

THE CORPORATION OF THE  
**CITY OF WHITE ROCK**  
**CORPORATE REPORT**



**DATE:** March 8, 2021

**TO:** Finance and Audit Committee

**FROM:** Colleen Ponzini, Director of Financial Services

**SUBJECT:** 2021 – 2025 Draft Financial Plan for Public Presentation

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**RECOMMENDATIONS**

THAT the Finance and Audit Committee:

1. Receive this report for information;
  2. Direct staff to prepare the consolidated 2021 – 2025 Financial Plan Bylaw;
  3. Direct staff to prepare the corresponding 2021 Tax Rates Bylaw.
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**EXECUTIVE SUMMARY**

This purpose of this report is to provide the community of White Rock with information on the City's draft 2021 – 2025 Financial Plan (the "Financial Plan") in accordance with Section 166 of the *Community Charter*. Residents are invited to review and comment on the Financial Plan which includes the operating and capital budgets for the General Fund and each of the Utility Funds.

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 understood more succinctly, this report is broken down into the following sections:

- General Fund
  - General Fund Operations (Appendix A)
  - General Fund Capital (Appendix B)
  - General Fund Reserves
- Utility Funds Operations and Capital (Appendices C and D)
  - Sewer Fund
  - Drainage Fund
  - Solid Waste Fund
  - Water Fund
  - Comparative Information (Appendix E)

The proposed net impact on the 2021 taxation and utility rates from the Financial Plan as presented in this report is a 4.28% tax rate increase for the General Fund, a 4.5% increase for the Drainage Utility Rates, a previously approved 6.5% increase for the Water Utility Rates and 0% increases for both the Sewer and Solid Waste Utilities.

## **INTRODUCTION/BACKGROUND**

The City's 2021 – 2025 Draft Financial Plan has been 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 have been included in these figures and are considered to qualify for funding under the \$3.8M Covid-19 Safe Restart grant that the City received in 2020. Staff were directed to budget for the 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 and were discussed at the Committee's meetings on January 25 and February 3. The requests that the Committee endorsed to move forward in the draft Financial Plan have been included in this report.

### **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 because 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 revenues shortfalls;
- facility reopening and operating costs;
- emergency planning and response costs;
- bylaw enforcement and protective services like 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.

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.

<b>Decreased Revenues</b>	<b>2020</b>	<b>2021</b>
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
<b>Total Decreased Revenues</b>	<b>2,180,600</b>	<b>2,443,600</b>
<b>Decreased Expenses</b>		
Parking Services	47,600	57,000
Recreation & Culture	810,800	629,600
General Government	191,000	39,400
Miscellaneous	154,100	70,900
<b>Total Decreased Expenses</b>	<b>1,203,500</b>	<b>796,900</b>
<b>Increased Expenses</b>		
Parks & Facilities	217,200	153,400
<b>Recoveries</b>		
Provincial Government (EMBC)	67,000	-
<b>Total funding from Covid-19 Restart Grant</b>	<b>\$ 1,127,300</b>	<b>\$ 1,800,100</b>

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.

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.

#### 2021 Increases to the Operating Budget

The 2021 – 2025 Financial Plan for the General Fund is presented on page one of Appendix A. Page two of Appendix A separates the General Fund budgets for 2020 and 2021 into the annual operating budget and the annual capital budget. This is an important distinction as it is the General Fund operating budget that drives the annual property tax rates.

The following table is an excerpt of page two of Appendix A that summarize and explains the major changes in the *budgeted* revenues and expenses for 2021. The 2021 figures include the impacts of the COVID-19 pandemic shown earlier in this report whereas the 2020 figures do not because the impacts in 2020 were estimated after that budget was completed.

	2020	2021	
	Operations	Operations	\$ Chg in Operations
<b>REVENUE</b>			
Municipal Taxation	\$ 25,021,100	\$ 26,592,800	\$ 1,571,700
Sale of Services	1,092,800	697,400	(395,400)
Grants from Other Governments	523,400	550,500	27,100
Contributions and DCC's	-	252,800	252,800
Other Revenue	10,568,594	8,913,800	(1,654,794)
Interest and Penalties	1,264,367	1,135,495	(128,872)
<b>Total Revenues</b>	<b>38,470,261</b>	<b>38,142,795</b>	<b>(327,466)</b>
<b>EXPENSES</b>			
General Services			
Protective Services	12,108,300	12,757,500	649,200
Parks, Recreation and Culture	9,177,000	11,293,300	2,116,300
Transportation, Engineering and Operations	8,338,500	9,769,900	1,431,400
General Government	8,753,500	8,587,000	(166,500)
<b>Total Expenses</b>	<b>38,377,300</b>	<b>42,407,700</b>	<b>4,030,400</b>

The City's General Fund operating revenues are budgeted to be \$38.1M for 2021 which is a reduction of \$327K. The main decrease relates to the \$2.4M impacts on revenues due to the Covid-19 pandemic shown earlier in the report. Offsetting the pandemic reduction are some increases due to rate changes for services and fees charged by the City (\$230K), third party contributions for capital related projects (\$280K), new taxation revenues from development (\$545K) and new taxation revenues from a proposed 4.28% tax rate increase (\$1M).

The 2021 General Fund operating expenses total \$42.4M to provide on-going municipal services including Police and Fire Services; Parks, Recreation and Culture; Municipal Engineering and Operations related to traffic and transportation and facilities; Development Services; Library; and Administrative Services.

The net increase of \$4M in expenses primarily relates to salaries and benefits reflecting wage increments negotiated through collective agreements and set by Council policy for exempt staff and additional staff to deal with work load issues and strategic initiatives in various departments including RCMP, Fire, Communications, Human Resources and Parks (\$1.5M). 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 (\$175K).

Other increases are necessary for property and liability insurance (\$83K), software maintenance and license fees (\$40K), building lease costs (\$53K), HVAC and roof maintenance (\$58K); consulting (\$50K); training (\$57K); miscellaneous (\$134K). There is also a \$1.1M increase in amortization which is a non-cash item that reflects the using up of City Assets and an increase in contract services for projects shown in the capital program that have to be moved to operations as they do not qualify as tangible capital assets (\$770K).

#### 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 4.4% for 2022 and 2.4% for each year thereafter primarily to address staffing costs.

In addition to the figures shown in this report, a new request that the Committee has not yet discussed is a request from the Planning & Development Services Department to change a one-year term position to a regular full-time position. Hiring the position as full-time will have no impact on the 2021 budget as the funds are already included in the Financial Plan but the request would result in an increase for 2022 which would raise the projected tax rate increase in 2022 to from 4.4% to 4.8%. The justification for this request is provided in a report included in the March 8, 2021 Finance and Audit Committee agenda from the Director of Development Services.

#### Impact of Proposed 2021 Tax Rate Increase

As presented in Appendix A, the General Fund requires an increase of \$1.6M in new taxation revenues in 2021 to balance its budget. Of that total, \$575K is expected from new taxation revenues from development and the remainder requires a 4.28% tax rate increase for 2021. Additional increases are projected to be in the range of 4.4% for 2022 and 2.4% each year thereafter.

The projected impact of the proposed increase on an average residential property in the City is \$90 and \$200 for an average business as shown in the table below.

Property Type	Average Assessed Value	2021 Municipal Taxes	2021 Tax Increase
Average Residential	\$ 1,029,000	\$ 2,570	\$ 90
Business	\$ 1,567,000	\$ 6,730	\$ 200

The actual increase in property taxes for any property is dependent on how that that property's assessed value changed compared to the average assessment change. Note that the property assessment values are determined by BC Assessment. Generally, if a property's assessed value increased more than the average assessed value, the taxes will increase higher than the proposed 4.28%. Conversely, if the property value changed less than the average, the change in taxes will be less than the 4.28% proposed tax rate increase.

An informative video that was produced by BC Assessment helps to explain this logic and can be found at the hyperlink below. The City has also placed this hyperlink on its website.

<https://www.youtube.com/watch?v=GJ1mzeCm5jw&feature=youtu.be>

Some comparative information of tax related data, including some proposed 2021 tax rate increases from neighbouring municipalities is provided in Appendix E.

#### **General Fund – General Fund Capital (Appendix B)**

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 (5) years, the City is projecting to spend \$70.3M 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 \$53.1M from City Reserves.

<b>CAPITAL EXPENSES</b>	<b>5 Year Total</b>
Municipal Engineering and Operations	\$ 22,657,000
Facilities	12,961,000
Vehicles	1,975,000
Parks	19,527,000
Protective Services	591,000
Information Technology	2,936,000
Parking	1,731,000
Capital Contingencies	7,881,000
<b>Total Capital Expenses</b>	<b>\$ 70,259,000</b>
<b>FUNDING SOURCES</b>	
Reserve Funds	\$ 53,123,800
Development Cost Charges	2,127,700
Grants from Other Governments	10,907,000
Contributions	4,100,500
<b>Total Capital Funding</b>	<b>\$ 70,259,000</b>

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 B. 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 (4) 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 2024/25. Other roadworks projects amount to approximately \$3.3M.

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 (5) 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 which would come from annual transfers of \$1M, from the Community Amenity Reserve in the years 2021 to 2024.

### Vehicles

The ongoing vehicles and equipment replacement program of \$2M over the next five (5) years includes ten Public Works Vehicles and snow removal equipment such as plows and sanders (\$1.1M), six (6) Parks vehicles (\$354K), one (1) Facilities vehicle (\$50K), one (1) Development Services vehicle (\$36K), and two (2) parking vehicles (\$80K) and two (2) Fire department vehicles and one (1) trailer (\$331K).

### Parks

The City's five-year capital program of \$19.5M in the next five (5) 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 \$8.5M for parks infrastructure relates to: slope stabilization near the Coldicutt Ravine (\$2M); a second all abilities playground and potential land purchase (\$2M of which \$1M is expected from contributions); Centre Street 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

\$591K in funding over the next five (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 (\$232K); and miscellaneous projects and fire safety equipment (\$159K).

### Information Technology

As reliance on technology grows, so does the City's requirements to maintain its equipment and software. The capital program includes \$2.9M for this work of which \$1.5M is budgeted for a replacement of the City's financial system. The remaining \$1.4M is to address the annual computer and infrastructure replacements program (\$580K) as well as to implement new

software and equipment that will enable to City to be able to improve on its eCommerce and digitization of information.

### Parking

The City's parking capital program of \$1.7M is primarily for maintaining existing parking infrastructure with \$1.1M of those funds to be spent in 2022/23 on the Marine Drive parking lot rehabilitation between Oxford Street to the White Rock Museum & Archives. In addition, within the \$1.7M is funding for license plate reader technology, electric vehicle charging stations and parking meter upgrades.

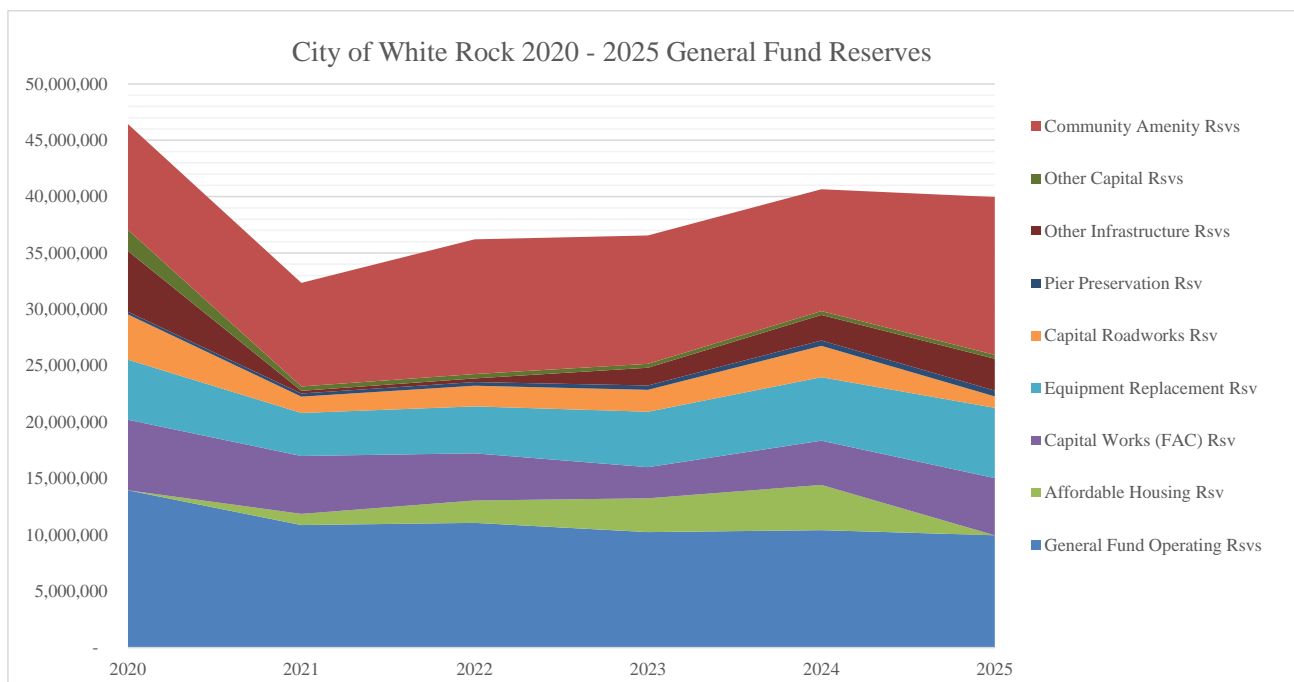
### Capital Contingencies

The \$7.9M in funding for capital contingencies includes approximately \$1.5M for slope stabilization on the Duprez Ravine and \$1.4M that was allocated in 2020. This funding is budgeted to allow for some flexibility within the capital program to deal with emergent opportunities and unexpected costs.

### **General Fund – General Fund Reserves**

The City's Reserves are meant to provide stability and long-term sustainability for City operations. It is important to maintain reserves that can address future asset replacement, growth and progressive changes as expected by the community. 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 through an increase in taxation revenues or decrease the work plans.

The following graph shows the projected General Fund operating and capital reserve balances based on the projections provided in the 2021 – 2025 Draft Financial Plan. While the overall balance is projected to be in the range of \$40M annually which would seem reasonable, these balances are dependent on the projections being realized as presented. It is important to note that some reserves are restricted to what they can be spent on depending on the legislation that applies to them and whether they have reserve bylaws that limit their use.



### **Utility Funds Operations and Capital (Appendices C and D)**



### 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 C. The detailed listing of each of the Utilities' Capital Programs are included in Appendix D.

### Sewer Utility

	<b>Budget Projections (\$000)</b>				
<b>Sewer Utility</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>	<b>3,915</b>	<b>3,972</b>	<b>4,317</b>	<b>4,547</b>	<b>4,564</b>
<b>Operating Expenses</b>	<b>3,889</b>	<b>3,334</b>	<b>3,586</b>	<b>3,900</b>	<b>4,326</b>
<b>Capital</b>	<b>3,160</b>	<b>675</b>	<b>2,223</b>	<b>2,070</b>	<b>2,023</b>
<b>Internal Charges</b>	<b>492</b>	<b>502</b>	<b>512</b>	<b>522</b>	<b>532</b>
<b>Reserves</b>	<b>11,773</b>	<b>11,332</b>	<b>9,783</b>	<b>8,339</b>	<b>6,523</b>
<b>Rate Increase</b>	<b>0.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>5.0%</b>	<b>5.0%</b>

### 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 6.5% 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 (5) years the Sanitary Sewer Utility's capital budget is in the range of \$675K to \$3.2M annually.

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

### Drainage Utility

	<b>Budget Projections (\$000)</b>				
<b>Drainage Utility</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>	<b>9,848</b>	<b>3,169</b>	<b>3,564</b>	<b>3,725</b>	<b>3,880</b>
<b>Operating Expenses</b>	<b>1,226</b>	<b>1,336</b>	<b>1,364</b>	<b>1,400</b>	<b>1,418</b>
<b>Capital</b>	<b>15,930</b>	<b>1,028</b>	<b>1,574</b>	<b>1,800</b>	<b>1,886</b>
<b>Internal Charges</b>	<b>593</b>	<b>605</b>	<b>617</b>	<b>629</b>	<b>642</b>
<b>Reserves</b>	<b>3,110</b>	<b>4,094</b>	<b>4,916</b>	<b>5,654</b>	<b>6,430</b>
<b>Rate Increase</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>

#### 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 (5) 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 5.1% 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

	<b>Budget Projections (\$000)</b>				
<b>Solid Waste Utility</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>	<b>1,557</b>	<b>1,616</b>	<b>1,675</b>	<b>1,735</b>	<b>1,796</b>
<b>Operating Expenses</b>	<b>1,351</b>	<b>1,167</b>	<b>1,188</b>	<b>1,209</b>	<b>1,230</b>
<b>Capital</b>	<b>1,951</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internal Charges</b>	<b>435</b>	<b>444</b>	<b>453</b>	<b>462</b>	<b>471</b>
<b>Reserves</b>	<b>236</b>	<b>219</b>	<b>219</b>	<b>219</b>	<b>219</b>
<b>Rate Increase</b>	<b>0.0%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>3.8%</b>	<b>3.7%</b>

### 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 is under consideration by Council over the next months and may result in the City taking on collection in multifamily and commercial areas. This would require financial analyses to determine how the program could be brought in house as it 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

	<b>Budget Projections (\$000)</b>				
<b>Water Utility</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Revenues</b>	<b>6,202</b>	<b>6,575</b>	<b>6,981</b>	<b>7,950</b>	<b>8,238</b>
<b>Operating Expenses</b>	<b>4,589</b>	<b>5,079</b>	<b>4,672</b>	<b>4,830</b>	<b>5,341</b>
<b>Capital</b>	<b>3,905</b>	<b>2,822</b>	<b>1,808</b>	<b>2,870</b>	<b>2,375</b>
<b>Debt Retirement</b>	<b>710</b>	<b>733</b>	<b>756</b>	<b>781</b>	<b>806</b>
<b>Internal Charges</b>	<b>489</b>	<b>499</b>	<b>509</b>	<b>519</b>	<b>529</b>
<b>Reserves</b>	<b>3,367</b>	<b>2,319</b>	<b>2,689</b>	<b>2,823</b>	<b>3,193</b>
<b>Rate Increase</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.5%</b>

### 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 (5) 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 2.6% 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 (5) 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 which includes a proposed 4.28% tax rate increase as well as a 4.5% increase in the Drainage Utility rates. The Sanitary and Solid Waste utilities have a 0% increase for 2021 and the Water Utility rate increase of 6.5% for 2021 was approved late in 2020. There are also proposed rate increases in future years in all funds to support the financial requirements of the plans as presented.

### **LEGAL IMPLICATIONS**

Not Applicable.

### **COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS**

The information provided in this report is meant to inform the community of the 2021- 2025 Draft Financial Plan and to seek Council's direction on this plan. There have been advertisements in the local newspaper, a news release, notices on the City's website and social media updates notifying the community of the opportunity to provide comment on the Draft 2021 – 2025 Financial Plan.

### **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 of 4.28% and annual increases in the range of 4.4% in 2022 and 2.4% each year thereafter. Should the Committee choose to support the recent request from Development Services to change a one-year term position to a regular full-time position, then the 2022 tax rate increase would be in the range of 4.8%.

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.

### **CONCLUSION**

After considerable effort by Council and City departments, the Draft Financial Plan is ready for public review and input. This plan incorporates the operating and capital budgets for the General Fund and each of the Utility funds for the years 2021 – 2025.

As per the Community Charter, the City must adopt its 2021 – 2025 Financial Plan Bylaw by May 15, 2021.

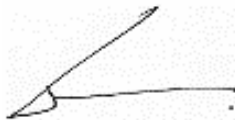
Respectfully submitted,



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: General Fund Capital
- Appendix C: Utility Funds Operations
- Appendix D: Utility Funds Capital
- Appendix E: Comparative Information