



City of Port Moody

Report/Recommendation to Council

Date: April 9, 2021
Submitted by: Finance and Technology Department – Financial Services Division
Subject: 2021-2025 Five Year Financial Plan

Purpose

To present the proposed 2021-2025 Five-Year Financial Plan Bylaw for consideration as directed by the Finance Committee.

Recommended Resolution(s)

THAT City of Port Moody Financial Plan Bylaw, 2021, No 3309 be read a first, second, and third time as recommended in the report dated April 9, 2021 from the Finance and Technology Department – Financial Services Division regarding the 2021-2025 Five Year Financial Plan.

Background

Section 165 of the *Community Charter* requires municipalities to annually prepare and adopt a Financial Plan that encompasses the City's operating and capital requirements for a period of five years, beginning with the current year.

The Finance Committee has deliberated over the 2021 Financial Plan covering the years 2021 to 2025, and has directed staff to bring forward the related Bylaw for Council's consideration.

Included for Council's consideration as **Attachment 1** is draft City of Port Moody Financial Plan Bylaw, 2021, No. 3248, which sets out expenditures, funding sources, and fund and reserve transfers as required under section 165 of the *Community Charter*, as directed by the following Finance Committee resolution passed on March 16, 2021, and subsequently ratified by Council on the same date (RC21/132).

FC21/027

AND THAT staff be directed to prepare the 2021-2025 Financial Plan Bylaw and 2021 Tax Rates Bylaw for Council consideration based on the 3.55% tax rate increase as discussed in the memo dated March 5, 2021 from the Finance and Technology Department – Financial Services Division regarding 2021 Budget Deliberations.

As approved by the Finance Committee on March 16, 2021, the draft Financial Plan Bylaw includes a net budgetary increase of \$1,575,000, which is estimated to represent a 3.55% tax rate increase. This is composed of:

- salary, wage, and benefit increases of \$1,392,000 (3.14%);
- operating expense increase of \$215,000 (0.48%);
- budget revenue (including growth) increase of \$243,000 (-0.55%);
- net reserve transfer increase of -\$66,000 (-0.15%);
- net increase for Port Moody Police of \$346,000 (0.78%), including a \$56,000 allocation of growth revenue; and
- a total operating impact for City and Police services of \$1,644,000 (3.70%).

To continue to fund the replacement of critical municipal infrastructure, the City is increasing the Asset Renewal Levy (the Levy) by \$444,000 (1%), which is in line with the City's historic practice of increasing the asset levy by the equivalent of a 1% tax increase annually. In 2020, the asset levy was increased by \$173,000 (0.40%) in an effort to reduce the overall tax increase in response to the COVID-19 pandemic.

A number of new funding requirements have been included in the 2021-2025 Five-Year Financial Plan (\$278,000), which have been offset with new revenues from the digital billboards (\$790,000), resulting in a net new revenues of \$512,000.

The total Capital budget, approved by the Finance Committee on January 5, 2021 (FC21/009a), is \$26.5 million for 2021 (\$71.4 million over the Five-Year Financial Plan).

Discussion

2021-2025 Financial Plan

The 2021-2025 Financial Plan is a fiscally responsible budget that balances the continuation of 2020 levels of service and addresses the financial realities of the ongoing COVID-19 pandemic. Port Moody, like other municipalities, continues to face budget challenges with cost increases for wages and benefits, which make up the single highest cost driver in the budget. The City realized and included minimal new tax revenue from construction growth, as well as other small increases to fees and fines that offset the revenues needed from the proposed increase to taxation. New revenues from digital billboards help to significantly reduce the tax increase for 2021.

With the 2020 closure of the Flavelle sawmill (Mill and Timber), the City saw significant changes to assessed values and property classifications to the City's 2021 tax roll. This would result in a re-distribution of taxes throughout the City. To offset the impact of this redistribution, \$900,000 was transferred from City reserves to maintain an overall tax increase of approximately 3.55%.

Increased costs as the City continues to respond to the effects of COVID-19 are offset with the Provincial government's COVID-19 Safe Restart Grants for Local Governments.

2021-2025 Capital Financial Plan

Port Moody, like other cities across Canada, also continues to be challenged with the capital funding required for the maintenance, repair, and replacement of its critical assets and infrastructure. The national capital infrastructure funding deficit continues to consume tax room that has been traditionally directed towards operations as cities try to close the identified infrastructure funding gap. Cities are having to substitute taxation as a capital funding source as traditional capital funding sources, such as federal and provincial grants and land sales, continue to be uncertain.

Port Moody City Council has been very proactive and progressive in addressing this problem by implementing the Capital Asset Levy as a reliable and sustainable capital funding source, and has historically increased the Asset Levy annually in an attempt to address the capital funding gap. The asset levy will increase in 2021, and is proposed to increase annually throughout the Five-Year Financial Plan to provide a stable funding source for ongoing renewal and replacement of critical municipal infrastructure.

Total Property Charges

The 2021 Financial Plan presented for Council's approval results in a total residential property tax charge increase of 3.55% for the average household assessed at \$970,000 for 2021, or \$85 for the year (\$1.63 per week). The total blended property charge, which includes property tax and utility levies, is estimated at approximately \$3,845 for the average household, an increase of 3.50% from 2020.

Tax Policies

Since 2008, municipalities have been required by the Province to include in their five-year financial plan municipal taxation objectives and revenue policies in order to enhance the City's accountability and transparency in reporting to the public regarding the following:

- the proportion of total revenue that comes from each of the funding sources described in section 165(7) of the *Community Charter*;
- the distribution of property taxes among the property classes; and
- the use of permissive tax exemptions including revitalization tax exemptions.

The provincial requirement to develop explicit objectives and policies has been satisfied in previous financial plans presented to Council since 2008. The Province expects ongoing review and development of these objectives and policies. The policies were reviewed with the Finance Committee at its March 16, 2021 meeting. Schedule B of the attached Bylaw states the City's current Revenue Policy Disclosure – Policies and Objectives.

Asset Management

In 2014, Council formulated a set of financial principles into the development of the City's Long Term Strategic Financial Framework (LTSFF) that was intended to move the City towards financial sustainability. The financial principles approved as part of the LTSFF are referenced during budget deliberations to ensure consistency year-over-year in the formulation of the City's annual capital and operating plans.

In addition, City Council also adopted the first phases of its Asset Management Investment Plan (AMIP) that identified the annual funding requirement for the maintenance and replacement of the City's critical assets. As a result of this analysis, the City was able to quantify its annual infrastructure funding gap, and develop a strategy to close the gap over the long term. The AMIP is used by Council as the guiding document to prioritize capital projects for development of the City's five-year capital plans for existing assets.

Other Option(s)

1. THAT the 2021 Financial Plan be referred back to staff and/or the Finance Committee for further deliberations, acknowledging that the Tax Rates Bylaw must be adopted before May 15, 2021 in accordance with the *Community Charter*.
2. THAT the 2021 Financial Plan be amended, recognizing that the mill rates in the Tax Rates Bylaw will need to be recalculated by Finance staff prior to presentation for first three readings.

Financial Implications

Financial implications are as detailed and set out above.

Communications and Civic Engagement Initiatives

General advertisements regarding Council's consideration of the 2021-2025 Financial Plan bylaw were included in the local newspaper. Budget deliberations have been open to the public and information posted and updated on the website.

The 2021 Budget Consultation was facilitated through engage.portmoody.ca, an online platform where participants register to learn about plans and projects, share ideas, and provide feedback. Between February 8 and February 28, 2021, participants could take a survey, answer a featured question (i.e. "If the City were to look at service level reductions to lower the tax rate increase, which specific services do you think we should consider reducing?"), and pose questions to staff experts.

Out of the 178 engaged participants, 176 filled out a survey, 23 answered the featured question, and two posed a question to staff. 99% of respondents are residents, and 10% own or operate a business in Port Moody.

Engaged participants heard about the Budget Consultation through a variety of channels, including email (83), direct correspondence from Engage Port Moody (71), and social media (17). Citizen Advisory Group members were sent an invitation to participate in the Budget Consultation.

Council Strategic Plan Objectives

The City has a three-step planning process that starts with the development of Council's Strategic Plan goals and objectives, followed by the development of a staff Work Plan that identifies the tasks needed to achieve the goals and objectives. The Financial Plan supports these plans by aligning financial resources to the strategic priorities of Exceptional Service, Environmental Leadership, Healthy City, Economic Prosperity, and Community Evolution.

Attachment(s)

1. Draft City of Port Moody Financial Plan Bylaw, 2021, No. 3309.

Report Author

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Report Approval Details

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| Document Title: | 2021-2025 Five Year Financial Plan Bylaw.docx |
| Attachments: | - Attachment 1 - Draft City of Port Moody Financial Plan Bylaw, 2021, No. 3309.pdf |
| Final Approval Date: | Apr 20, 2021 |

This report and all of its attachments were approved and signed as outlined below:

Paul Rockwood, General Manager of Finance and Technology - Apr 17, 2021 - 3:15 PM

Dorothy Shermer, Corporate Officer - Apr 19, 2021 - 11:46 AM

Rosemary Lodge, Manager of Communications and Engagement - Apr 20, 2021 - 12:29 PM

Tim Savoie, City Manager - Apr 20, 2021 - 1:35 PM