

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: May 9, 2022

TO: Mayor and Council

FROM: Shannon Johnston, Acting Director, Finance
Paul Murray, Consultant

SUBJECT: White Rock Financial Plan (2022-2026) Bylaw, 2022, No. 2428

RECOMMENDATIONS

THAT the Council:

1. Receive the May 3, 2022, corporate report, and budget document from the Acting Director of Finance, titled "White Rock Financial Plan (2022-2026) Bylaw, 2022, No. 2428;" and
 2. Give First, second and third readings to "White Rock Financial Plan (2022-2026) Bylaw, 2022, No. 2428."
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EXECUTIVE SUMMARY

The purpose of this report is to provide an updated background budget document as directed by the Finance and Audit Committee, and the 2022 Financial Plan Bylaw for Council consideration of first three readings.

Engagement

The budget document was prepared in GFOA best practice format as approved unanimously by the Committee on November 22nd 2021 and introduced on January 24, 2022. The budget (Financial Plan) was made available to the public for review and comment using the City's "Talk White Rock" online engagement platform throughout the review process.

Beginning on March 1, 2022, six (6) budget presentations were held including a recap meeting where revisions were discussed on March 9, 2022. The Finance and Audit Committee made further adjustments at a meeting held March 28, 2022 and referred the revised budget to a public meeting to be held April 4, 2022.

Subsequently, the Finance and Audit Committee recommended a property taxation increase of 5.24% to the average household in White Rock or an overall increase of 4.37% if utilities are included, and directed staff to prepare the Financial Plan Bylaw for Council consideration tonight.

PREVIOUS COUNCIL DIRECTION

Motion Number & Date	Motion Details
2021-F&A-071 November 22, 2021	THAT the Finance and Audit Committee endorses the 2022 budget format for use as the basis for preparation of the full 2022 budget document and presentations, as illustrated in the Fire Rescue draft budget pages presented November 22, 2021.
2022-F&A-059 April 12, 2022	That the Finance and Audit Committee direct staff to prepare the Financial Plan and taxation bylaws

INTRODUCTION/BACKGROUND

The purpose of this report is to provide an updated Financial Plan as directed by the Finance and Audit Committee, and the 2022 – 2026 Financial Plan Bylaw for Council consideration of first three readings.

Staff have also made minor typo edits, format corrections and changes to reflect operating carry forwards that have been confirmed through the preparation of the 2021 Financial Statements, which are currently being audited. This includes funding for the Human Resources Director transition and temporary consulting assistance, as well as funding for a temporary full time Junior HR Advisor and a Communications Assistant and the Economic Development Officer.

The Asset Improvement Program and Reserve Fund statements have also been updated to include projects in progress and carried forward from 2021 confirmed through preparation of the 2021 Financial Statements. The combined total of asset improvement projects carried over from 2021 to 2022 was \$37.218M.

General Fund		
Projects subject to grant approval	11,438,000	Pier restoration completion and Ruth Johnston park east
Projects in progress	13,804,000	Regular program work in progress
Affordable housing project	4,000,000	
Solid Waste	1,951,000	Vehicles not shipped yet
Sanitary Sewer	1,798,000	Regular program work in progress
Drainage	3,253,000	Regular program work in progress
Water	974,000	Regular program work in progress
	<u>37,218,000</u>	

In addition the 14239 Marine Drive Culvert/Storm Main project was brought forward with design in 2022 and construction in 2023.

Appendix A presents the City's 2022 — 2026 Financial Plan Bylaw, 2022, No. 2428 prepared in accordance with Section 165 of the *Community Charter*. Schedule A to the Bylaw provides the consolidated Financial Plan for 2022 through 2026 which is aligned with the updated budget document. Schedule B summarizes the City's revenues by source and Council's property taxation and permissive tax exemption policy approaches which is required by the *Community Charter* and unchanged from prior years.

With the changes noted above the revised City of White Rock Consolidated Budget (Financial Plan) for 2022 balances \$109M in revenues with \$109M in expenses. The impact of the 2022

budget on an average household is \$200 or 5.24% from property taxes. When also considering utilities, the overall impact is \$247 or 4.37%.

Budget Impact to Average Household in 2022				
	2021	2022	Change \$\$	Change %
Property Taxation				
Municipal Operations	\$ 2,141	\$ 2,184	\$ 43	1.14%
Police Service	925	1,025	100	2.61%
Asset Improvement	756	813	57	1.49%
Total Property Taxes	\$ 3,822	\$ 4,022	\$ 200	5.24%
Utilities				
Drainage Utility Charge	\$ 530	\$ 555	\$ 25	1.36%
Solid Waste Utility Charge	337	345	8	0.44%
Sewer Utility Charge	265	265	-	0.00%
Water Utility Charge	705	719	14	0.76%
Total Utilities	\$ 1,837	\$ 1,884	\$ 47	2.56%
Total Annual Cost	5,659	5,906	247	4.37%
Change over 2021			4.37%	

The plan provides for the continuation of services expected by the community and a focus on maintaining service levels during this unprecedented time of COVID-19. This requires striking a balance between the need to continue increasing capital funding, maintaining service levels, and keeping operating costs in check. Sound fiscal choices must be made that reflect community priorities and the ability to pay during COVID-19 and an uncertain economic climate.

Funding is provided for key projects and initiatives to move strategic priorities of Council forward, such as Solid Waste Pickup for Commercial and Multi-family Properties, Housing Needs/Affordable Housing, Community Amenity Contribution ‘Shovel in the Ground’ Projects, and the City’s relationship with the Semiahmoo First Nation.

While some new positions have been partially funded and one eliminated, workforce planning has identified positions where additional capacity is needed. These positions have not been funded in 2022, given financial constraints. With the deferral of the Purchasing Specialist and addition of a Grant Writer, this capacity need will remain at four positions for reconsideration in 2023.

Capital funding has been reduced, but modest funding for building replacement inflation protection is included along with a small increase in road replacement funds.

Similar approaches have been employed to produce the Solid Waste, Drainage, Sanitary Sewer, and Water Utility budgets. Costs to replace infrastructure are the predominant factor in developing those Utility Budgets along with the cost of Metro Vancouver’s sanitary sewer treatment.

General Fund (Property Taxation)

Municipal Operations have been limited to a \$43 or a 1.14% increase to the average homeowner. This has been achieved through cost management while absorbing revenue losses and includes the reductions approved by the Finance and Audit Committee; the City is no longer eligible for a Provincial Small Communities Protection Grant and investment returns are dropping.

Fees and charges revenues are forecast to begin rebounding, and the provincial COVID-19 restart grant will help bridge that gap for 2022. Expenses have been maintained at increases of 2% or less in many cases, even with the prospect of inflation significantly exceeding that.

Significant increases in Police Service operational costs are expected from the new RCMP collective agreement and changes in cost sharing due to the shift away from the RCMP in the City of Surrey. This translates to an \$100 or 2.61% increase in property taxes to the average homeowner.

Over the next five years the City plans to invest \$71.6M in Asset Improvements with funding from reserves. This program includes previously approved capital work in progress and projects that are subject to grant funding requests to senior levels of government and significant spending on roads, facilities, drainage, sewer and water systems.

Annual transfers to reserves to fund the asset improvement program will increase by \$370,800 which will provide a modest increase over 2021 and partial inflation protection for facilities, equipment and roadworks infrastructure replacement. This is equivalent to a 1.49% property tax increase to the average homeowner. However, the current level of funding is generally thought to be insufficient to replace current infrastructure on a sustainable basis over the long term. An Asset Management Plan is needed to outline a long term approach to determining this.

Drainage Utility Fund (Drainage Utility Charge)

The 2022 Drainage Utility Budget is based on a drainage utility charge for an average household of \$555 per year or \$25 over 2021. This is an increase of 4.7%. The five-year Drainage Asset Improvement Plan includes funding for \$22.2M of storm drain upgrades.

Solid Waste Utility Fund (Solid Waste Utility Charge)

The 2022 Solid Waste Utility Budget is based on a solid waste charge of \$345 per household per year. This is an increase of 2.4% or \$8 over 2021. The five-year Solid Waste Asset Improvement Plan includes the replacement of all Haul-all collection vehicles ordered in 2021.

Sanitary Sewer Utility Fund (Sewer Utility Charge)

The 2022 Sewer Utility Budget is based on a sewer charge of \$265 per year. There is no increase in cost for the year for a household over 2021. The 2022 Sewer Asset Improvement Plan includes \$13.5M of mains replacement and an inflow and infiltration reduction program.

Water Utility Fund (Water Utility Charge)

The 2022 Water Utility Budget is based on a Council approved water rate per cubic meter and a fixed charge annually. For an average household this would be a combined total of \$719 based on a median consumption of 2238 cubic feet, or an increase of \$14 (2.0%) over 2021.

The 2022 Water Asset Improvement Program includes \$15.4M to replace mains, wells, valves and equipment. Key projects include replacements on Johnston Road, Russell Avenue and Prospect Avenue, replacement of the Oxford Well and the Everall Pressure Reducing Valve Station. An update of the Water Master Plan is envisioned for 2022.

Reserves and Surplus Summary

The City's General Fund Reserves and Surplus (working capital) are expected to reduce slightly from \$51.5M to \$50M over the next five (5) years.

Operating reserves will gradually be reduced while capital reserves are expected to slightly increase as vehicle and equipment reserves rebuild for future replacements. Other capital reserves are maintained at consistent levels with 2021.

Debt Summary

Overall debt levels will not change significantly over the five-year term of this plan. No new debt is forecast, and regular debt principal and interest payments will continue.

FINANCIAL IMPLICATIONS

The proposed financial plan will increase property taxation for an average household by 5.24% or when combined with utility charges an overall 4.37% or \$247 lift in 2022.

LEGAL IMPLICATIONS

No specific legal implications to note. Bylaw approval is required to authorize the budget, utility charges and property tax rates.

COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

The proposed Financial Plan has been reformatted and is presented using the GFOA Distinguished Budget Presentation method as approved unanimously on November 22nd 2021 by the Finance and Audit Committee and introduced on January 24, 2022. The Financial Plan was made available to the public for review and comment using the City's "Talk White Rock" online engagement platform throughout the review process.

Beginning on March 1, 2022, six (6) budget presentations were held including a recap meeting where revisions were discussed on March 9, 2022. The Finance and Audit Committee made further adjustments at a meeting held March 28, 2022 and referred the revised budget to a public meeting held April 4, 2022. The budget was approved, and staff directed to prepare a 2022 – 2026 Financial Plan Bylaw on April 12, 2022.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

All departments have been involved in preparation of the proposed financial plan and rates.

CLIMATE CHANGE IMPLICATIONS

No specific climate details to report out from this proposed financial plan.

ALIGNMENT WITH STRATEGIC PRIORITIES

The proposed financial plan and bylaw are linked and align with the Strategic Plan and Council strategic priorities.

OPTIONS / RISKS / ALTERNATIVES

No alternatives are proposed. The purpose of this report is to provide a 2022 - 2026 Financial Plan Bylaw for Council's consideration of first three readings. Under provisions of the *Community Charter*, the City is required to adopt annually a five-year financial plan bylaw prior to May 15

CONCLUSION

The 2022 - 2026 Financial Plan Bylaw reflects the direction of the Finance and Audit Committee and is based on the budget document approved April 12, 2022.

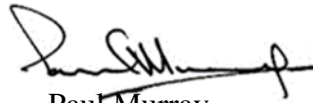
Budget adjustments approved by the Finance and Audit Committee have resulted in a 5.24% or \$200 increase for 2022 to the average household. Including utilities this represents a \$247 or 4.37% overall increase.

Under provisions of the *Community Charter*, the City is required to adopt annually a five-year financial plan bylaw prior to May 15. Council approval of First, Second and Third readings of the White Rock Financial Plan (2022-2026) Bylaw, 2022, No. 2428 is recommended.

Respectfully submitted,



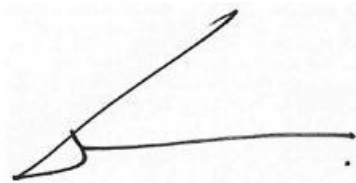
Shannon Johnston
Acting Director, Finance



Paul Murray
Consultant

Comments from the Chief Administrative Officer

I concur with the recommendations of this corporate report.



Guillermo Ferrero
Chief Administrative Officer

Appendix A: City of White Rock 2022 Financial Plan Budget Document

Appendix B: White Rock Financial Plan (2022-2026) Bylaw, 2022, No. 2428