

REPORT

Finance

To: Mayor Cote and Members of Council **Date:** January 10, 2022

From: Harji Varn **File:** Doc # 1988175
CFO/Director of Finance

Item #: 2022-11

Subject: Budget 2022: Five-Year Financial Plan 2022 - 2026

RECOMMENDATION

***THAT** Council give three readings to the Five-Year Financial Plan (2022-2026) Bylaw No. 8308, 2022 as presented in Attachment 1 of this report.*

PURPOSE

To request Council give three readings to the Five-Year Financial Plan Bylaw for the years 2022 - 2026.

DISCUSSION

On December 13, 2021 Council instructed staff to prepare the consolidated 2022 – 2026 Financial Plan Bylaw reflecting a property tax increase of 4.4% for 2022 and a 2022 capital budget of \$170.1M. The plan incorporates the General Fund and Utility Funds five-year plans including the approved 2022 Water, Sewer, Solid Waste and Electrical rates.

Attachment 1 presents the City's Five-Year Financial Plan (2022 - 2026) Bylaw No. 8308, 2022 prepared in accordance with Section 165 of the Community Charter. Schedule A to the bylaw provides the consolidated Financial Plan for 2022 through 2026. Schedules B and C provide supplementary detailed information regarding the City's capital program and reserves, respectively.

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. The plan advances Council's Strategic Priorities and the City's 7 Bold Steps while staff continue to maintain core services and manage through the ongoing impacts of the COVID-19 pandemic.

INTERDEPARTMENTAL LIAISON

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

CONCLUSION

Under the provisions of the Community Charter, the City is required to adopt annually a five-year financial plan bylaw prior to May 15th. It is recommended, therefore, that the Five-Year Financial Plan (2022 – 2026) Bylaw No. 8308, 2022 be considered for three readings.

OPTIONS

There are two options for Council's consideration:

- 1) **THAT** Council give three readings to the Five-Year Financial Plan (2022-2026) Bylaw No. 8308, 2022 as presented in Attachment 1 of this report; or
- 2) **THAT** Council provide staff with alternate direction.

ATTACHMENT

Attachment 1 – Five-Year Financial Plan (2022 – 2026) Bylaw No. 8308, 2022

This report was prepared by:

Lorraine Lyle,
Senior Manager, Financial Services

This report was approved by:

Harji Varn
CFO/Director of Finance

Lisa Spitale
Chief Administrative Officer

CORPORATION OF THE CITY OF NEW WESTMINSTER

BYLAW NO. 8308, 2022

A Bylaw of the City of New Westminster representing the Five-Year Financial Plan for the years 2022 – 2026, inclusive

WHEREAS pursuant to Section 165 of the Community Charter, Council must establish a Five-Year Financial Plan for the period 2022 – 2026 inclusive;

NOW THEREFORE, the Council of the Corporation of the City of New Westminster ENACTS AS FOLLOWS:

(1) This bylaw may be cited for all purposes as the “Five-Year Financial Plan (2022 – 2026), Bylaw No. 8308, 2022”.

(2) Council does hereby adopt the Five-Year Financial Plan, for the years 2022 - 2026 inclusive, for each year of the plan, as set out in Schedule A.

(3) Schedules B and C provide supplementary information to the bylaw.

GIVEN FIRST READING this 10th day of January, 2022.

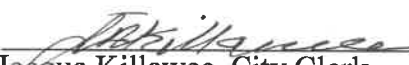
GIVEN SECOND READING this 10th day of January, 2022.

GIVEN THIRD READING this 10th day of January, 2022.

ADOPTED this 31st day of January, 2022.



Mayor Jonathan X. Cote



Jacque Killawee, City Clerk

CORPORATION OF THE CITY OF NEW WESTMINSTER

CONSOLIDATED FINANCIAL PLAN

Schedule 'A' to Bylaw No. 8308, 2022

	2022	Budget Projections			
	Budget	2023	2024	2025	2026
REVENUE					
Municipal Taxation (see below)	\$ 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 (1)	8,920,339	5,893,400	2,871,600	2,871,600	2,871,600
Contributions (2)	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
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 and 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
Utilities Services					
Electrical Utility	40,883,766	41,706,514	42,581,978	45,037,184	45,867,089
Water Utility	9,358,198	9,967,152	10,999,891	12,093,204	13,346,871
Sewer Utility	15,330,615	17,646,962	20,145,656	23,121,261	28,848,140
Solid Waste Utility	3,994,991	4,112,023	4,210,458	4,295,997	4,424,510
	69,567,570	73,432,651	77,937,983	84,547,646	92,486,610
Fiscal Expenses					
Interest and Bank Charges	2,849,958	5,177,088	6,157,719	6,222,996	6,445,961
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	123,544,234	108,792,775	107,041,900	114,707,464
FINANCIAL EQUITY (Reserves), end of year	\$ 123,544,234	\$ 108,792,775	\$ 107,041,900	\$ 114,707,464	\$ 118,610,070

Notes:

(1) Includes capital grants noted on Schedule B.

(2) Includes capital contributions and DCCs noted on Schedule B.

Municipal Taxation					
Property Taxes	\$ 96,205,561	\$ 101,389,353	\$ 107,721,045	\$ 113,491,623	\$ 118,632,293
Parcel Taxes	19,200	17,750	17,750	17,750	17,750
Grant-in-Lieu of Taxes	1,184,200	1,219,700	1,256,300	1,294,000	1,332,800
Utilities 1%-in-Lieu of Taxes	468,900	468,900	468,900	468,900	468,900
	\$ 97,877,861	\$ 103,095,703	\$ 109,463,995	\$ 115,272,273	\$ 120,451,743

**CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN**

Schedule 'A' to Bylaw No. 8308, 2022

(continued)

Proportion of Revenues By Funding Source:

The following table shows the proportion of total revenue proposed to be raised from each funding source. Property taxes form the second largest portion of revenues. They provide a stable and consistent source of revenues to pay for many services, such as police and fire protection, that are difficult or undesirable to fund on a user-pay basis.

Utilities' rates are the City's largest component of planned revenues. These revenues pay for services including electricity, water, sewer and solid waste and are charged on a user-pay basis. This basis attempts to fairly apportion utility service costs to those that make use of these services.

Other revenue sources, including sale of services, government grants and contributions make up the remainder of total revenues. These revenues fluctuate due to economic conditions and City initiatives.

Revenue Source	% Total Revenue
Taxation	37%
Utility Rates	38%
Sale of Services	5%
Gov't Grants	3%
Contributions	9%
Other Revenue	6%
	100%

Distribution of Property Taxes Between Property Classes:

The following table provides the distribution of property tax revenue between property classes. The City's primary goal is to set tax rates that are sufficient, after maximizing non-tax revenues, to provide for service delivery; City assets; and maintain tax stability. This is accomplished by maintaining the historical relationship between the property classes and applying the same annual tax rate increase across all Classes. A secondary goal is to set tax rates that are competitive within the region; consequently, the City may, from time to time, adjust the property tax distribution between the Classes as deemed necessary.

Class No	Property Class	% Tax Burden
1	Residential	63%
2	Utilities	<1%
4	Major Industry	2%
5	Light Industry	3%
6	Business	31%
8	Recreation/Non-Profit	<1%
9	Farm	<1%
		100%

Use of Permissive Exemptions:

The City's Annual Municipal Report contains a list of permissive exemptions granted for the year and the amount of tax revenue foregone. Permissive tax exemption is granted to not-for-profit institutions including religious institutions, some recreational facilities, service organizations and cultural institutions that form a valuable part of our community.

Since the mid-90's the City has generally ceased granting new permissive exemptions from property taxes in order to preserve the tax revenue base. Organizations granted exemption prior to implementation of this practice continue to be considered for exemption provided they make an annual submission showing the use of the property subject to exemption has not been altered. All other applications for permissive exemption from property taxes are reviewed on a case-by-case basis.

CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED CAPITAL PROGRAM
Schedule 'B' to Bylaw No. 8308, 2022

Note: This Schedule has been provided as an addendum to Schedule A. The figures in this Schedule are included in the consolidated figures in Schedule A.

	2022 Budget	Budget Projections			
		2023	2024	2025	2026
CAPITAL EXPENSES					
Land	\$ 500,000	\$ 4,733,800	\$ -	\$ -	\$ 2,000,000
Buildings	62,291,200	30,451,100	8,908,200	8,388,000	5,070,000
Vehicles/Equipment	7,503,500	5,530,800	6,250,650	4,883,500	4,753,500
Other Projects	8,519,295	5,164,800	3,601,500	3,709,300	3,135,000
Park Improvements	4,374,100	5,061,200	4,744,000	1,651,000	2,084,000
Engineering Structures	23,561,600	14,140,000	10,400,000	9,250,000	15,225,000
Water Infrastructure	6,011,500	6,838,900	5,338,900	5,838,900	5,838,900
Sewer Infrastructure	15,028,730	10,752,500	7,987,000	7,780,000	7,480,000
Electrical Distribution System	42,909,385	27,058,000	19,000,000	16,698,000	2,650,000
TOTAL	\$ 170,699,310	\$ 109,731,100	\$ 66,230,250	\$ 58,198,700	\$ 48,236,400
FUNDING SOURCES					
Reserve Funds	\$ 76,163,925	\$ 59,102,500	\$ 46,331,650	\$ 40,468,700	\$ 43,693,400
Development Cost Charges	3,734,150	2,660,000	1,321,600	375,000	263,000
Long Term Debt	72,184,585	30,772,800	8,000,000	7,500,000	500,000
Grants from Other Governments	5,660,800	3,021,800	-	-	-
Contributions	12,955,850	14,174,000	10,577,000	9,855,000	3,780,000
TOTAL	\$ 170,699,310	\$ 109,731,100	\$ 66,230,250	\$ 58,198,700	\$ 48,236,400

City of New Westminster - Development Cost Charge Funding Envelope Plan for the 2009 DCC Bylaw 7311

NOTES:

1. This DCC Funding Envelope Plan is based on the capital projects set out in the 2009 Development Cost Charge Review which forms the basis for the City's DCC Bylaw. The City's DCC Bylaw was amended in 2015 to reflect new rates based on an updated capital project plan.
2. City contributions will be from reserves while other contributions are from provincial / federal government grants.
3. The mainland waterfront parkland acquisition / development (\$16M) was initially funded with debt with the intention that the principal on the debt would be repaid over time using Parks DCCs.

	Values	TTL	2009 - 2021	2022	2023	2024	2025	2026	2027 +
Total DCCs	87,284,408	\$ 87,284,408	\$ 38,993,527	\$ 3,734,150	\$ 2,660,000	\$ 1,321,600	\$ 375,000	\$ 263,000	\$ 39,937,131
Total City & Other Contributions	34,985,065	34,985,065	11,932,581	2,349,257	3,406,586	2,395,886	1,339,286	939,286	12,622,183
	122,269,473	\$ 122,269,473	\$ 50,926,108	\$ 6,083,407	\$ 6,066,586	\$ 3,717,486	\$ 1,714,286	\$ 1,202,286	\$ 52,559,314

CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED STATEMENT OF RESERVES AND DEVELOPMENT COST CHARGES
Schedule 'C' to Bylaw No. 8308, 2022

Note: This Schedule has been provided as an addendum to Schedule A. The reserve figures in this Schedule are included in the consolidated figures in Schedule A. Development Cost Charges are provided for information, but are deferred charges rather than reserves.

FINANCIAL EQUITY (RESERVES)	2022	Budget Projections			
	Budget	2023	2024	2025	2026
Revenues:					
Contributions	\$ 6,817,903	\$ 7,135,376	\$ 6,750,365	\$ 6,765,777	\$ 6,318,907
	6,817,903	7,135,376	6,750,365	6,765,777	6,318,907
Transfers (to) from:					
Operating Budget	38,256,523	37,215,665	37,830,410	41,368,487	41,277,099
Capital Budget	(76,163,925)	(59,102,500)	(46,331,650)	(40,468,700)	(43,693,400)
	(37,907,402)	(21,886,835)	(8,501,240)	899,787	(2,416,301)
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	123,544,234	108,792,775	107,041,900	114,707,464
Financial Equity, End of Year	123,544,234	108,792,775	107,041,900	114,707,464	118,610,070
CHANGE IN RESERVES					
Non-Statutory Reserves	\$ (29,574,974)	\$ (10,346,144)	\$ (1,912,754)	\$ 7,500,447	\$ 5,734,188
Statutory Reserves					
Cemetery	52,025	53,066	54,127	55,210	56,314
Construction of Municipal Works	(1,628,826)	(4,521,902)	42,960	43,819	(1,955,305)
Parking Cash In Lieu	24,803	25,299	25,805	26,321	26,847
Park Land Acquisition	1,293	1,319	1,346	1,373	1,400
Tax Sale Land	36,180	36,903	37,641	38,394	39,162
Change in Reserves	\$ (31,089,499)	\$ (14,751,459)	\$ (1,750,875)	\$ 7,665,564	\$ 3,902,606
Statutory DCC Reserves					
Drainage DCC	\$ 61,370	\$ 123,998	\$ 126,478	\$ 129,007	\$ 131,588
Parkland DCC	1,143,242	(247,292)	788,161	1,383,325	1,392,291
Sewer DCC	(540,329)	378,414	386,483	449,212	458,196
Transportation DCC	(1,233,594)	(8,365)	271,468	570,897	694,315
Water DCC	(48,425)	180,406	184,015	187,695	191,448
Change in DCCs	\$ (617,736)	\$ 427,161	\$ 1,756,605	\$ 2,720,136	\$ 2,867,838
RESERVE BALANCES					
Non-Statutory Reserves	\$ 112,812,498	\$ 102,466,354	\$ 100,553,600	\$ 108,054,047	\$ 113,788,235
Statutory Reserves					
Cemetery	885,796	938,862	992,989	1,048,199	1,104,513
Construction of Municipal Works	6,669,881	2,147,979	2,190,939	2,234,758	279,453
Parking Cash In Lieu	1,264,932	1,290,231	1,316,036	1,342,357	1,369,204
Park Land Acquisition	65,961	67,280	68,626	69,999	71,399
Tax Sale Land	1,845,166	1,882,069	1,919,710	1,958,104	1,997,266
Total Reserves	\$ 123,544,234	\$ 108,792,775	\$ 107,041,900	\$ 114,707,464	\$ 118,610,070
Statutory DCC Reserves					
Drainage DCC	\$ 449,878	\$ 573,876	\$ 700,354	\$ 829,361	\$ 960,949
Parkland DCC	14,360,371	14,113,079	14,901,240	16,284,565	17,676,856
Sewer DCC	1,695,705	2,074,119	2,460,602	2,909,814	3,368,010
Transportation DCC	(468,272)	(476,637)	(205,169)	365,728	1,060,043
Water DCC	2,020,303	2,200,709	2,384,724	2,572,419	2,763,867
Total DCC Reserves	\$ 18,057,985	\$ 18,485,146	\$ 20,241,751	\$ 22,961,887	\$ 25,829,725