

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: December 7, 2020

TO: Finance and Audit Committee

FROM: Colleen Ponzini, Director, Financial Services

SUBJECT: Potential Impacts and Proposed Budget Increments for 2021

RECOMMENDATION

THAT the Finance and Audit Committee receive this report for information on potential impacts and proposed budget increments for the 2021 Financial Plan for review and to provide any preliminary feedback to staff.

EXECUTIVE SUMMARY

City staff are in the process of compiling the 2021 – 2025 Draft Financial Plan which has been challenged by the Covid-19 Pandemic. Recognizing that the annual budget process is complex as there are so many service areas and issues that must be summarized and communicated, this year it is even more challenging when including temporary adjustments in response to the pandemic. Service delivery models and revenue projections have had to be adjusted for 2021 and are expected to be brought back to normal operating conditions for 2022 and beyond.

The 2021 – 2025 Financial Plan is being prepared under the assumption that the City will continue to operate under the current Covid-19 pandemic guidelines, restrictions, and general processes as directed by Council. The net impact from the Covid-19 pandemic would qualify for funding under the Covid-19 Safe Restart grant. Staff have been directed to assume a return to normal operations in 2022 and beyond.

In addition to reviewing budgets for the impact of the pandemic, staff also reviewed the budget to determine if there are any changes that are required as a result of previous approvals, necessary changes in contracts, and actual changes in revenues. These are items that are already in place and need to be funded in the City's base operating budget and through taxation rates.

The final area of review involved analyzing operations to determine if a new service or expense had to be included in the budget. These requests for funding have been compiled by departments and the rationale are included in this report as Appendices A and B.

INTRODUCTION/BACKGROUND

Much work still needs to be carried out prior to budget deliberations that are expected to begin in January 2021. This report is an intermediate step in the 2021 budget process, which is meant to provide preliminary information for the Committee to review and consider. The topics and its

implications on the budgets have been organized in the following sections:

- Operating deficits due to the Covid-19 pandemic;
- 2021 increases to the base operating budget;
- Proposed 2021 budget increments (Rationale in Appendices A and B);
- Projected utility rates; and
- Next steps.

Operating Deficits Due to the Covid-19 Pandemic

Initially, it was expected that the City would have to use its reserves to fund the deficits that have been projected as a result of lower revenues and increased operating costs to deal with the Covid-19 pandemic. Fortunately, the federal and provincial governments provided some financial relief of \$3.769M under the Covid-19 Safe Restart Grant that the City can use towards the deficits.

Eligible costs outlined in the letter received from the Deputy Minister of Municipal Affairs and Housing include:

- addressing revenues shortfalls;
- facility reopening and operating costs;
- emergency planning and response costs;
- bylaw enforcement and protective services such as fire protection and police;
- computer and other electronic technology costs (to improve interconnectivity and virtual communications);
- services for vulnerable persons (e.g. persons living with disabilities, mental illness or addictions, persons experiencing homelessness or other vulnerabilities); and
- other related costs.

As projected in the September 14, 2020 report to Council, staff estimate that there will be an operating deficit of \$1.1M in 2020. Staff have done a similar exercise to estimate the impacts of the pandemic on the 2021 budgets and the projected 2021 deficit is estimated to be \$1.8M. This is a conservative number that assumes operations will continue as is under the Covid-19 pandemic with the majority being related to decreased revenues from parking, investments and recreation and increased costs relating to recreation and parks. While it is challenging to separate out the financial impacts of the Covid-19 pandemic, staff are confident that the estimates are reasonable and that they are in line with the eligible use of the Covid-19 Safe Restart Grant.

As required, the City will report on the use of these funds under section 167 of the *Community Charter* and will provide a schedule to the Audited Financial Statements for each year that the grant is drawn down. Based on the projected deficits for 2020 and 2021, it is expected that the City will have a remaining \$869K available to address other issues as they arise that qualify as eligible costs outlined in the grant. Should the deficits not be realized, there would be more funds available under the grant to direct to other restart activities that Council may wish to support.

2021 Increases to the Base Operating Budget

There are increases to the base operating budget that must be funded as the expenses have either already been approved and are in place or are a result of increases in contracts that cannot be avoided. The largest increase relates to annual salary and benefits across departments which is

expected as the City's main expense relates to staff who provide services. When looking at other impacts, one of the more significant is due to changes in the RCMP and Integrated Teams contracted services and having to provide in house IT support for the RCMP due to the changes in services delivered by Surrey.

Other increases are necessary for property and liability insurance, software maintenance and license fees and building lease costs. In addition, there are positions that were temporarily funded from reserves in 2020 to keep property tax rates down at that time, that are ongoing and need to be funded from revenues. These increases have been partially offset by increases in revenues due to rate changes and taxation revenues from new construction. The net impact on the 2021 tax rate for these increases is 1.53%. Note that these estimates may need to be refined at the January 25 meeting if more detailed information, particularly related to BC assessment and new taxation revenues, changes in the near future.

Description	Amount \$	% Tax Inc
Net Expenses	680,900	2.91%
New Growth Taxation Revenue	- 322,500	-1.38%
Total Base Budget Increase	358,400	1.53%

Proposed 2021 Budget Increments

Requests for Ongoing Operating Increases (Appendix A)

The following requests for funding are considered a change in operations that are not directly attributed to the pandemic. They are required on an ongoing basis and if approved, will need to be added to the City's base operating budget starting in 2021, to be funded through taxation revenues. The 2021 taxation rates would have to be increased by 4.3646% to fund all the requests. The rationale for each item is provided by Departments in Appendix A.

#	Dept	Description	Amount \$	% Tax Inc
1	ADM	Training and Public Reception	6,500	0.03%
2	CAO	Miscellaneous Consulting	10,000	0.04%
3	ENG	HVAC and Roof Maintenance	57,900	0.25%
4	ENG	Parks Staff	249,200	1.06%
5	FIRE	Fire Fighter	76,300	0.32%
6	HR	Human Resources Advisor	104,400	0.45%
7	RCMP	RCMP Member	103,800	0.44%
8	REC	Pop-Up Gallery Lease	39,500	0.17%
9	FIN	Transfers to Reserves	375,000	1.60%
		Totals	1,022,600	4.36%

Requests for One Time Operating Increases (Appendix B)

The following table lists the requests for funding that are considered one-time operational requirements and are not considered to be directly attributed to the Covid-19 pandemic. In order to be included in the 2021 operating budget, they are recommended to be funded from the City's Accumulated Surplus Reserve which is consistent with the City's funding strategy for these types of one-time operating expenses. The previously approved items include the city-wide parking review, extension of a Committee Clerk and equipment for IT staff supporting the RCMP. The rationale for each of the proposed items is provided by Departments in Appendix B.

#	Dept	Description	Amount \$
NA		Previously approved items	77,000
10	ENG	Staff to Address Electronic Filing	14,800
11	FIN	Parking Manager Assistance	22,000
12	FIRE	Emergency Management Exercise	20,000
13	HR	AED Implementation	6,300
14	HR	Management Training	30,000
		Totals	170,100

Projected Utility Rates

The preliminary figures in the draft financial plan for the utilities indicate that it may be possible to have a 0% increase in 2021 for the Sewer and Solid Waste Utilities. However, both utilities will require annual increases in the range of 2% to 3% in 2022 – 2025 to address capital requirements and inflationary increases.

The Drainage Utility is projected to need increases in the range of 5% annually to be able to address capital requirements, particularly to relocate the Habgood Pump Station. The projected rate increase is expected to impact an average single-family home by \$25 annually and an average multifamily home by \$9 annually. The 2021 Water Utility rate increase of 6.5% was previously discussed and the bylaw is included in the Council agenda for adoption.

Next Steps

This report provides high level information about the 2021 Budget process and the items expected to impact the 2021 – 2025 Draft Financial Plan. The information and impacts on taxation rates are provided for information and preliminary feedback in advance of the deliberations that are expected to begin at the January 25, 2021 meeting of the Finance and Audit Committee.

Staff expect to be able to provide Council with the full Draft Financial Plan, including capital and reserve projections, for all funds for that meeting at which time staff will seek Council's direction regarding the 2021 – 2025 Financial Plan. Additional meetings, which will include public consultation, are expected in February 2021, with the goal to have Council adopt the 2021 – 2025 Financial Plan Bylaw in March 2021. As per the *Community Charter*, the City must adopt its 2021 – 2025 Financial Plan Bylaw by May 15, 2021.

FINANCIAL IMPLICATIONS

As discussed in the body of this report.

LEGAL IMPLICATIONS

Not Applicable.

COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

The information provided in this report is meant to inform Council in advance of potential impacts on the City's 2021- 2025 Financial Plan. Deliberations on the Financial Plan are expected to begin on January 25, 2021. There will also be opportunities for the public to comment and provide feedback during the budget deliberations.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

All departments have provided input for this report.

CLIMATE CHANGE IMPLICATIONS

Not Applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES

Not Applicable.

OPTIONS / RISKS / ALTERNATIVES

That the Finance and Audit Committee receive this report for information in preparation for the 2021 budget deliberations which are expected to begin on January 25, 2021.

Alternatively, the Committee may wish to provide direction to stay between certain % increases and use reserves to achieve it. The risk of using reserves to fund ongoing operations is that the tax rates will need to be increased in the following year.

CONCLUSION

The information and proposed budget increments included in this report are provided for consideration and preliminary feedback in advance of the 2021 budget deliberations which are expected to begin on January 25, 2021.

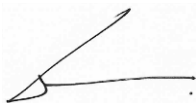
Respectfully submitted,



Colleen Ponzini, CPA, CGA
Director of Financial Services

Comments from the Chief Administrative Officer

I concur with the recommendation of this corporate report.



Guillermo Ferrero
Chief Administrative Officer

APPENDIX A

Requests for Ongoing Operating Increases

#	Dept	Description	Amount \$	% Tax Inc
1	ADM	Training and Public Reception	6,500	0.03%

In 2019 and 2020, the City hosted a public State of the City event at the White Rock Community Centre. With Council requesting to have a public component in addition to the Mayor's State of the City address hosted by the SS&WR Chamber of Commerce, staff estimate \$3.5K will be required to address the public component.

The remaining \$3K is to provide some training for staff to be able to facilitate meetings with Council that are anticipated to occur in 2021 and future years.

#	Dept	Description	Amount \$	% Tax Inc
2	CAO	Miscellaneous Consulting	10,000	0.04%

This request for funding is to address the expected use of various facilitators and or consultants periodically through the Office of the CAO. Having these funds available enables the CAO to maximize the impact of coordinating and delivering on Council initiatives.

#	Dept	Description	Amount \$	% Tax Inc
3	ENG	HVAC and Roof Maintenance	57,900	0.25%

Contract maintenance is expected to increase because many of the HVAC systems and roofing are near end of life. Repairs and parts replacement are required to maintain the building. Delaying the maintenance and repairs of these assets typically increases costs in later years and increases risks of failure.

#	Dept	Description	Amount \$	% Tax Inc
4	ENG	Parks Staff	249,200	1.06%

Recent experience managing Parks during the COVID-19 pandemic has demonstrated the success of "boots on the ground" in conjunction with a structured organized approach towards Parks Operations. Additionally, increased leadership and focus is needed for Parks Health and Safety to ensure employee safety and to also improve the City's experience rating with WorkSafe BC which will reduce the City's WCB rates.

Accordingly, the replacement Parks Manager will focus on Health and Safety and a leaner structure designed to deliver clearly scheduled operations. In house staff will be utilized to meet clear maintenance schedules as opposed to past practice of calling in contractors on an ad hoc basis. The contract services will still need to continue during to peak demand periods and when specific skill sets are required. These contract activities will be planned in advance as part of overall schedules.

The above funding increase is necessary to continue the current level of Parks maintenance that elicited many positive comments from the public in 2020 and far fewer complaints than previous years. Part of the reason for the success in 2020 was the reassignment of resources from other City Departments per Council's direction regarding the Covid-19 pandemic response; however, this resource reassignment is not expected to occur in 2021. The requested temporary full-time staff will fill this gap in 2021 and in future years.

#	Dept	Description	Amount \$	% Tax Inc
5	FIRE	Fire Fighter	76,300	0.32%

White Rock Fire Rescue has experienced a significant increase in call volume over the last five years. The five-year average from 2010 - 2014 was 1448 calls per year compared to the five-year average from 2015 – 2019 of 1811 calls per year. This represents a 25% increase in the number of calls which has also resulted in an escalation in the number of simultaneous calls received. Our response to simultaneous incidents is currently provided by auxiliary staff or career staff when capacity exists. These calls prove problematic during weekdays when Auxiliary staff is limited due to full-time work commitments. Auxiliary capacity is also challenged over long weekends and throughout the summer holidays.

In the 2018 - 2022 Financial Plan, White Rock Fire Rescue recommended phasing in two additional firefighters, one in 2021 and another in 2022. The two were added to the adopted Financial Plan at that time in 2021 and 2022. The additional firefighters would bring our staffing level up to an optimal 24 and allow for five firefighters per shift on a full-time basis. A five-person shift allows White Rock Fire Rescue to have two responding apparatus, a three-person Engine Company and a two-person Squad Company. During 5-person shifts the Squad is used as the primary response vehicle on medical calls while the Engine becomes the secondary vehicle should there be a simultaneous call or should additional assistance be required. By increasing our staff level to 24 career firefighters, a five-person shift could be maintained 24/7, improving the overall operational capacity of the Department. Adding one fire fighter position in 2021 would result in 162 additional staffed shifts over the year and enable the scheduling of up to 587 five-person shifts throughout the year, dependent on employee leaves.

As the City grows in density and population the expectation is that call volumes will continue to increase. The City has over one thousand residential units coming into our housing stock in 2020 and 2021. The increase in the number of high buildings in our City also impacts time spent at incidents, based on distances travelled to the bedside and back to apparatus, making crews unavailable for longer periods of time. Our new buildings and commercial spaces will also require fire inspections annually.

Benefits of a five-person shift include:

- Minimize the impact of relying upon auxiliary availability.
- Reduced response times during simultaneous incidents.
- Improved capacity would assist in dealing with most incidents, particularly weather events and fires, providing additional personnel and equipment.

- Reduction in overtime paid with increased capacity realized. (estimated annual savings of \$23K)
- A potential reduction in wages paid to Auxiliary staff.
- Maintain and improve inspection and fire prevention programs

If we do not increase our firefighter staffing level and call volume continues to rise as is expected, service levels will be impacted, and crew deployment times will increase.

#	Dept	Description	Amount \$	% Tax Inc
6	HR	Human Resources Advisor	104,400	0.45%

Over the last number of years, Human Resources has faced a growing client base and increased levels of complexity in our work that has arisen out of changing Human Rights, WorkSafeBC and privacy legislation. Because of this increased volume and complexity, our Human Resources professionals have struggled to provide the essential HR services levels to our employee and management groups. Most significantly, service levels are less than ideal in corporate leave management, employee and leadership development, mental health, employee wellness, and health and safety management support.

Human Resources' current structure includes two Advisor positions who bring the necessary experience and expertise to deliver the essential service levels, one in HR and one in Safety. Although leave management programs typically sit on the HR side, given there are only two Advisors, to date leave management has been one of the portfolios assigned to the Safety Advisor, which currently occupies approximately 40% of her time. Roughly 50% of her daily work is spent advising, directing and supporting managers, supervisors, and employees in safety matters. This leaves only 10% of her time to dedicate to high-risk safety program work. Ideally, leave and stay at work programs should be assigned to an HR Advisor so that the Safety Advisor can provide better support to the City's safety program.

Although the City's WorkSafeBC experience rating has improved over the last several years, we continue to pay a surcharge rate and our safety record has been less than ideal. For this reason and because employee safety is paramount, at the very least more emphasis must be placed on our safety program by removing the leave management portion from the Safety Advisor's portfolio and assigning it to the HR side. Without an additional HR Advisor in place, this will mean we will continue to be unable to improve our current services in areas such as leadership and employee development, but also, we will have less resources available to the City's recruitment function given our HR Advisor will now be absorbing the leave management. Essentially, we will be looking at delays in filling our vacancies without an additional HR Advisor.

#	Dept	Description	Amount \$	% Tax Inc
7	RCMP	RCMP Member	103,800	0.44%

Prior to 2018, the detachment has had 23 full-time police officer positions for over a decade. In 2018 Council approved an increase of two members for a total of 25 full-time police officers. This was part of a resource plan to increase each watch from 4 to 5 regular members.

White Rock is predominantly a frontline detachment. The frontline officers are divided into four watches providing 24-hour emergency response and investigative services. The watches consist of 1 supervisor and 4 constables, except for the fourth watch that only has three constables. The fourth constable position on the frontline is the position that this funding request addresses. The frontline officers are responsible for emergency call response, critical incidents, routine calls for service, collision investigation, traffic enforcement, general patrols, as well as conducting the majority of all criminal investigations in White Rock.

The additional officer is required to ensure that the detachment has the capacity to provide minimum officer coverage, which is challenged due to training, annual leave, court, adjusted shift, and long-term leaves. The long term leaves are for paternity and maternity, in addition to longer term medical related leaves. When an officer is unable to work due to one of the long-term leaves just mentioned, and the duration is over 30 days, the wages for that officer are not billed to the City. However, the RCMP does not have a policy in place to backfill these positions; therefore, the positions remain blocked and any resource shortfalls are covered by overtime (paid at double the regular rate).

An additional officer will provide the capacity to ensure minimum coverage can be maintained which will reduce the need for overtime. This is important as too much overtime can be detrimental to officers' health through increased workload.

This request will also impact 2022 in the amount of \$37K as the position would be funded from April to December in 2021 as the RCMP has a fiscal year end of March.

#	Dept	Description	Amount \$	% Tax Inc
8	REC	Pop-Up Gallery Lease	39,500	0.17%

The City of White Rock takes great pride and interest in our local artists and acknowledges the importance of supporting their creative work and livelihood. White Rock City Council has in the past viewed arts and culture as our second largest industry after tourism and are greatly invested in seeing arts and culture thrive and grow in our community.

The City's 2014-2018 Cultural Strategic Plan identified the need for an art gallery in the Town Centre area of White Rock where artists could create and showcase their work. The goals of the Gallery are:

- To encourage growth of the creative/artistic sector in White Rock.
- To inspire and facilitate new artistic businesses.
- To expand local residents' understanding and appreciation of creative endeavors that exist in the community.
- To position the Gallery as a visitor destination, and a hub within the Town Centre cultural district.
- To enliven uptown White Rock by expanding retail commercial activity.

The Gallery is managed by the City's Manager of Cultural Development, but is operated by local artists on a volunteer basis. Groups of local artists must apply to use the Gallery to create, showcase, rehearse and/or sell their work for a month, after which a new group of artists are

allocated the space. The artists are required to open the Gallery for public viewing for a minimum of four days per week and a minimum of 15 hours/week.

The City does not currently own a suitable building that can be used as a public art gallery. By leasing storefront commercial space, and negotiating a discounted lease by providing naming rights, then having artists operate it, the City has been able to fulfill our community need for a public art gallery at a very low cost to the City.

The original Pop-Uptown Gallery opened in 2017 in storefront commercial space located beside the Rexall Drug Store on Johnston Road owned by Bosa. This lease was terminated in winter 2017, due to the start of construction of Miramar Towers C and D.

The Landmark Pop-Up Town Gallery has been in operation since February 01, 2018 in a 1,400 sq. ft. space leased from Landmark Premiere Properties at Central Plaza at a rate of roughly \$29K/year. The City gets a reduced lease rate for this space by providing naming rights to the landlord - Landmark Premier Properties. In addition to the annual lease, the City spent approximately \$50K on tenant improvements in 2018 to make the space suitable for use as an art gallery. This lease with Landmark Premiere Properties was for a three-year term, which expires at the end of January 2021.

The City had provided funding for the Pop-Up Gallery lease in each of the past three years. If the current lease is renewed with the current landlord, the expected annual budget required is \$42K/year.

Staff are in the process of reviewing other lease options for a Pop-Up Gallery in the Town Centre area which are expected to be more costly alternatives.

#	Dept	Description	Amount \$	% Tax Inc
9	FIN	Transfers to Reserves	375,000	1.60%

City reserves are important to address future asset replacement, growth and progressive changes as expected by the community. In addition, reserves provide stability and long-term sustainability for city operations.

The annual contributions to reserves from taxation are generally to support capital projects related to transportation, parks, facilities and equipment. As new assets are added it is recommended that funding allocations increase to ensure the assets can be maintained and replaced in the future.

The reserves are monitored to ensure the annual requirements can be sustained and when it appears that the pressures outweigh the contributions, it becomes necessary to either increase the contributions or decrease the work plans. This increase in the transfers to reserves is proposed to ensure adequate funding remains available for capital projects.

APPENDIX B

Requests for One Time Operating Increases

#	Dept	Description	Amount \$
10	ENG	Staff to Address Electronic Filing	14,800

The electronic filing system allocated to the Engineering & Municipal Operations department has structural flaws, some of which the IT department has deemed as very serious and require immediate attention. In addition, the file system requires attention in order to meet records management standards. It is estimated that the project will take three months to complete.

#	Dept	Description	Amount \$
11	FIN	Parking Manager Assistance	22,000

The Parking Services division is overseen by a Parking Manager who spends considerable effort addressing the multitude of issues around parking in the City in timely fashion. It is expected that in 2021, the Manager will have to play a critical role in the City's parking review and any implementation of changes that result. This funding is requested to provide backfill for the Manager's role with current staff which will enable Parking Services to continue to respond in a timely and effective manner.

#	Dept	Description	Amount \$
12	FIRE	Emergency Management Exercise	20,000

Preparedness is the phase of emergency management during which action is taken to ensure readiness to undertake emergency response and recovery. It includes but is not limited to, planning, resource planning, staff management, training, exercises, stakeholder education and continuous improvement.

White Rock Fire Rescue is requesting funding to employ a consulting firm to assist in the design and organization of an Emergency Management exercise. The intention of the exercise is to apply Emergency Operations Command (EOC) training concepts to a hazard scenario while building the confidence and competence of personnel designated with response roles. This will include the implementation of extraordinary authorities, public information dissemination, situational awareness, resource management, cost recovery and associated interactions and process flows. The exercise is intended to create a realistic and manageable, yet complex event that will stress participants without overwhelming them.

Proposed is a series of concise, function specific training modules to be delivered by a consultant to pre-designated senior staff from all City departments in the lead up to the exercise (five half day sessions, approx. 25 participants). The training provided will ensure participating senior staff are comfortable performing a role in our EOC. The exercise will allow personnel to apply and practice

the skills they have learned. Cross training of staff is recommended to add organizational depth and operational flexibility.

A written after-exercise report will be provided by the consultant and will include a summary of observations and recommendations.

Fire Rescue is working with the City's grant consultant in exploring a UBCM grant opportunity through the Community Emergency Preparedness Fund. If the grant application is successful, it would cover the cost of the exercise.

#	Dept	Description	Amount \$
13	HR	AED Implementation	6,300

As part of an effective emergency response program that was initiated in prior years, Automated External Defibrillators (AED's) should continue to be installed. AED's can be used by non-medical people for prompt delivery of CPR. Recreation and Culture and Engineering Operations already have the AED's. This funding request is for the next phase of the implementation which is to introduce units in City Hall and the Annex.

#	Dept	Description	Amount \$
14	HR	Management Training	30,000

Continuation of management leadership training and teambuilding will contribute to the City's overall success in reaching Council goals and objectives.