** (2024 - \$188.7M) 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.

Increases in salaries and benefits of approximately \$15.1M reflect estimated contractual wage increments and costs for additional staff to be hired in 2025 to support the delivery of Council's Strategic Priorities, Climate Action goals, and other major initiatives and projects.

Increase in Contracted Services of \$0.8M is primarily due to budget increases to address cost escalation (\$0.8M), increase in E-Comm 911 service costs (\$0.6M), Police Integrated Teams contract increase (\$0.3M), and a one-time funding for IT temporary staff augmentation (\$0.4M) to address operational and project backlogs. This is partially offset by lower transfer of non-capitalizable expenditures in the 2025-2029 capital program (\$1.4M).

Increases in Supplies and Materials of \$0.3M reflects an increase to the 2025 budget to address cost escalation (\$0.4M), similar to Contracted Services, as the City experiences economic adjustments from critical service providers beyond inflation. This also includes a one-time budget increase in 2024 for the conference and events booking system.

The majority of the City’s 2025 operating expenditure impacts are detailed in the 2025 General Fund Service Enhancement Requests in Attachment 4.

2025 - 2029 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 2025 – 2029 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 new Royal 3 Substation, 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, 2025.

Table 4-1: Utility Fund 2025 Budgets and Rate Increase

Utility Fund (\$M)	Electric	Water	Sewer	Solid Waste
Revenue	68.13	18.91	38.51	7.67
Operating Expenses	51.98	12.31	25.28	5.28
Capital Expenditures	27.34	11.93	18.80	2.27
Reserve Balance	22.43	21.45	37.29	2.53
Rate Increase	3.5%	6.0%	10.0%	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 – That staff report back with a bylaw reflective of the proposed 2025 – 2029 Five-Year Financial Plan as outlined in Attachment 1 to the staff report titled “*Budget 2025: Proposed Consolidated 2025 – 2029 Five-Year Financial Plan*.”

Option 2 – That the 2025 \$243.6M Multi-Year Capital Budget be approved.

Option 3 – That Council provides further direction.

Staff recommend Options 1 and 2

NEXT STEPS

This report and the attachments will be available in the 2025 Budget section of the City's website.

The Draft 2025 – 2029 Five Year Financial Plan Bylaw will be presented to Council for three readings at the January 27, 2025 Council Meeting. 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 Consolidated 2025 – 2029 Five-Year Financial Plan

Attachment #2 – 2025 General Fund Budget

Attachment #3 – 2025 General Fund Department Budgets

Attachment #4 – 2025 General Fund Service Enhancement Requests

Attachment #5 – 2025 - 2029 Five Year Capital Plan by Strategic Priorities

Attachment #6 – 2025 Multi-Year Capital Budget

Attachment #7 – 2025 Utility Fund Budgets

Attachment #8 – Comment Sheet

APPROVALS

This report was prepared by:

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This report was approved by:

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