

REPORT

Finance

To: Mayor Cote and Members of Council **Date:** December 13, 2021

From: Harji Varn
CFO/Director of Finance **File:**

Item #: 2021-672

Subject: Budget 2022: Draft 2022 – 2026 Financial Plan

RECOMMENDATION

***THAT** Council instruct staff to convert the Draft Consolidated 2022 to 2026 Financial Plan into a Bylaw reflecting a property tax increase of 4.4% for 2022 and a 2022 Capital Budget of \$170.7M and bring forward for three readings.*

PURPOSE

To seek Council's direction to convert the Draft Consolidated 2022 to 2026 Financial Plan (the "Financial Plan" into a Bylaw in accordance with Section 166 of the Community Charter that incorporates the approved 2022 Water, Sewer, Solid Waste and Electrical rates, the proposed Property Tax Increase of 4.4% and the 2022 Capital Budget of \$170.7M.

Members of the public are invited to review and provide written comments on the Financial Plan.

It is necessary for the City to adopt a Financial Plan prior to adopting a tax rate bylaw.

EXECUTIVE SUMMARY

This report provides the DRAFT 2022 to 2026 Consolidated 5 Year Financial Plan which estimates a total \$453.1M in Capital Project and Major Program Spending over the next 5 years and the following estimated average "annual" rates:

- Electrical Rate Increase of 2.8%/year
- Property Tax Increases of 4-5%/year

- Water Rate Increases of 7%/year
- Sewer Rate Increases of 7%/year
- Solid Waste Rate Increase of 10-14%/year

The Financial Plan also includes the:

- 2022 Draft Capital Expenditure Budget of \$170.7M
- 2022 Draft Operating Revenue Budget of \$262.3M, which incorporates a 4.4% Property Tax Increase, 2.8% Electrical Rate Increase, 7% Water & Sewer Rate Increase and a 14.5% Solid Waste Rate Increase
- 2022 Draft Operating Expenditure Budget across all funds is \$216.0M.

See Attachment 1, 4, and 5 of this report for details by Fund.

The Financial Plan has been prepared based on the City's financial policies and budget principles that strive to find a balance between affordability and providing resources to service a growing community for the long term and incorporates the feedback from Council and Public Engagement Surveys. Council has continued to direct staff to remain vigilant with COVID-19 impacts and Provincial Health Orders, while also maintaining important core services and the advancement of key Council Strategic Priorities.

BACKGROUND

As endorsed by Council at the meeting on June 7, 2021, the 2022 Budget Engagement process kicked off with a series of committee workshops in June and July.

On September 14, 2021 staff hosted the online Budget 101 Webinar followed by the 2022 Budget Survey that builds on the results from the 2021 Budget Survey.

On October 4th, staff presented a Proposed 2022 Capital Budget of \$167.1M that continues to draw down and deliver on the Approved 2021-2025 Capital Plan.

On November 1st, staff presented the Proposed 2022 City-Wide User Fees and Utility Operating Budgets and the following Utility Rate Increases for 2022: Electrical Rate Increase 2.8%, Water & Sewer Rate Increases 7% and Solid Waste Rate Increase of 14.5%.

On November 15th, Council approved the Utility Rates and 2022 City-Wide User Fees.

On November 22nd, Council approved the recommendation to decommission the existing Canada Games Pool which resulted in \$2.3M of avoided repair works, \$0.7M of variable expense cost savings.

On November 29th staff presented the Proposed 2022 Service Enhancement Requests and Funding Strategy including a proposed tax increase of 4.4%.

On December 13th Staff are presenting the Draft 2022 to 2026 Consolidated Financial Plan incorporating the proposed 2022 Operating Budget, Utility Rate and User Fee Increases and the proposed 2022 Capital Budget adjusted for the latest forecast on project spending to December 31, 2021.

The table below outlines the key dates around the 2022 Budget. It follows a budget best practice approach similar to last year; namely, working collaboratively with Council and incorporating the feedback from the community. Due to the unexpected closure of the Canada Games Pool, staff have had to delay the completion of the Bylaw to January.

Date	Description
17-May-21	Quarter 1 Capital Performance Report
7-Jun-21	2022 Budget Engagement Plan
30-Aug-21	Quarter 2 Capital & Operating Performance Report
30-Aug-21	2022 Budget Process Next Steps and Summer Engagement Results
14-Sep-21	2022 Budget 101 and Launch Public Engagement Survey
4-Oct-21	**2022 Capital Budget Workshop
18-Oct-21	2022 Public Engagement Preliminary Survey Results
1-Nov-21	Quarter 3 Capital & Operating Performance Report
1-Nov-21	**2022 Utility Budget Workshop
1-Nov-21	**2022 Operating Budget Workshop
1-Nov-21	2022 User Fees (Three Readings)
15-Nov-21	2022 User Fees (Adoption)
15-Nov-21	2022 Utility Rates (Three Readings)
29-Nov-21	**2022 Proposed Service Enhancements Workshop and Tax Rates
13-Dec-21	2022 DRAFT Budget & 5 Year Financial Plan Bylaw (Presentation)
13-Dec-21	2022 Utility Rates (Adoption)
15-Dec-21	2022 DRAFT Budget & 5 Year Bylaw post on City Website/Paper
10-Jan-22	2022 DRAFT Budget & 5 Year Financial Plan Bylaw (Three Readings)
31-Jan-22	2022 DRAFT Budget & 5 Year Financial Plan Bylaw (Adoption)
25-Apr-22	Quarter 4 2021 Year End Financial Report

**Special Council Meetings

ANALYSIS

Led by our **City’s Financial Sustainability Principles**, Finance has approached the Financial Plan with finding ways to stay within **sustainable** and **stable** rate hikes without disrupting services while being **adaptable** and **accountable**; having the ability to ramp up or down during uncertain times and maintaining fiscal prudence by ensuring that the City’s financial decisions are in the best interest of all.

1. 2022 DRAFT BUDGET & 5 YEAR FINANCIAL PLAN OUTLOOK

The Draft Financial Plan which includes the 2022 Annual Operating and Capital Budgets are based on projections and best estimates that advance Council’s 8 Strategic Priorities and the City’s 7 Climate Action Bold Steps with the continuation of maintaining core services while continuing to manage the impacts of the COVID-19 Pandemic.

Table 1-1 2022 – 2026 DRAFT Consolidated Financial Plan – all funds

CORPORATION OF THE CITY OF NEW WESTMINSTER					
CONSOLIDATED FINANCIAL PLAN					
	2022	Budget Projections			
	Budget	2023	2024	2025	2026
Total Revenues	262,293,852	272,143,023	275,558,485	284,737,864	289,261,079
Total Expenses	216,003,223	227,159,428	239,351,394	248,045,510	259,210,579
Increase in Total Equity	46,290,629	44,983,595	36,207,091	36,692,354	30,050,500
Reconciliation to Financial Equity					
Amortization of Tangible Capital Assets	26,286,000	27,438,000	29,959,000	31,329,000	31,803,000
Capital Expenses (Schedule B)	(170,699,310)	(109,731,100)	(66,230,250)	(58,198,700)	(48,236,400)
Debt Retirement	(5,151,403)	(8,214,754)	(9,686,716)	(9,657,090)	(10,214,494)
Proceeds on Debt Issuance	72,184,585	30,772,800	8,000,000	7,500,000	500,000
CHANGE IN FINANCIAL EQUITY (Reserves)	(31,089,499)	(14,751,459)	(1,750,875)	7,665,564	3,902,606
Financial Equity, beginning of year	154,633,733	123,544,235	108,792,775	107,041,897	114,707,459
FINANCIAL EQUITY (Reserves), end of year	\$ 123,544,234	\$ 108,792,776	\$ 107,041,900	\$ 114,707,461	\$ 118,610,065

REVENUES

The total 2022 annual budgeted revenues of \$262.3M includes, \$97.9 from Municipal Taxes, \$100.1M from Utility Cost Recovery, \$31.3M from other user fee/program fees and the balance, \$33.0M, from BC Gaming and other 3rd party or developer contributions supporting the delivery of the annual capital budget.

Based on feedback from the Council Workshops, the results from the budget enhancement survey, the reallocation of expenditures and the Province’s Restart grant, the Draft Operating Budget includes a 2022 Approved User Fee & Utility Rate Increases & the Proposed Property Tax Increase of 4.4%.

Breakdown of the Property Tax Increase:

- Fixed Cost & Salary Increases of \$2.6M, or ~2.7%
- Insurance Premium Increase of \$1.5M, or ~1.6%
- Procurement/Transformational Strategies (\$0.3M), or (0.3%)
- Proposed “Permanent” Service Enhancements \$0.8M, or 0.8%*

- Canada Games Other Fixed Costs/Reserve Contributions (\$0.4M), (0.4%)

**Note the change since November 22 Workshop – Indigenous Advisor position was changed from temporary to permanent and Anvil Security Enhancement was changed from a permanent cost increase to a one-time increase for 2022. A list of the 2022 General Fund Service Enhancements is provided in Attachment 3.*

Over the next 5 years it expected that the average annual rates will remain on a stable rate increase across all utilities via utilization of the reserves to mitigate against metro levies or commodity price increase. However, staff are forecasting some instability or budget pressure on the third party and property tax funded areas as we increase debt levels for previously approved Infrastructure projects and other associated operating impacts of net new capital projects.

Accommodating these costs dictate future annual tax rate increases in the range of 4% - 5% which includes an annual increases in the debt/capital levy of 1%. Taxation revenue increases also include an estimate for new construction of \$500K in 2022 and \$1M in each of the years 2023 to 2025.

By the end of 2023, the 5 Year Plan does start to re-instate variable expenditures for the opening of the new t̄m̄əsew̄tx̄w Aquatic & Community Centre facility and associated cost of sales and user fees and by 2024, staff have estimated an additional \$1M in operating expenditures for the t̄m̄əsew̄tx̄w Aquatic & Community Centre and will be working with operations to finalize the actual impact prior to Council approval of the 2024 Budget.

Staff will continue to find strategies to stabilize the property tax rates or adjust user fees to ensure the organization can continue to operate all core services while delivering on Council priorities without major fluctuations on annual rates.

OPERATING EXPENSES

The total 2022 annual budgeted operating expenses of \$216.0M includes, \$143.6 to support the General Funded Programs or Core Services, \$40.9M to recover the Electrical Utility Costs, \$24.7M to recover the Water & Sewer Costs, \$4.0M for Solid Waste or Garbage Collection costs and \$2.8M of Fiscal Expenses.

Over the next 5 years it expected that the average annual fixed costs/salary expenditures will remain stable at 2-3%/year, with some beyond inflationary increases in metro levies, amortization or debt financing related to the growth in new or improved capital project completion such as the t̄m̄əsew̄tx̄w Aquatic & Community Centre, Massey Theatre, Affordable/Supportive Housing, Sustainable Transportation, QB Substation, and various Climate related initiatives such as greening the City’s Fleet and the associated EV Infrastructure.

CAPITAL EXPENSES

The 2022 Draft Capital Budget is \$170.7M and 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 and will be spent over the next two years as projects are either large in nature, like the t̄m̄əsew̄tx̄w Aquatics and Community Centre project, or have long procurement lead times, like the large City fleet, and will require funds to be committed in 2022, yet spent in 2023.

Over the next 5 years staff are estimating \$453.1M of Capital spending, a net decrease of ~ \$18M from the \$471M 2021 – 2025 Capital Plan. This is mainly due to additions of a number of projects (see table below), offset by major budget spending in 2021 for the t̄m̄əsew̄tx̄w Aquatics and Community Centre, Queensborough Substation, Boundary Pump Station, Agnes Greenway and Braid Street Transportation projects, along with a refined/reduced capital plan forecast for the Massey Theatre, down from \$26M to ~\$14M to support critical asset replacement/upgrades over the next few years.

Table 1-2 - Five Year Capital Plan Highlights for Major Project Increases

Project Description	Amount (\$M)
Affordable Housing projects (multi-years)	6.2
QB Substation Station Distribution Grid (offsite work) 2022	3.6
Agnes Greenway Phase II 2026	2.5
E. Columbia Great St RCH Frontage 2026	2.0
Land acquisitions for Transportation safety improvements to high risk intersections 2026	2.0
Rehab of City Engineering structures in various locations (multi-years)	2.0
Urban Reforestation and Biodiversity 2022-2023	1.8
Downtown Transportation Plan Implementation (multi-year)	1.5

The proposed Capital Budget presented at the October 4th Workshop of \$167.1M was a combination of 2021 carryover spending of ~\$47.1M, plus another \$120M of new project commitments and spending.

The revised Capital Budget incorporated in the Draft 5 Year Financial Plan is \$170.7M; a net change of \$3.6M largely due to an increase in project carryover for the t̄m̄əsew̄tx̄w Aquatics and Community Centre project. The \$170.7M includes \$50.7M of existing budget carryover, plus new project spending of \$120M.

Attachment 4 includes the detailed list by fund and by major strategic priority

Table 1-3 – Estimated 5 Year Capital Plan Funding Sources:

Project Description 2022 - 2026	Preliminary Budget	Reserves	Debt	DCCs	Grants / Contributions
Roads	25.10	21.05	-	1.43	2.62
General Transportation Program	43.26	32.17	-	1.99	9.11
Transportation Structures	6.23	3.73	-	1.04	1.46
Parks Facilities Maintenance Program	2.86	2.86	-	-	-
Civic Facilities Maintenance Program	17.36	17.36	-	-	-
Vehicle & Equipment Replacement Program	14.79	14.75	-	-	0.04
Parks Maintenance Program	11.11	7.70	-	-	3.41
Park & Civic Facilities Major Repl. and Additions	16.51	14.62	0.05	1.28	0.56
Q2Q Ferries & Waterfront DAC Project	1.53	0.10	-	-	1.43
Information Systems / Networks	7.34	7.34	-	-	-
Other General Fund Projects	16.23	15.75	-	-	0.49
Parkland Acquisition & Development	11.55	8.54	-	1.24	1.77
temosewtx Aquatics and Community Centre	81.03	3.88	73.60	-	3.55
Total General Fund	254.90	149.85	73.65	6.97	24.43
Electrical Infrastructure	86.61	27.77	24.40	-	34.43
Electrical Substation Expansion	21.71	0.80	20.91	-	-
Other Electrical Projects	4.76	4.76	-	-	-
Total Electrical Fund	113.08	33.34	45.31	-	34.43
Water Infrastructure	30.10	29.87	-	0.23	-
Other Water Projects	1.53	1.53	-	-	-
Total Water Fund	31.63	31.40	-	0.23	-
Sewer Infrastructure	42.65	40.39	-	1.10	1.16
Drainage & Flood Management	6.38	6.32	-	0.06	-
Other Sewer Projects	1.34	1.34	-	-	-
Total Sewer Fund	50.37	48.06	-	1.16	1.16
Solid Waste Projects	3.12	3.12	-	-	-
Total Solid Waste Fund	3.12	3.12	-	-	-
Total Utilities	198.19	115.91	45.31	1.39	35.59
Total General Fund & Utilities	453.10	265.76	118.96	8.35	60.02

RESERVES

The \$453.1M proposed 2022 – 2026 Capital Plan will be funded by debt financing of \$119M, 3rd party/external contributions/development cost charges of \$68M, and the remaining \$266M will be funded by Reserves/operating surpluses/capital levies.

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.

See table 1-4, the forecasted reserve balance as at year ended December 31, 2021 is projected at \$154.6M; the 2022 Budget estimates a net reduction or draw down of the reserves by \$31.1M, leaving \$123.5M by year end December 31, 2022.

Table 1-4 – Estimated 5 Year Capital Plan Reserve Balances:

RESERVES				2022	2023	2024	2025	2026
				Forecast \$M	Forecast \$M	Forecast \$M	Forecast \$M	Forecast \$M
Non-Statutory Reserves								
GEN	F11	Affordable housing	-	-	-	-	-	
GEN	F12	Childcare amenity	0.1	0.1	0.1	0.2	0.2	
GEN	F13	Community amenity	6.5	5.1	3.8	2.5	1.1	
GEN	F14	Community development	3.5	3.1	3.1	3.9	2.2	
GEN	F15	Community endowment	5.0	5.1	5.2	5.3	5.4	
GEN	F16	Computer replacement	0.8	0.8	0.8	0.5	0.4	
GEN	F17	Environmental/Childcare grants	0.2	0.2	0.2	0.2	0.2	
GEN	F23	Equipment replacement - GEN	2.5	1.6	0.2	(0.4)	(1.6)	
ELE	F24	Equipment replacement - ELE	2.0	1.9	1.4	1.4	1.5	
WTR	F25	Equipment replacement - WTR	2.6	2.9	3.1	3.5	3.8	
SEW	F26	Equipment replacement - SEW	1.2	1.4	1.3	1.4	1.6	
SW	F27	Equipment replacement - SW	1.1	1.0	0.5	0.3	0.2	
GEN	F18	Facility maintenance	0.9	1.3	3.0	2.8	1.6	
GEN	F35	Facility replacement - TACC	12.4	11.9	-	-	-	
GEN	F36	Facility replacement - Massey Theatre	4.1	2.3	2.5	-	-	
GEN	F19	General amenity	0.4	0.4	0.4	0.5	0.5	
GEN	F2	General fund provisions	12.8	7.7	10.7	12.1	14.7	
GEN	F21	Off-street parking provisions	1.5	1.3	1.1	1.1	1.2	
GEN	F22	Public art	0.7	0.7	0.7	0.7	0.7	
ELE	F3	Electrical fund provisions	23.1	21.4	24.7	29.6	35.6	
WTR	F4	Water fund provisions	9.9	9.5	10.8	11.8	12.9	
SEW	F5	Sewer fund provisions	22.7	23.4	26.4	28.7	27.9	
SW	F6	Solid waste fund provisions	(1.4)	(0.7)	0.4	1.9	3.5	
Statutory Reserves								
GEN	F28	Cemetery reserves	0.9	0.9	1.0	1.0	1.1	
GEN	F29	Construction of municipal works	6.7	2.1	2.2	2.2	0.3	
GEN	F30	Parking cash in lieu	1.3	1.3	1.3	1.3	1.4	
GEN	F31	Park land acquisition	0.1	0.1	0.1	0.1	0.1	
GEN	F32	Tax sale land	1.8	1.9	1.9	2.0	2.0	
Total Reserves				123.5	108.8	107.0	114.7	118.6

In the years 2023 to 2025 staff are estimating the need to utilize the General Fund Reserve to mitigate against major rate fluctuations as they relate to the debt financing, both interest and principle repayment for the new t̄m̄esew̄tx^w Aquatics and Community Centre and will be subject to Council approval of the annual operating budgets in those years. The General Fund Reserve best practice is to maintain between 5-10% of Operating Revenues.

Staff are also estimating the need to utilize the City's Community Amenity Reserve funds to help leverage stimulus funding to support the delivery of Affordable Housing Projects city-wide. This reserve receives developer contributions from the City's Voluntary Amenity Contribution Program and Density Bonusing Program.

Funds in the Community Amenity reserve are available and are to be used for new capital amenities required for growth or to meet a community priority. The funds will not be transferred to the Affordable Housing Reserve; they will only be brought to Council to draw out the reserves as needed or during the annual budgeting process without a requirement to pay back with interest.

2022-2026 GENERAL FUND – OPERATING FINANCIAL PLAN

The General Fund operating budget is the most significant component and the driver of annual property tax increases. The 2022 – 2026 Financial Plan for the General Fund is presented in Attachment 1. Attachment 1B breaks down the General Fund for 2021 and 2022 into three categories – the annual operating budget, and categories that reflect budget items that are unique to capital and reserves.

The total General Fund Expenses of \$145.2M 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 2.

Table 2-1 – General Fund by Major Service Area

CORPORATION OF THE CITY OF NEW WESTMINSTER
GENERAL FUND BUDGET

	2022	Budget Projections			
	Budget	2023	2024	2025	2026
REVENUE					
Municipal Taxation	\$ 97,877,861	\$ 103,095,703	\$ 109,463,995	\$ 115,272,273	\$ 120,451,743
Sale of Services	13,954,110	15,351,235	15,451,235	15,151,235	15,151,235
Grants from Other Governments	8,920,339	4,643,400	2,871,600	2,871,600	2,871,600
Contributions	19,720,880	11,869,430	9,784,530	8,670,930	9,483,930
Other Revenue	15,877,022	16,978,517	17,033,525	16,800,081	16,410,001
Total Revenues	156,350,212	151,938,285	154,604,885	158,766,119	164,368,509
EXPENSES					
General Services					
Police Services	34,408,503	34,729,375	35,717,010	36,385,994	36,975,831
Parks and Recreation	19,416,533	22,296,796	26,355,706	26,703,057	26,982,221
Fire & Rescue	17,868,972	18,554,183	19,290,982	19,670,640	20,219,813
Development Services	7,358,604	7,014,666	7,155,875	7,313,040	7,449,313
Engineering	29,776,519	30,592,468	31,214,919	31,519,297	32,086,538
General Government	29,850,878	30,366,173	30,452,417	30,563,408	31,384,291
Library	4,905,686	4,996,028	5,068,783	5,119,432	5,180,001
	143,585,695	148,549,689	155,255,692	157,274,868	160,278,008
Fiscal Expenses					
Interest and Bank Charges	1,628,577	3,246,967	3,983,848	3,789,125	3,768,340
Total Expenses	145,214,272	151,796,656	159,239,540	161,063,993	164,046,348
INCREASE (DECREASE) IN TOTAL EQUITY	11,135,940	141,629	(4,634,655)	(2,297,874)	322,161

Table -2-2 – General Fund Expenditures by Major Expenditure Category

CORPORATION OF THE CITY OF NEW WESTMINSTER
GENERAL FUND BUDGET

	2022 Budget	Budget Projections			
		2023	2024	2025	2026
EXPENSES					
Salaries, Benefits and Training	97,289,141	101,498,637	105,584,140	107,940,316	110,345,974
Contracted Services	10,732,950	10,427,403	10,517,903	10,517,903	10,618,442
Supplies and Materials	9,794,809	10,188,954	10,486,954	10,586,954	10,867,897
Interest and Bank Charges	1,628,577	3,246,967	3,983,848	3,789,125	3,768,340
Cost of Sales	1,414,662	1,686,662	1,686,662	1,686,662	1,686,662
Grants	1,272,550	1,013,450	1,013,450	1,013,450	1,013,450
Insurance and Claims	4,235,583	4,235,583	4,235,583	4,235,583	4,235,583
Amortization	18,846,000	19,499,000	21,731,000	21,294,000	21,510,000
Total Expenses	145,214,272	151,796,656	159,239,540	161,063,993	164,046,348

The following table and discussion summarizes and explains the major changes in operating revenues and expenses for 2022 excluding Capital and Reserve Expenditures. The figures are presented in \$000's.

Table -2-3 – General Fund Operating Revenues and Expenditures

	Operations		
	2021	2022	\$Chg
REVENUE			
Municipal Taxation	\$ 93,741	\$ 97,878	\$ 4,137
Sale of Services	12,694	13,954	1,260
Grants / Contributions	8,443	3,510	(4,933)
Other Revenue	13,688	15,877	2,189
Total Revenues	128,566	131,219	2,653
EXPENSES			
Salaries, Benefits and Training	95,435	97,289	1,854
Contracted Services	9,725	10,733	1,008
Supplies and Materials	9,500	9,795	295
Insurance and Claims	1,818	4,236	2,418
Other Budget Line Items	1,505	2,687	1,182
Interest and Bank Charges	990	1,629	639
Amortization	19,046	18,846	(200)
Total Expenses	138,019	145,214	7,195
NET EXPENSES	(9,453)	(13,995)	(4,542)
Debt Retirement & Internal Adjustments and Transfers			
Amortization of Tangible Capital Assets	19,046	18,846	(200)
Debt Retirement	(2,199)	(3,088)	(889)
Transfer from/(to) Other Funds	2,500	3,000	500
Internal Charges	(9,440)	(9,701)	(261)
Internal Recoveries	11,535	12,407	872
NET TRANSFER TO RESERVES	\$ 11,989	\$ 7,469	\$ (4,520)
2021 PROPERTY TAX INCREASE		4.4%	

Revenues to pay for General Funded City services are budgeted at approximately \$131.2M (2021 - \$128.6M). Of this, taxation revenue contributes \$97.9 million or 74.6% of total general revenues. As discussed and as approved by Council on November 29, the increase in taxation revenue reflects a proposed increase of 4.4% over the approved 2021 Budget.

The balance of the funds required to pay for general services comes from sale of services, grants, contributions, and other revenues. Sales of services have increased by approximately \$1.3M primarily due to the expected resumption of service offerings in Parks and Recreation net of the reduction from the decommissioning of the Canada Games Pool, a net increase in Police third party/secondment funding, and a \$650K increase from parking and towing services.

Other revenue increases of \$2.2M are primarily from the robust development activities resulting in \$1.4M in development related permits and expected service recoveries in Anvil Centre \$0.9M. Other noticeable increases include business permits \$0.18M, Parking and Permits \$0.15M. These increases are offset by a decrease in investment income of \$0.6M.

The decrease of \$4.9M in grants and contributions is primarily due to the Provincial Restart Grant; Total \$6.052M was received to support with Covid-19 impacts; the balance is budgeted to offset one time expenditures in 2022.

The 2022 General Fund operating expenses total approximately \$145.2 million (2021 - \$138.0 million) and provide on-going municipal services including Police and Fire Services; Parks and Recreation Services; Engineering Services relating to traffic and transportation; Development Services; Library; Cultural and Administrative Services.

Increases in salaries and benefits of approximately \$1.9M reflect contractual wage increments and additional staff in supporting strategic initiatives and major projects. Increases in contracted services of \$1.0M includes election costs, subcontract work related to the development application review grant, the Q to Q ferry contract, and Police third party costs which are offset by third party funding.

Increases in Insurance and Claims of \$2.4M reflect the increase in insurance premiums and an anticipated increase in costs related to claims due to increased deductibles; ~\$1M of the increase in premiums is allocated to the utilities to cover the portion that relates to utility assets.

Increases in other budget items primarily reflect the cost of sales for the service recovery in the Anvil Centre. Increases in interest and bank charges reflect the debt services costs major capital projects.

Each year the General Fund budgets to transfer funds into capital reserves for the replacement and maintenance of equipment, facilities and infrastructure. The General Fund also budgets to transfer monies from reserves to fund specific operating costs.

2022-2026 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 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 increasing fees charged by Metro Vancouver and BC Hydro. The budget plans also include funding to support some of the City's major initiatives including a possible District Energy System, the BridgeNet Dark Fibre Utility, Advanced

Metering Infrastructure and a the new Queensborough Substation. The proposed rates are also required to fund utility infrastructure replacement and to build utility reserves.

The budgets for the Utilities are presented in Attachment 5. The following table summarizes the Electric, Water, Sewer and Solid Waste Utility user rate adjustments that were previously approved and effective for January 1, 2022.

INTERDEPARTMENTAL LIAISON

All departments participate in the annual budget and financial plan preparation process.

OPTIONS

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

Option 1 – Council instruct staff to convert the Draft Consolidated 2022 to 2026 Financial Plan into a Bylaw reflecting a property tax increase of 4.4% for 2022 and a 2022 Capital Budget of \$170.7M and bring forward for three readings; or

Option 2 – Council provides further direction.

Staff recommend Option 1

NEXT STEPS

This report, the attachments and a link for providing comments will be available in the 2022 Budget section of the City's website.

The Draft 2022 – 2026 Financial Plan Bylaw will be presented to Council for three readings at a Regular Council meeting on January 10th at 6 pm. To provide input on the plan residents may submit written comments by the start of the meeting using link on the City's website at <https://www.beheardnewwest.ca/city-budget-2021> or by following the instructions on the Comment Sheet provided in Attachment 6.

ATTACHMENTS

- Attachment #1 - General Fund Budget
- Attachment #2 – General Fund Department Budgets
- Attachment #3 – General Fund Service Enhancement Requests
- Attachment #4 - 2022 - 2026 Capital Program
- Attachment #5 - Utility Fund Budgets
- Attachment #6 - Comment Sheet
- Attachment #7 – Draft Five-Year Financial Plan (2022 - 2026)

This report was approved by:

Harji Varn
CFO/Director of Finance

Lisa Spitale
Chief Administrative Officer