

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: January 25, 2021

TO: Finance and Audit Committee

FROM: Colleen Ponzini, Director, Financial Services

SUBJECT: 2021 – 2025 Draft Financial Plan

RECOMMENDATIONS

THAT the Finance and Audit Committee:

1. Receive this report for discussion on the proposed 2021 – 2025 Draft Financial Plan;
 2. Endorse the presented Draft 2021 – 2025 Financial Plan figures and assumptions or provide direction on amendments to be made; and
 3. Direct staff to proceed with the next steps in the Financial Planning process notifying the public of the opportunity for public comments, including requesting written comments or questions, based on the information presented in this corporate report, or as amended.
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EXECUTIVE SUMMARY

This report provides more information on the Draft 2021 – 2025 Financial Plan, including the capital and operating components for all funds. The report also considers the Finance and Audit Committee’s recommendation from the December 7, 2020 meeting that directed staff to “bring forward the budget with the aim to stay between a 1.53% to 2.5% property tax increase.”

City staff have compiled the 2021 – 2025 Draft Financial Plan challenged by the Covid-19 Pandemic. Service delivery models and revenue projections have been adjusted for 2021 and are expected to be brought back to normal operating conditions for 2022 and beyond.

The 2021 – 2025 Draft Financial Plan was 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 for 2020 and 2021 are considered to qualify for funding under the Covid-19 Safe Restart grant. Staff have been directed to 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 impact 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 were provided to the Finance and Audit Committee on December 7, 2020. The requests were compiled by departments and the rationale were included as attachments in the December 7 report.

INTRODUCTION/BACKGROUND

The City is required to prepare a Five-Year Financial Plan annually that shows the City's operating and capital programs and how they are to be funded. This includes the General Fund which is largely funded through taxation revenues as well as the City's Utility Funds which are funded mainly through Utility Rates. In order to organize the information in a way that can be discussed and understood more succinctly, this report is broken down into the following sections:

General Fund

- General Fund Operations (Appendix A)
 - Operating deficits due to the Covid-19 pandemic
 - 2021 increases to the base operating budget
 - Proposed 2021 budget increments (Rationale in Appendices B and C)
 - Options to stay below a 2.5% tax rate increase
- General Fund Capital (Appendix D)
- General Fund Reserves

Utility Funds Operations and Capital (Appendices E and F)

- Sewer Fund
- Drainage Fund
- Solid Waste Fund
- Water Fund

General Fund Operations (Appendix A)

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 in the form of a \$3.769M 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 revenue 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, 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, which seems reasonable based on preliminary year-end financial work. 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 which is shown in the table that follows. The main cause of the projected deficit is a decrease in revenues from parking, recreation and culture and investment interest.

While it would seem reasonable to expect that corresponding expenses should also decrease, the City has had to change the way it operates during the pandemic, which has effectively redirected the funding. Examples are: increased costs for cleaning, communications, and administrative

functions; reimagining the ways in which the City provides recreation and cultural programs; and refocusing staff to deal with Covid-19 related issue. This, while parking revenues are projected to decrease due to free parking at the waterfront and the hospital as well as facility closures at the Centre for Active Living, and parking enforcement having been redirected to address other parking issues.

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.

Note that should the estimated 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.

| Decreased Revenues | 2020 | 2021 |
|--|---------------------|---------------------|
| Parking Services revenue | \$ 742,000 | \$ 964,600 |
| Recreation & Culture revenue | 1,017,400 | 1,062,100 |
| Investment Interest | 341,000 | 335,600 |
| Miscellaneous | 80,200 | 81,300 |
| Total Decreased Revenues | 2,180,600 | 2,443,600 |
| Decreased Expenses | | |
| Parking Services | 47,600 | 57,000 |
| Recreation & Culture | 810,800 | 629,600 |
| General Government | 191,000 | 39,400 |
| Miscellaneous | 154,100 | 70,900 |
| Total Decreased Expenses | 1,203,500 | 796,900 |
| Increased Expenses | | |
| Parks & Facilities | 217,200 | 153,400 |
| Recoveries | | |
| Provincial Government (EMBC) | 67,000 | - |
| Total funding from Covid-19 Restart Grant | \$ 1,127,300 | \$ 1,800,100 |

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 \$842K available to address other issues as they arise that qualify as eligible costs outlined in the grant.

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 that are negotiated through collective agreements and set by Council policy for exempt staff. These increases are projected 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, a Communications Assistant and a Committee Clerk were temporarily funded from reserves in 2020, to keep 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 was reported to be 1.53% at the December 7, 2020 Finance and Audit Committee meeting.

At the December meeting, the Committee requested more details of the items that are in this section which is provided in the table below. Note that since that meeting, some minor revisions have been made that have increased the net amount to 1.56%.

| Description | Amount | % Tax Inc |
|---|-------------------|--------------|
| Salary and benefits | \$ 494,900 | 2.11% |
| RCMP and Integrated Teams contract increases | 147,100 | 0.63% |
| IT Support for the RCMP in-house | 28,100 | 0.12% |
| Property & liability insurance | 83,200 | 0.36% |
| Communications Assistant & Committee Clerk funded from reserves in 2020 | 95,500 | 0.41% |
| Software maintenance costs | 17,000 | 0.07% |
| Building lease costs | 13,100 | 0.06% |
| License fees | 9,500 | 0.04% |
| Alexander Neighbourhood House youth program grant | 5,000 | 0.02% |
| Other miscellaneous net increase | 3,400 | 0.01% |
| Revenue decreases: ATMs (\$10K), Grants (\$7K) | 17,100 | 0.07% |
| Revenue increases: Fees & Charges (\$45K), Other Revenues (\$88K), Admin fee to utilities (\$94K) | (226,400) | -0.97% |
| Net Expenses | 687,500 | 2.93% |
| Taxation revenue new construction | (322,500) | -1.38% |
| Net Increase | \$ 365,000 | 1.56% |

Proposed 2021 Budget Increments (Rationale in Appendices B and C)

Requests for Ongoing Operating Increases (Appendix B)

The following table of requests for funding are considered a change in operations that are not directly attributed to the pandemic. The requests were included in the December 7, 2020 report to the Finance and Audit Committee so that the Committee could have more time to review them and their potential impact on taxation rates.

| # | 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% |

As noted in the December 7 report, these requests 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 an additional 4.36% in order to fund all the requests. The rationale for each item is provided again in this report in Appendix B.

After some discussion at the December 7 meeting, the Committee voted in favor of a resolution to “direct staff to bring forward the budget with the aim to stay between a 1.53% to 2.5% property tax increase.” Options to stay below a 2.5% tax rate increase are proposed later in this report.

General Fund Future Years

The tax rate increases built into the operating program shown in the General Fund 2021 – 2025 Draft Financial Plan (Appendix A) includes annual tax rate increases in the range of 4% for 2022 and 2% for each year thereafter primarily to address staffing costs.

Requests for One Time Operating Increases (Appendix C)

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. The requests were also included in the December 7, 2020 report to the Finance and Audit Committee.

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. As such, these items will not impact the 2021 taxation rate.

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 C.

| # | 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 |

Options to Stay Below a 2.5% Tax Rate Increase

As presented in Appendix A, the General Fund requires a 2021 tax rate increase of 1.56% and additional annual increases in the range of 4% for 2022 and 2% each year thereafter. Understanding that the Committee’s direction is to cap the 2021 tax rate increase at 2.5%, staff are seeking input on the options to pursue in order to achieve this.

Assuming that the Committee will continue to support the items that are already approved and included (1.56%) as well as the one-time expenses of \$170K that are proposed to be funded from accumulated surplus and do not increase tax rates, then the question of additional funding can be focused around the increases shown in the requests for ongoing operating increases of \$1,022,600 which would require an additional tax rate increase of 4.36% if they were all approved.

The table is repeated here for easy reference.

| # | 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% |

There are three basic options to consider:

1. Decide which requests could be supported with a total increase of 2.5% in the taxation rate and use reserves to fund any additional requests in 2021. This would delay the additional tax rate increases to 2022 and decrease reserves.
2. Decide which requests could be supported with a total increase of 2.5% in the taxation rate and deny any additional funding requests. This would require foregoing the services that the funding request was said to provide.
3. Direct staff to include any or all funding requests from above and remove funding from another operating program(s) to stay within a 2.5% increase. This option would require detailed analyses to understand the consequences of removing any funding from other programs. It would also require public consultation as it could only be done through the reduction of other services already deemed to be necessary by the community. Note that Staff have already vetted their programs and redirected funds within their portfolios to address small changes in the delivery of the services they provide.

In order to stay at a tax rate increase at a maximum of 2.5% for 2021, requests totaling \$221K (0.94%) could be funded. All departments continue to support their requests and at this time we are seeking the Committee’s direction on which ones can be included.

General Fund – General Fund Capital (Appendix D)

The proposed General Fund Capital program is funded from reserves, contributions and grants and includes projects that address annual maintenance and improvements of transportation

infrastructure, civic facilities, parks, vehicles and equipment, and information technology. As noted above, the capital program does not directly impact taxation rates and any changes to the capital projects can only impact the reserve balances.

The table below shows that over the next five years, the City is projecting to spend \$71.9M of which \$2.1M is expected to be funded from Developer Cost Charges (DCC’s), \$10.9M from Senior Government Grants, \$4.1M from Contributions and \$54.8M from City Reserves.

| CAPITAL EXPENSES | 5 Year Total |
|--------------------------------------|----------------------|
| Municipal Engineering and Operations | \$ 22,824,000 |
| Facilities | 12,966,000 |
| Vehicles | 1,974,000 |
| Parks | 19,458,000 |
| Protective Services | 613,000 |
| Information Technology | 2,930,000 |
| Parking | 1,731,000 |
| Capital Contingencies | 9,371,000 |
| Total Capital Expenses | \$ 71,867,000 |

| FUNDING SOURCES | |
|-------------------------------|----------------------|
| Reserve Funds | \$ 54,733,000 |
| Development Cost Charges | 2,126,500 |
| Grants from Other Governments | 10,907,000 |
| Contributions | 4,100,500 |
| Total Capital Funding | \$ 71,867,000 |

A summary of the capital program and funding sources by year is shown at the bottom of the General Fund 2021 – 2025 Draft Financial Plan which is included in Appendix A. The detailed listing of projects by year is provided in Appendix D. Note that the 2021 capital program is a combination of the new requests for 2021 and projects that have been carried forward from 2020.

Municipal Engineering & Operations Projects

This section focuses mainly on transportation related projects, particularly for roadworks. For 2020 and 2021, \$0.9M for pavement overlays is expected that will include the western end of North Bluff Road. Over the next four years, an additional \$2M will be required for the pavement management program. In 2021 and 2022, the second of three phases for utility and streetscape upgrades to Johnston Road is planned with \$2.9M in funding. The third phase for Johnston Road – Thrift Street to Roper Street will require an additional \$4.1M which is planned for 2023/24. Other roadworks projects amount to approximately \$3.5M.

Included in the plan are Council requests for crosswalk improvements on Johnston Road and Marine Drive; sidewalk and retaining wall replacements north of the Centennial Oval; and funding for bus stop accessibility improvements that are 50% funded by Coast Mountain Bus Company.

Other strategic transportation plan and growth projects amount to approximately \$6M in the latter part of the five-year plan and are partially funded by DCC’s and other contributions. The remaining funding in this section is allocated to other projects to maintain critical infrastructure and to improve safety and accessibility.

Facilities

The main projects within the facilities section over the next five years includes: continuing to address Centennial Arena building envelope issues (\$1.5M); upgrading Arena lighting and icemaking equipment (\$135K); building envelope and washroom upgrades at the Kent Street Activity Centre (\$480K); addressing operating and space issues at City Hall in 2022/23 (\$3M); and addressing requirements identified in a Facilities Masterplan that are planned to start in 2022 (\$1.8M).

Other funding relates to: improving technological systems in the White Rock Community Centre and Centre for Active Living and (\$35K); HVAC improvements in the Centre for Active Living (\$48K); completing the exterior work including window replacements at the Museum (\$56K); and annual funding of approximately \$120K for the elevator, electrical equipment and miscellaneous furnishings at the Library.

Miscellaneous preventative maintenance initiatives, equipment replacements and upgrades are also requested for other City Facilities.

This section also includes a \$4M placeholder in 2025 for an affordable housing project to be funded from the newly created Affordable Housing Reserve, should Council decide to allocate the \$4M to this reserve from the Community Amenity Contribution Reserve.

Vehicles

The ongoing vehicles and equipment replacement program of \$2M over the next five years includes ten Public Works Vehicles and snow removal equipment such as plows and sanders (\$1.1M), six Parks vehicles (\$354K), one Facilities vehicle (\$50K), one Development Services vehicle (\$36K), and two parking vehicles (\$80K) and two Fire department vehicles and one trailer (\$331K).

Parks

The City's five-year capital program of \$19.1M in the next five years includes an \$11M project for the Pier Restoration Completion project. This project is currently funded from senior grants (\$8M), contributions from donations (\$2M) and Community Amenity Contributions (\$1M). To date the City has not been successful in receiving a grant for this project and donations to date are in the range of \$400K. Without the grant and donations, the project is expected to have to be scaled back or delayed.

The larger projects in the remaining \$8.1M for parks infrastructure relates to: slope stabilization near the Coldicutt Ravine (\$2.0M); a second all abilities playground and potential land purchase (\$2M of which \$1M is expected from contributions); Centre St Walkway improvements in 2023 (\$500K); new tree lights from the Pier to P'Quals and an annual tree light replacement program (\$1M); completion of the Bay Street and Cypress Street beach accessible access (\$200K); and a permanent display unit for an antique fire truck at the Fire Hall (\$350K).

There is also funding in the parks section for: public art (\$500K); tree management (\$272K); surface protection of the "White Rock" (\$180K); electronic controls for the Prospect Clock Tower (\$70K) and many other projects for playgrounds, trails, walkways, and horticultural displays and irrigation systems that make up the difference.

Protective Services

\$613K in funding over the next 5 years is required for protective services which includes: server room and structural modifications in the RCMP building in 2021 (\$200K); Fire Hall roof replacement in 2021 (\$234K); and miscellaneous projects and fire safety equipment (\$179K).

Utility Funds Operations and Capital (Appendices E and F)

Utility Rates

The City’s Utility rates are determined through the development of the City’s Five-Year Financial Plan which considers the Utilities’ projected revenues and expenses, capital requirements, reserves and debt load. While it was necessary to adopt the 2021 Water Utility rates in December 2020 to be in place for January 1, 2021, the other utilities are billed at the same time as the City levies the municipal taxes which is typically done in May. Based on the financial projections included in this report, the Drainage Utility rates are proposed to increase by 4.5% for 2021 while the Solid Waste and Sewer Utilities are expected to be able to be managed with 0% increases for 2021.

The 2021 – 2025 Draft Financial Plans for each of the City’s Utilities, which are subsets of the City’s consolidated Draft Financial Plan, are discussed below. Each section includes a summary of the main categories of the draft financial plans which are in Appendix E. The detailed listing of each of the Utilities’ Capital Programs are included in Appendix F.

Sewer Utility

| | Budget Projections (\$000) | | | | |
|---------------------------|-----------------------------------|---------------|--------------|--------------|--------------|
| Sewer Utility | 2021 | 2022 | 2023 | 2024 | 2025 |
| Revenues | 3,915 | 3,972 | 4,317 | 4,547 | 4,564 |
| Operating Expenses | 3,889 | 3,334 | 3,586 | 3,900 | 4,326 |
| Capital | 3,160 | 675 | 2,223 | 2,070 | 2,023 |
| Internal Charges | 492 | 502 | 512 | 522 | 532 |
| Reserves | 11,878 | 11,437 | 9,888 | 8,445 | 6,628 |
| Rate Increase | 0.0% | 3.0% | 3.0% | 5.0% | 5.0% |

Revenues

Revenues generated through sewer user rates are used to operate and maintain the City’s sanitary sewer infrastructure. Sewer user rates are projected to be 0% in 2021 and to increase by 3.0% in 2022 and 2023, then increased by 5.0% in 2024 and 2025 primarily to address increasing operating costs driven by Metro Vancouver rate increases; funding the Utility’s capital program; and to build capital reserves that will be necessary to address future needs. The sewer utility reserves are projected to be approximately 6.6% of the utility’s asset replacement value by 2025.

Operating Expenses

The Sanitary Sewer Utility’s main operating expenses relate to staffing, materials and supplies, contract maintenance, payments to Metro Vancouver and asset amortization. The Draft 2021 to 2025 Financial Plan includes small increases in 2021 for staffing and an increase related to increased costs for sewage treatment from Metro Vancouver.

Capital

The Sanitary Sewer Utility’s capital budget provides for capacity upgrades, inflow & infiltration mitigation and sewer rehabilitation. The development of the capital program is guided by the City’s asset management process and the Sanitary Sewer Master Plan which was updated in 2019. Over the next five years the Sanitary Sewer Utility’s capital budget is in the range of \$700K to \$3.2M annually.

The capital program is primarily funded through reserves although there are projections for Developer Contributions.

Drainage Utility

| | Budget Projections (\$000) | | | | |
|---------------------------|-----------------------------------|--------------|--------------|--------------|--------------|
| Drainage Utility | 2021 | 2022 | 2023 | 2024 | 2025 |
| Revenues | 9,848 | 3,169 | 3,564 | 3,725 | 3,880 |
| Operating Expenses | 1,226 | 1,336 | 1,364 | 1,400 | 1,418 |
| Capital | 15,930 | 1,028 | 1,574 | 1,800 | 1,886 |
| Internal Charges | 593 | 605 | 617 | 629 | 642 |
| Reserves | 3,297 | 4,280 | 5,103 | 5,841 | 6,616 |
| Rate Increase | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |

Revenues

Revenues generated through drainage user rates are used to operate and maintain the drainage utility. Drainage user rates are projected to increase by 4.5% annually over the next five years primarily to address increasing operating costs driven by materials expenses; funding the Utility’s capital program; and to build capital reserves that will be necessary to address future needs. The drainage reserves are projected to be approximately 5% of the utility’s asset replacement value by 2025.

Operating Expenses

The Drainage Utility’s main operating expenses relate to staffing, materials and supplies, contract maintenance, and asset amortization. The Draft 2021 to 2025 Financial Plan includes small increases in 2021 for staffing.

Capital

The Drainage Utility’s capital budget provides for renewal and replacement of infrastructure; drainage related to roads projects; and projects included in the Columbia Diversion Plan that is intended to capture drainage waters currently discharged to Surrey and to Semiahmoo First Nation (SFN) lands. This large capital plan is contingent on successful ongoing consultation with Surrey and SFN plus senior government grant funding. The development of the capital program is guided by the City’s asset management process and the Drainage Master Plan which was updated in 2019. Over the next five years the Drainage Utility’s capital budget is in the range of \$1M to \$16M annually.

The capital program is primarily funded through reserves although there are projections for Developer Contributions and hopes of some Senior Government Grants. Note that the large capital project in 2021 cannot be carried out without Senior Government Grants.

Solid Waste Utility

| | Budget Projections (\$000) | | | | |
|----------------------------|-----------------------------------|--------------|--------------|--------------|--------------|
| Solid Waste Utility | 2021 | 2022 | 2023 | 2024 | 2025 |
| Revenues | 1,557 | 1,616 | 1,675 | 1,735 | 1,796 |
| Operating Expenses | 1,351 | 1,167 | 1,188 | 1,209 | 1,230 |
| Capital | 1,951 | 17 | - | - | - |
| Internal Charges | 435 | 444 | 453 | 462 | 471 |
| Reserves | 353 | 336 | 336 | 336 | 336 |
| Rate Increase | 0.0% | 4.0% | 3.9% | 3.8% | 3.7% |

Revenues

Revenues generated through solid waste user rates are used to operate the Solid Waste Utility and are based on the current collection model. A report reviewing solid waste collection will be considered by Council over the next months and may result in the City taking on collection in multifamily and Commercial areas. This would significantly alter the budget.

Operating Expenses

The Solid Waste Utility’s main operating expenses relate to staffing, materials and supplies, contract maintenance, trucking costs and tipping fees. The Draft 2021 to 2025 Financial Plan includes small increases in 2021 for staffing and an increase in trucking costs

Capital

The Solid Waste Utility’s capital program is for the replacement of trucks and equipment and is funded through equipment reserves that the utility has been contributing to over time. The \$2M capital work in 2021 is for five new solid waste vehicles that were approved and ordered in 2020. Delivery of the trucks is expected in 2021.

Water Utility

| | Budget Projections (\$000) | | | | |
|---------------------------|-----------------------------------|--------------|--------------|--------------|--------------|
| Water Utility | 2021 | 2022 | 2023 | 2024 | 2025 |
| Revenues | 6,202 | 6,575 | 6,981 | 7,950 | 8,238 |
| Operating Expenses | 4,589 | 5,069 | 4,682 | 4,830 | 5,341 |
| Capital | 3,905 | 2,822 | 1,808 | 2,870 | 2,375 |
| Debt Retirement | 710 | 733 | 756 | 781 | 806 |
| Internal Charges | 489 | 499 | 509 | 519 | 529 |
| Reserves | 3,307 | 2,269 | 2,629 | 2,763 | 3,133 |
| Rate Increase | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |

Revenues

Revenues generated through water user rates are used to operate and maintain the water distribution system. Water user rates are projected to increase by 6.5% annually over the next five years primarily to address increasing operating costs driven by water treatment filtration expenses; paying for the purchase of the Utility through debt financing; funding the Utility’s capital program; and to build capital reserves that will be necessary to address future needs. Billing is done quarterly which means the rates needed to be in place, through bylaw, by January 1 for the upcoming year which was done in December 2020. The water utility reserves are projected to be approximately 2.5% of the utility’s asset replacement value by 2025.

Operating Expenses

The Water Utility’s main operating expenses relate to staffing, materials and supplies, contract maintenance, interest on long-term debt and asset amortization. The Draft 2021 to 2025 Financial Plan includes small increases in 2021 for staffing and an increase related to filtration materials that must be replaced periodically. There is another increase for the filtration materials that is scheduled for 2022 and 2025 causing those years to increase as well.

Capital

The Water Utility’s capital budget provides for replacements of end of life city water mains, associated trench restoration, new additions to meet future population growth and the replacement of equipment. The budget also provides for the renewal and replacement of water wells, reservoir components and treatment facilities and includes provision for the assessment of the network for system optimization and prioritization of improvements. The development of the

capital program is guided by the City's asset management process and the Water Master Plan which was updated in 2017. Over the next five years the Water Utility's capital budget is in the range of \$1.8M to \$3.9M annually.

The capital program is primarily funded through reserves although there are projections for Developer Contributions and hopes of some Senior Government Grants in future years.

FINANCIAL IMPLICATIONS

This report outlines the proposed 2021 – 2025 Draft Financial Plan and discusses potential tax and utility rate increases required to support the plans. The financial implications are as described in this report which may be refined as directed in this meeting.

LEGAL IMPLICATIONS

Not Applicable.

COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

The information provided in this report is meant to inform Council of potential impacts on the City's 2021- 2025 Draft Financial Plan and to seek Council's direction on this plan. Upon receiving direction, staff will make any necessary revisions that will be presented in open meeting of Council for public consultation.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

All departments have provided input for this report.

CLIMATE CHANGE IMPLICATIONS

The City's efforts to address climate change are built into the capital and operating programs through delivery of services and infrastructure.

ALIGNMENT WITH STRATEGIC PRIORITIES

The City's 2021 – 2025 Draft Financial Plan has been prepared to address the City's mandates, plans and programs within the City's financial constraints which takes into account Council's direction through Council's Strategic Priorities.

OPTIONS / RISKS / ALTERNATIVES

The proposed financial plans for the City's Operating and Capital Programs for the General and Utility Funds presented in this report have been prepared to find a balance between affordability and providing resources to a growing community.

As presented, the General Fund would require a 2021 tax rate increase between 1.56% and annual increases in the range of 4% in 2022 and 2% each year thereafter. An additional increase of 4.36% is also requested. Understanding that the Committee's direction is to cap the 2021 tax rate increase at 2.5%, staff are seeking input on three options that are described in the body of the report that will each have their own implications.

For the Utilities, the Drainage Utility Fund requires a utility rate increase of 4.5% in 2021 and each year thereafter whereas the Sewer and Solid Waste Utility Funds could manage with a 0% increase in 2021 and annual increases in the years after. Council has already approved a 6.5% increase for the 2021 Water Utility rates which had to be in place by January 1, 2021.

There is less discretion for options in the Utility Funds as the expenses and capital projects are required to maintain and operate the Utilities' assets and systems. Any changes to the proposed rate increases would reduce reserve balances and potentially compromise the City's ability to maintain the infrastructure in future years.

CONCLUSION

The information and proposed budget increments included in this report are provided for the Committee's consideration in preparation of the 2021 – 2025 Consolidated Financial Plan which includes the City's capital and operating programs for the General and Utility Funds which are the basis for determining the City's municipal tax and utility rate increases.

Upon receiving direction from the Committee, staff will make the necessary revisions to the Draft Financial Plans that will then be presented in open meeting of Council and will include public consultation. The meeting would be 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.


Respectfully submitted,



Colleen Ponzini, CPA, CGA
Director, Financial Services

Comments from the Chief Administrative Officer

I concur with the recommendations of this corporate report.



Guillermo Ferrero
Chief Administrative Officer

- Appendix A: General Fund Operations
- Appendix B: Proposed 2021 Budget Increments
- Appendix C: Proposed 2021 One Time Budget Increments
- Appendix D: General Fund Capital
- Appendix E: Utility Funds Operations
- Appendix F: Utility Funds Capital