



CAPITAL: Replace/Renew

OPERATING: Provide Service/Support

ON TABLE
City Council Meeting
December 13, 2021
re: Item 3.1.a.

2022 DRAFT BUDGET & 5 YEAR FINANCIAL PLAN



NEW WESTMINSTER

Agenda

- ❑ Recommendation for Council Consideration
- ❑ Budget Process, Timelines Update & 2021 Budget Engagement Highlights
- ❑ 2022 DRAFT Capital Budget & 5 Year Capital Plan
- ❑ 2022 Operating Budget Annual Rate Highlights
- ❑ 2022 – 2026 DRAFT 5 Year Consolidated Financial Plan
- ❑ Feedback and discussion from Council – Discussion led by the Mayor

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

**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*

2022 Budget Timelines & Process Overview

❑ Budget process commenced in June

- Engagement workshops
- Budget 101 and survey launch

❑ Four Special Budget Workshops

1. October 4: 2022 Proposed Capital Budget
2. November 1: 2022 Proposed Operating Budget & Utility Rates
3. November 29: 2022 Proposed Service Enhancements & Funding Strategy
4. December 13: 2022 DRAFT Budget & 5 Year Financial Plan

❑ Workshop Guiding Principles

- Adhering with Financial Principles and Practices
- Advancing Council's Strategic Priorities
- Progressing the City's 7 Bold Steps and aligning with the City's Equity Framework

Council Strategic Priorities/Climate Action/Core Services/COVID-19

Climate Action 7 Bold Steps	Affordable Housing	Reconciliation & Engagement
Core Services: Facilities, Infrastructure, Organization Effectiveness & Public Realm		
Emerging Priorities – COVID 19 Pandemic, Extreme Weather Events, Overdose Crisis, Homelessness, Supply Disruption, Inflation, etc.		

OUR VISION STATEMENT: We will be a livable, walkable, prosperous City, strong in tradition, providing the best facilities, services, and programs for our citizens, delivered in a customer focused, accessible manner.

Budget 2021 Engagement Highlights

Of all the priorities you've considered, what's the one thing that's most important to you?



1. Maintain / replace infrastructure



2. Affordable housing / address homelessness



3. Climate action / environmental sustainability

2022 DRAFT Capital Budget & 5 Year Plan

Capital – Delivering the 5 Year Plan.....

2021 – 2025 Capital Plan \$471M
2022 – 2026 Capital Plan \$453M

Net Change

(\$18M)

❖ 2021 – Major Project Spending Highlights (Delivery):

- tømæsewtx^w Aquatics and Community Centre
- Queensborough Substation
- Boundary Pump Station
- Agnes Greenway
- Braid Street Transportation projects.

❖ 2022-2026 – Major Project Additions (Growth) Highlights:

- Affordable Housing Projects
- Queensborough Substation/Distribution Grid
- Agnes Greenway Phase II 2026
- E. Columbia Great Street RCH Frontage
- Transportation Safety Improvements – Land Acquisitions
- Engineering Structures – Rehab Work
- Urban Reforestation & Biodiversity
- Downtown Transportation Plan Implementation

❖ 2022-2026 – Major Project Reductions (Reduce) Highlights:

- Massey Theatre – critical asset replacement/upgrades

Advancing Councils Strategic Priorities – Capital

5 Year Capital Plan
\$453.1M

Infrastructure & Core Services \$304.9M
 t̄am̄asew̄tx̄ Aquatic & Community Centre \$78M
 Sewer & Water Infrastructure \$76.8M
 Engineering – Major Roads/Lighting \$39.0M
 Massey Theatre \$14.1M
 QB Substation/Distribution Grid \$24.5M
 Parks Improvements \$16.3M
 Automated Meters – Electrical \$10.2M

Environment, Climate & Sustainable Transportation \$108.3M
 Sapperton District Energy \$52.6M
 Engineering: Walking/Cycling/Greenways \$33.5M
 City-Wide Facilities, Equipment & Fleet & System Upgrades \$11M

Organizational Effectiveness \$20.9M
Affordable Housing & Childcare \$15.2M
Culture, Economy, Reconciliation \$3.8M

2022 Capital Budget
\$170.7M

2021 Forecast Spending: \$71.2M
2022 Proposed Budget: \$170.7M

Total Estimated Spends/Commitments at end of 2022: \$241.9M, or 51% of the 2021 – 2025 Five Year Plan!

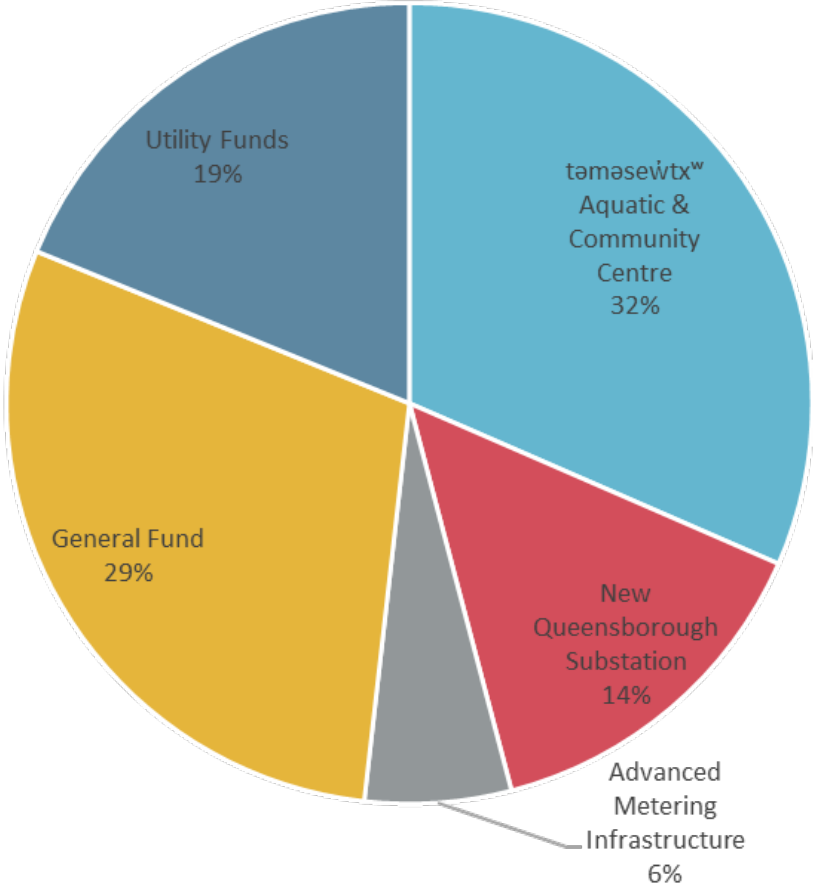
Infrastructure & Core Service \$135.7M
 t̄am̄asew̄tx̄ Aquatic & Community Centre \$50.9M
 Sewer & Water Infrastructure \$20.2M
 Engineering – Major Roads/Lighting \$10.3M
 Massey Theatre \$4.1M
 QB Substation/Distribution Grid \$24.5M
 Parks Improvements \$3.9M
 Automated Meters \$10.0M

Environment, Climate & Sustainable Transportation \$22.0M
 Sapperton District Energy \$2.0M
 Engineering: Walking/Cycling/Greenways \$13.3M
 City-Wide Facilities, Equipment & Fleet & System Upgrades \$2.5M

Organizational Effectiveness \$5.3M
Affordable Housing & Childcare \$6.8M
Culture, Economy, Reconciliation \$0.8M

2022 DRAFT Capital Budget \$170.7M – “Highlights”

The 2022 Proposed Capital Budget is a combination projects in-progress and carried forward from 2021 and important City projects already earmarked for 2022.



Total Major Projects \$88.4M

- \$53.9M təməsewtx^w Aquatic & Community Centre
- \$24.5M New Queensborough Substation/Distribution Grid
- \$10.0M Automated Meters, AMI Project

Total Other General Fund \$50.2M

- \$4.8M Pavement/Roads
- \$4.1M Massey Theatre
- \$3.5M Agnes Greenway
- \$2.5M McInnis Overpass Improvements
- \$2.4M Affordable Housing, \$0.9M childcare
- \$2.5M Information Technology
- \$1.8M Crosstown Greenway, \$1.0M BRFG Braid Street Section
- \$1.6M Rail Crossing Upgrades, \$1.4M Q to Q Ferry Docks
- \$1.0M Fuel Tanks; \$1.0M EV Charging Infrastructure

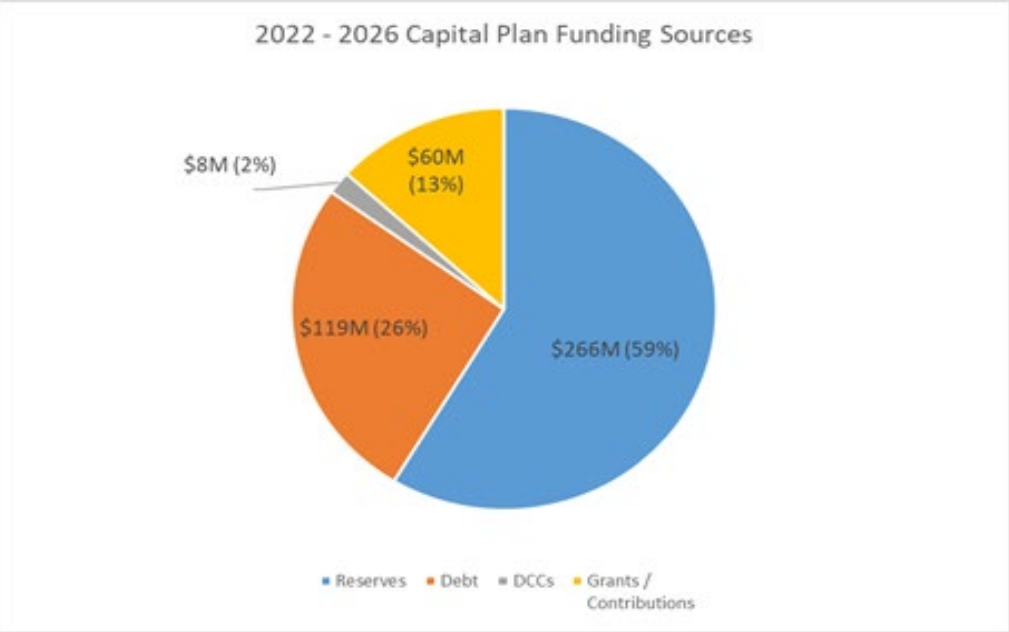
Total Other Utility Funds \$32.1M

- \$5.5M Watermain Replacement
- \$4.1M Boundary Pump Station
- \$4.0M Sewer Separation
- \$2.8M Electrical New Services
- \$2.0M District Energy
- \$1.6M Sewer Rehab, \$1M Royal 2 Substation Upgrades

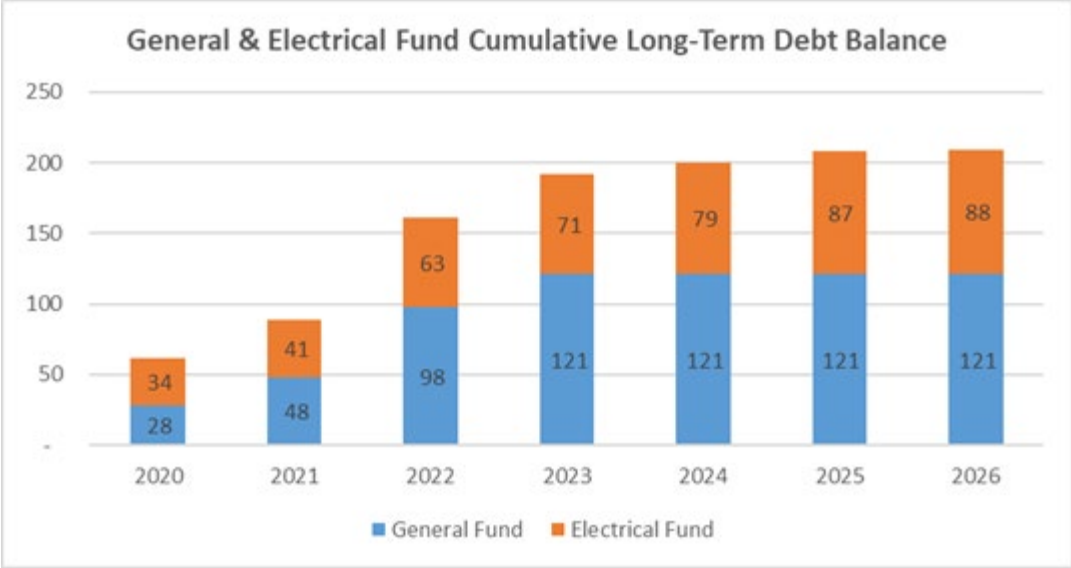
Funding the 5 Year Capital Plan \$453.1M

- Funds come from:
- General Fund \$255M; Utility Fund \$198M
- City Reserves (59%)
- Debt Funding (26%)
- Third party grants (13%)
- Developer Contributions (2%)

Estimated Reserves & Developer Funds (\$millions)



General Fund and Electrical Fund Long-Term Debt (\$millions)



- Reserve Contributions & Debt servicing costs impact operating expenses
- Debt Servicing (Interest + Principal) estimated increase from ~\$5M to over \$16M; direct impact on utility and property tax rates
- 2022-2026 Updating all Asset Management Plans and confirming the Condition of the Assets and setting the policy around reserve balances

Maintaining Financial Health



- The 2022 Proposed Capital Budget, while supportable from a financial management perspective – places strain on the City.
- An over-reliance on debt strains the City's ability to be nimble and flexible, and pivot towards new opportunities when they arise
- Good financial health and prudent fiscal management support strong asset management practice
- **Avoid new borrowing** as resources will be consumed for debt servicing - not available for capital investments or risk mitigation
- A continued firm commitment to financial best practices such as delivering these Capital **projects on time and on budget** and **not dipping into their project contingencies** will all help with the City's cash flow.
- Continue Prudent fiscal management: **keep surplus from operations in reserve** to mitigate risk of asset replacement cost escalation.
- A **continued commitment to secure Federal and Provincial stimulus funding** to assist the City's financial sustainability.

2022 OPERATING BUDGET RATE HIGHLIGHTS

2022 DRAFT ANNUAL PROPERTY TAX INCREASE

4.3% Base
Cost Rollover +
Insurance

- 2022 Fixed Cost & Salary Increases of 2.7% Tax Impact
- 2022 Insurance Policy Renewal 1.6% Tax Impact

0.1% Service
Enhancements
Net of
Reduced
Costs/Savings

- 2022 Procurement/Transformational Savings (0.3%) Tax Impact
- Staff Recommended Permanent Enhancements 0.8% Tax Impact
- Canada Games – Fixed Cost/Reserve Contributions (0.4%)

**DRAFT Property
Tax Increase**
4.4%

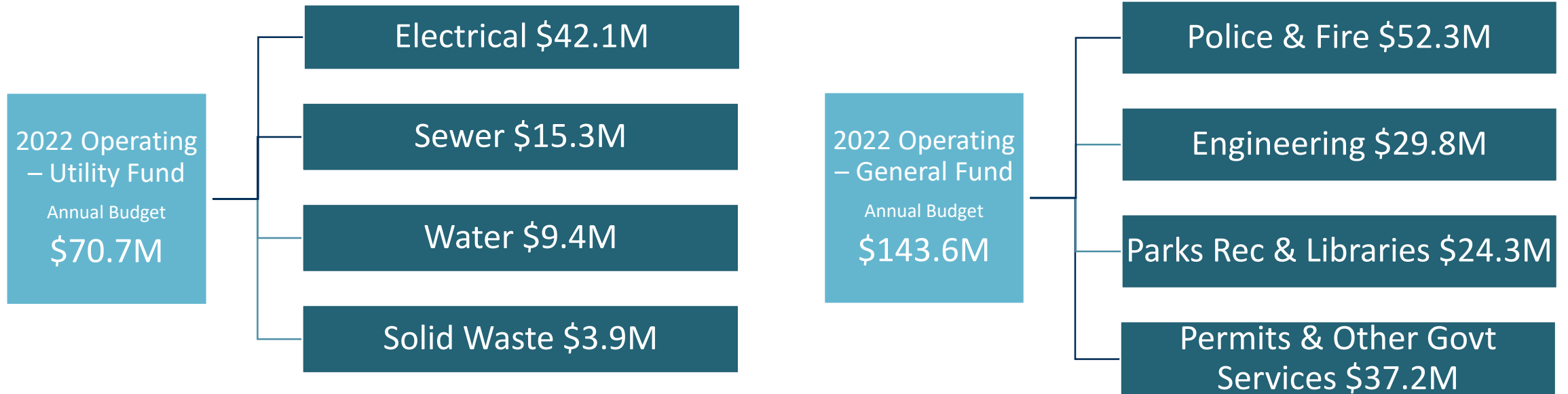
2022 COUNCIL APPROVED UTILITY RATES

Average Single Family Household	Electric	Water	Sewer	Solid Waste	Blended Rate
	Based on 1,000 KWH	net of 5% discount	net of 5% discount	net of 5% discount	
Current 2021	\$ 1,537	\$ 645	\$ 912	\$ 279	\$ 3,367
Proposed 2022 \$ Increase	\$ 43	\$ 45	\$ 64	\$ 40	\$ 192
Proposed 2022 \$ Increase	\$ 1,580	\$ 690	\$ 976	\$ 319	\$ 3,565
2022 % Rate Increase	2.8%	7.0%	7.0%	14.5%	5.7%

Total Utility Blended Rate Increase of 5.7%

2022 Operating Expenses Budget - \$216.0M

2022 Budget - Continue to Maintain Core Services – staying adaptable during the pandemic



2022: Interest & Bank Charges Budget \$1.7M

Funding Sources – General Fund

- PROPERTY TAXES \$97.9M
- OTHER REVENUE \$47.7M

2022 – 2026 DRAFT CONSOLIDATED 5 YEAR PLAN

2022-2026 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

	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
Utility Rates	100,119,172	105,126,857	110,290,843	115,769,312	121,585,481
Sale of Services	14,373,935	15,771,060	15,871,060	15,571,060	15,571,060
Grants from Other Governments	8,920,339	5,893,400	2,871,600	2,871,600	2,871,600
Contributions	24,086,630	24,174,930	18,839,530	17,170,930	10,983,930
Other Revenue	16,915,915	18,081,073	18,221,457	18,082,689	17,797,265
Total Revenues	262,293,852	272,143,023	275,558,485	284,737,864	289,261,079

\$262M 2022 Budgeted Revenue:

- \$97.9M Municipal Portion of the Property Tax – support city-wide services; police, fire, parks, libraries,
- \$100.1M Utility Rates – support water, sewer, solid waste and electrical services
- \$33.0M Grants/Contributions
- \$31.3M Sale of Service/Other Revenue

Sustainable/Stable Revenue Source

~75% of the 2022 Total Budgeted Revenues is from Property Taxes and Utility Rate Payers.

2022-2026 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

	2022	Budget Projections			
	Budget	2023	2024	2025	2026
Salaries, Benefits and Training	103,679,073	108,147,069	112,444,141	114,939,693	117,504,552
Contracted Services	12,914,323	12,608,776	12,699,276	12,699,276	12,799,815
Supplies and Materials	10,743,448	11,037,593	11,335,593	11,435,593	11,716,536
Interest and Bank Charges	2,849,958	5,177,088	6,157,719	6,222,996	6,445,961
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
Utility Purchases and Levies	52,607,626	55,815,207	59,819,970	64,483,257	72,005,020
Amortization	26,286,000	27,438,000	29,959,000	31,329,000	31,803,000
Total Expenses	216,003,223	227,159,428	239,351,394	248,045,510	259,210,579

\$216.0M 2022 Budgeted Operating Expenditures:

- \$103.7M – Salary/Training
- \$52.6M – Utility Purchases/Levies
- \$26.3M – Amortization
- \$23.6M – Supplies & Materials/Contracted Services
- \$4.2M – Insurance
- \$2.8M - Interest Charges

2022-2026 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

\$453.1M 5 Year Projection on Capital Spending:

- ~\$1,046M in Assets to replace, service, maintain
- ~\$137M in Reserves set aside largely support the annual replacement of aged out assets and for unforeseen/emerging events/needs.
- Change in Equity: Increased capital spending in 2022 & 2023 expected to draw on the reserves beyond annual contribution amounts
- Increased cash injection from borrowing
- Debt Financing – Principal Payments expected to increase from \$5M to \$10M

	2022	Budget Projections			
	Budget	2023	2024	2025	2026
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	(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

2022-2026 DRAFT 5 YEAR CONSOLIDATED FINANCIAL PLAN

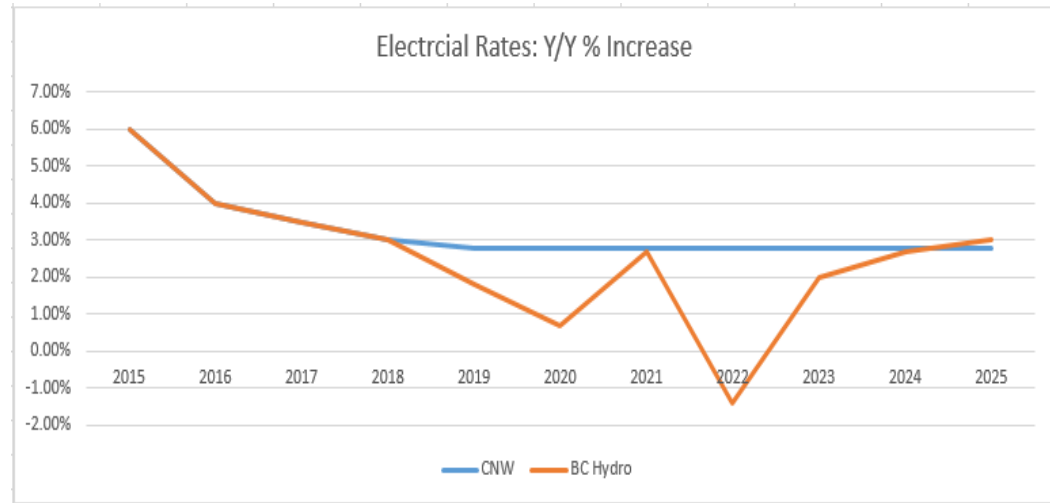
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	Budget	2023	2024	2025	2026
Total Revenues	262,293,852	272,143,023	275,558,485	284,737,864	289,261,079
Total Expenses	216,003,223	227,159,428	239,351,394	248,045,510	259,210,579
Increase in Total Equity	46,290,629	44,983,595	36,207,091	36,692,354	30,050,500
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)
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\$123.5M 2022 Financial Equity:

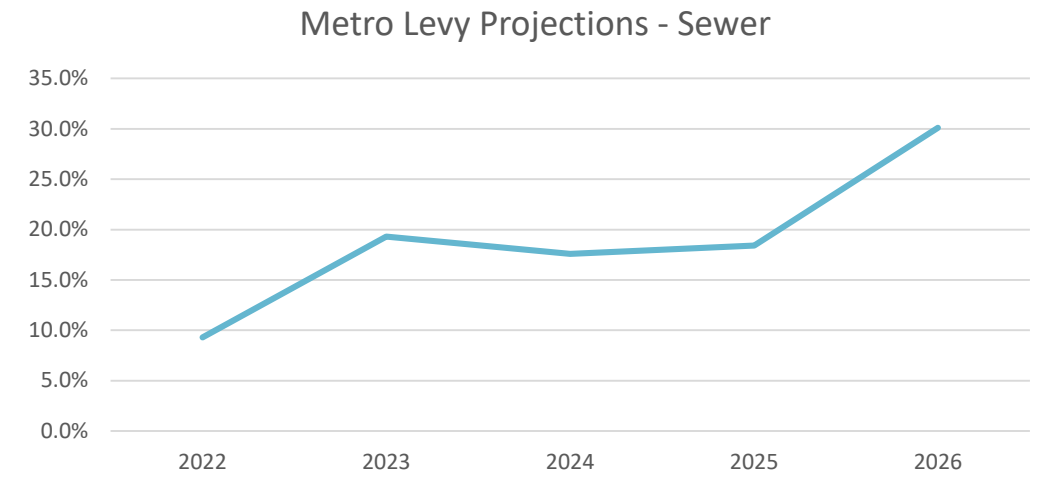
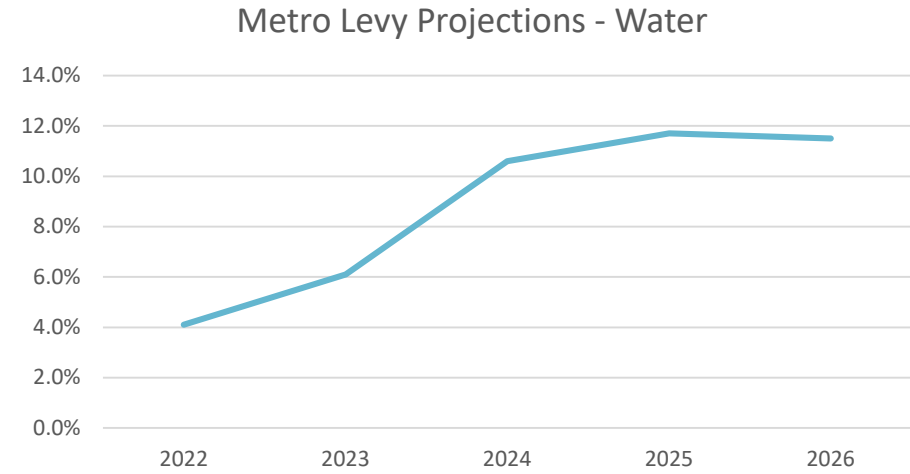
- \$10.7M – Statutory Reserves
- \$54.4M – Utility Fund Reserves
- \$48.9M – General Fund Reserves
- \$9.5M – Equipment Replacement

- 2022 Reserves: 5-10% of Estimated Asset Replacement Costs

5 Year Plan - Utility Fund Major Cost Drivers



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CNW	6.00%	4.00%	3.50%	3.00%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
BC Hydro	6.00%	4.00%	3.50%	3.00%	1.80%	0.70%	2.70%	-1.40%	2.00%	2.70%	3.00%



Solid Waste Rates - Major Cost Driver: Garbage Truck Replacement Program & **Curbside Glass Collection Program as of July 2022** to reduce contaminated materials in our recycling programs to meet Recycle BC requirements; additional ~\$12/Household an average single family household and an additional \$10/Household for a Multifamily/Strata,

5 Year Plan – General Fund Major Cost Drivers

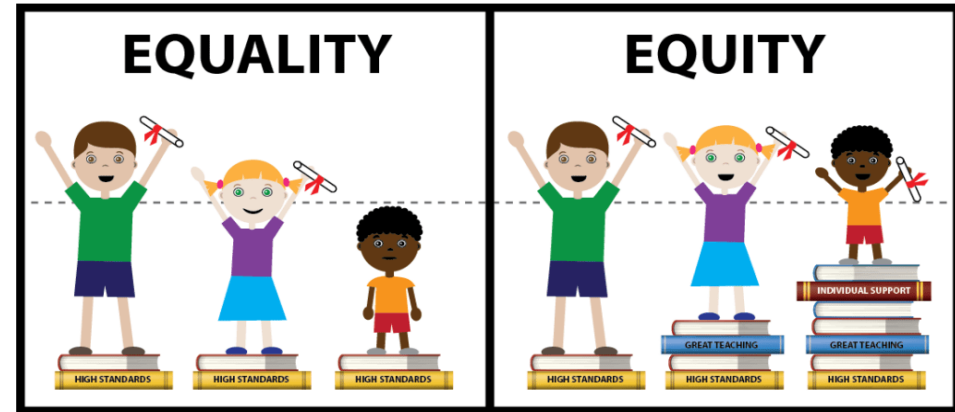


Capital Plan

tāmōsewtx^w Aquatics and Community Centre:

- Increased Debt Servicing Costs (Interest + Principle)
- **Increased Operating Costs:**
 - Staffing
 - Insurance
 - Materials & Other Operating Costs
 - Outdoor Maintenance

Equity – eg, DEIAR Framework, Affordable Housing



Climate Action – eg, New Trees, Green Fleet



2022 BUDGET & 5 YEAR PLAN OUTLOOK

Goal: Maintain Financial Health: Affordable levels of debt & maintain stabilization reserve models to support long-term smoothing of rates.

2022 Council Approved Proposed Budget:

- Property Tax Increase 4.4%
- Sewer & Water Rates Increase 7%
- Solid Waste Rate Increase 14.5%
- Electrical Rate Increase 2.8%
- Capital Expenditures \$170M



2023-2026 Estimated Budget Outlook: Average Increase over 4 years:

- Property Tax Increase ~4%-5%/year
- Sewer & Water Rates Increase 7%/year
- Solid Waste Rate Increase 10%-13.4%/year
- Electrical Rates Increase 2.8%/year

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 and less reliance on external funding or third party funding

ACCOUNTABLE

Fiscally prudent & responsible; the ability to ensure that the City's financial decisions are in the best interest of all

Two Options for Council's consideration:

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

Feedback and Discussion from Council



NEW WESTMINSTER