

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: January 29, 2024
TO: Mayor and Council
FROM: Candice Gartry, Director, Financial Services
SUBJECT: 2024 – 2028 Financial Plan Comments

RECOMMENDATION

THAT Council receive the January 29, 2024, corporate report from the Director of Financial Services, titled “2024 – 2028 Financial Plan Comments” for Council’s review and consideration.

EXECUTIVE SUMMARY

The Draft Financial Plan for 2024–2028, presented to Council during its regular meeting on January 15, 2024, was made available for public input on the City's "Talk White Rock" platform starting January 11, 2024. The opportunity for public feedback concluded on January 23, 2024. Despite nearly 200 visits to the "Talk White Rock" platform, only two comments from members of the public were submitted. This report outlines the feedback received and provides staff responses to each comment.

INTRODUCTION/BACKGROUND

Section 166 of the *Community Charter* states that:

A council must undertake a process of public consultation regarding the proposed financial plan before it is adopted.

The Draft 2024 – 2028 Financial Plan (the “Financial Plan”) document, as was presented to Council at its January 15, 2024, regular council meeting and was posted for public comment on the City’s “Talk White Rock” platform on January 11, 2024. The public comment period closed on January 23, 2024. This report details the comments received and the staff’s responses.

The Financial Plan and public comment period were advertised through the City’s social media channels as well as through an advertisement in the *Peace Arch News*. The Financial Plan “Talk White Rock” website received 199 visits, with 55 of those having downloaded the Financial Plan document. Only six (6) comments were received from 2 members of the public, one of those being a duplicate entry.

It is important to note that staff have only responded to comments/questions as they relate to operations. Comments and/or questions to Council have not been addressed in this report. Feedback received has been left unedited for Council’s consideration.

Comments Received and Staff Responses

The comments below are unedited.

Comment 1. *Another 6+% increase for the status quo services? And the water up 4.18%? Not impressed.*

Staff Reply: The City’s 2024 property tax increase is currently set at 4.82%. Information on this increase as well as the Water Utility user rate increase is detailed in the Financial Plan.

Comment 2. *Access to Information – Crucial Financial Planning estimates required.*

On January 15, City Council approved the KPMG audit plan of the 2023 financial statements. Why did nobody ask the question as to why the audit team meets with city staff in November and December to plan for the audit, but the actual process of “completing data extraction” does not commence until March of 2024?

Why isn’t it possible to provide a simple “draft” overview of the financial position of the City within 30 days of the end of the previous fiscal period? This would enable City Council and the Taxpayers of White Rock to secure crucial planning information about the “operating surplus”, “cash and cash equivalents”, “Capital Asset – carry forwards” and “staffing levels”. The information can then be factored in for consideration as part of the 2024 financial planning process in a timely manner?

Waiting for the “Audit Report” to be completed and delivered in June distorts the financial planning process as non-disclosure of the operating surplus for the previous year until June is surely counter-productive to effective financial planning.

Gary Gumley - White Rock Resident

Staff Reply: These questions have been previously addressed by City staff to the writer via email.

The City begins its year-end financial processes in January. Currently, financial statements are manually prepared by staff due to the limitations of the existing financial system including producing “draft” reports with ease. The City’s Request for Proposal (RFP) to acquire a new Enterprise Resource Planning (ERP) system will enable automated financial reporting and improved efficiencies.

Due to the City's size, the Financial Services department lacks the staff needed to complete all year-end tasks, leading departments to manage their budgets internally and manually. Ideally, budgets should be approved before the fiscal year starts on January 1, but operating surpluses are not determined until after year-end, making them available only with the audited financial statements. The public is informed about the operating surplus once it's presented to the Council.

Year-end also clarifies the status of capital projects and necessary budget carryovers for their completion. Staffing discussions and approvals for new positions occur during open Council meetings.

Comment 3. 2023 Operating Surplus and Cash Reserves. - Vital information should not be withheld from council

Last year, on June 12, 2023, an operating surplus of \$18.7 million was reported by KPMG as part of the 2022 “Financial Audit” of the City of White Rock.

The City of White Rock had revenues from its day-to-day operations (such as taxes, fees, and other income) that exceeded its operating expenses by 18.7 million dollars.

According to financial experts, an “operating surplus” at the municipal government level can be used in various ways, for example:

1. Saving for the Future: The city may choose to save the surplus for future needs or emergencies, creating a financial cushion. White Rock's financial cushion was \$154 million dollars on December 31, 2022.

2. Investing in Infrastructure: The funds could be directed towards infrastructure projects, improving public facilities, roads, or other essential services. The Capital Asset infrastructure Carry Forward for 2022 was \$29 million.

3. Reducing Debt: The surplus could be used to pay down existing debts, reducing the city's financial liabilities. The City has no debt, except for the loan that made it possible to purchase the water facility.

4. Lowering Taxes or Fees: The city might opt to give back to the community by reducing taxes or fees for residents and businesses. The total approved tax increase for 2023 was 2.4 million dollars. (page 34 of the 2024 financial plan)

City Staff allocated the “operating surplus” by placing \$15.3 million in “Reserves” or “Savings for the Future” with the balance of 3.4 million allocated to an undefined “emergency fund”.

Last year, City Council was not informed about the “operating surplus” for 2022 until June 12 when the “Statement of Financial Information” was released in conjunction with the KPMG audit. On that date, it was learned for the first time that the City of White Rock had an 18.7 million dollar operating surplus in 2022.

At the City Council meeting, Councillor Trevelyan asked a question about the status of the “unallocated surplus” and he was told by the City Staff that the cash formed part of an “emergency fund” to cover “unbudgeted expenses”. (Video June 12 council meeting at 24 minutes)

What Councillor Trevelyan could have asked is why those funds could not have been applied to reducing the “tax increase” for 2023 significantly lowering the burden on our tax payers and meeting the stated campaign goals of all of the elected members of City Council.

Why do we need to wait until June to receive this vital information about the use of our surplus taxes and the status of our cash reserves?

Surely if City Council had that information, they could make an informed decision about what to do with the previous year operating surplus prior to deciding to “increase taxes”.

Apparently, the "operating surplus reveal" is going to be repeated again this year unless City Council decides that a more proactive protocol be followed. (Jan 10 2024 email from the CAO)

*Gary Gumley,
White Rock Resident*

Staff Reply: These questions have been previously addressed by City staff to the writer via email.

In the CFO's Letter of Transmittal within the 2022 Financial Statements (found on page 3 of the June 12, 2023, Agenda package), it was clarified that the \$18.7M surplus mentioned by the writer is a consolidated figure, calculated prior to accounting for budgeted transfers to reserves. Specifically, the General Fund's surplus amounted to \$12.8M. After accounting for the budgeted transfers to reserves, totaling \$9.3M, the city was left with an unallocated surplus of \$3.4M. A significant portion of this remaining surplus was allocated to capital reserves. Readers are encouraged to consult the CFO's Letter of Transmittal for detailed information.

Furthermore, and as conveyed by staff at regular meetings of Council, the current reserve balances are not adequate to fully fund the replacement of the city's costly and aging infrastructure in a growing community. Therefore, any surplus from the General Fund is typically allocated to the city's capital reserves to partially mitigate this shortfall. Utilizing surplus funds to lower taxes is possible at the discretion of Council, however, it is considered an unsustainable financial strategy and practice; without cutting expenses, such a move merely postpones tax hikes to subsequent years.

Comment 4. *Capital Asset Carry Overs– Impact on effective Financial Planning*

On June 26, 2023 City Staff provided City Council with an "amendment" to the 2023 Financial Plan by-law number 2458 which had been presented to council on April 17, 2023.

113 projects were deferred in that amendment which passed without question or discussion, representing a total of 29 million dollars in allocated funding.

The Financial plan at that time did not include any specific information about the number of projects that were supposed to be completed in 2022 but were not. The by-law was provided to place on the record the scope of the projects that were not completed but for which the cash would be made available from the City of White Rock tax payers, City Reserves or from Federal and/or Provincial grants that might be provided by those levels of government.

There was little explanation provided as to why these projects were not completed in 2022. Some of the projects have been deferred for a number of years. There was minimal explanation of which projects had been already funded by the tax payers and/or allocated as expenditures from reserves.

11 million dollars of the total deferral was for the completion of the restoration of the White Rock Pier which was damaged in the winter 2019 and partially repaired in 2020.

This amendment was titled: “Asset Improvement (Capital” Details – Projects Carried Over from 2022 to 2023.

This list is instrumental in understanding the scope of work regarding Capital Projects completed by City Staff in a fiscal year.

Would City Council request that City Staff provide the “Projects Carried Over” list to the tax payers of White Rock in time for the impact of the “carry over” amount on the 2024 to 2028 financial plan to be fully understood prior to the second draft being placed before council on February 12, 2024?

City Council and the tax payers of White Rock should be advised by City Staff, how long all the Carry Over projects have been on the list prior to approving the draft financial plan.

This information is highly material to deciding the final amount of any requested property tax increase for 2024.

*Gary Gumley,
Resident of White Rock*

Staff Reply: These questions have been previously addressed by City staff to the writer via email.

The revised Financial Plan, associated with the recent update to the Financial Plan bylaw, details budget carry forwards for each project. Residents seeking information on a specific project are advised to submit an inquiry or a Freedom of Information (FOI) request for more detailed data. Typically, unfinished capital projects within a given year are attributed to resource constraints and/or funding has not been fully secured (i.e. Pier Restoration). Nevertheless, these projects remain pending because their decline and necessity to maintain or replace doesn't diminish over time (for instance, a roof that needs replacing will continue to require replacement until addressed).

Comment 5. *Staffing Levels and the impact the Unallocated Operating Surplus has on Financial Planning*

In March of 2022, Councillor David Chesney made a request of City Staff to provide him with “a list of staff members, their job titles and a brief description of their positions”. This request was part of the Finance and Audit committee review of the 2022 Financial Plan by Mayor Walker and the City Council at that time.

In May of 2022, it was disclosed that a staff list had been provided to city council but that list was not made available to City of White Rock Tax Payers.

In September of 2022 a Freedom of Information request #2022-20 was filed. The following information was provided from City Staff:

“As of September 2018, there were 142 Regular Full Time (RFT) plus 7 Regular Part Time (RPT) and Temporary Full Time (TFT) for a total of 149 positions. As of September 2022, there were 159 RFT and 4 RPT positions.”

City Staff were asked to provide details of the positions that were listed in the FOI response an incomplete list was provided in November of 2022.

In order to acquire that information a follow-up FOI request eventually had to be filed in March of 2023.

Would City Council ask City Staff to provide a document that updates the FOI 2023-29 dated may 24, 2023 and ask for a report that defines the staff positions that were not filled in 2023 and the contribution the staffing deficit made to the Operating Surplus of 2023.

In conclusion, the financial plan reflects the fact that City Staffing was one of the major contributing factors to the operating surplus of 2022. “The unallocated operating surplus of 2022 is largely due to employee turnover and unfilled positions, tangible capital asset maintenance projects that were deferred, lower than budget amortization due to not completing all planned tangible capital asset projects in the year and not needing the full amount of the operating contingency funds put aside in the 2022 budget.” (Letter of transmittal – 2022- Page 3)

*Gary Gumley,
White Rock Resident.*

Staff Reply: These questions have been previously addressed by City staff to the writer via email and the FOI referenced posted on our website.

The annual Statement of Financial Position (SOFI) report contains a detailed list of all of the City’s staff positions with remuneration greater than \$75K.

Vacant staff positions can lead to a budget surplus if they remain unfilled throughout the fiscal year they were budgeted for. Despite this, such positions must continue to be funded as part of the operating budget. Unfilled roles, whether due to market conditions or recruitment delays, are frequently managed through temporary staffing, overtime and/or consulting services until they are filled. Any net surplus at the year's end is typically allocated to bolster the significantly underfunded capital reserves.

LEGAL IMPLICATIONS

There are no specific legal implications to note. The public consultation regarding the proposed financial plan must be undertaken before it is adopted in accordance with the *Community Charter*.

COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

The Draft 2024 – 2028 Financial Plan document, as was presented to Council at its January 15, 2024, regular council meeting, was posted for public comment on the City’s “Talk White Rock” platform on January 11, 2024. The public comment period closed on January 24, 2024.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

All departments have been involved in preparing the Draft 2024 – 2028 Financial Plan.

OPTIONS / RISKS / ALTERNATIVES

This report has been provided for informational purposes.

CONCLUSION

Staff recommend that Council receive the January 29, 2024, corporate report from the Director of Financial Services, titled “2024 – 2028 Financial Plan Comments” for Council’s consideration.

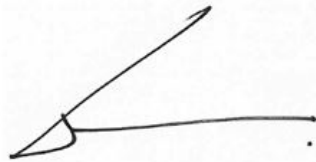
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Candice Gartry".

Candice Gartry, CPA, CGA
Director, Financial Services

Comments from the Chief Administrative Officer

This corporate report is provided for information purposes.

A handwritten signature in black ink, appearing to read "Guillermo Ferrero".

Guillermo Ferrero
Chief Administrative Officer