

Considered at the November 16, 2021 Council meeting



City of Port Moody Report/Recommendation to Council

Date: November 5, 2021
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Provisional 2022-2026 Capital Budget

Purpose

To present the provisional 2022 Capital Budget for information.

Recommended Resolution

THAT the report dated November 5, 2021 from the Finance and Technology Department – Financial Services Division regarding Provisional 2022-2026 Capital Budget be received for information.

Executive Summary

The provisional Five-Year Financial Plan contains \$64.8 million in projects for years 2022 through 2026. 2022 has \$17.2 million in proposed projects with project submissions from nearly all departments. Funding for the proposed projects comes from multiple City reserves and other external funding sources. Most City reserves are balanced as required for the Five-Year Financial Plan, although some have opening balance deficits. The list of 2022 projects are diverse and includes project submissions for the following items:

- fleet replacements;
- road reconstruction and rehabilitation at various locations throughout the City;
- boardwalk and pedestrian bridge reconstruction at the Inlet Trail;
- synthetic turf replacement project at Trasolini Field and bike trail bridge at Noons Creek;
- improvements to traffic signals, street lights, and bus stops;
- major utility projects, including Glenayre/Seaview/College Park water system rehabilitation; and
- storm/drainage rehabilitations at various locations.

The following table highlights the top ten projects for 2022 by budget (dollars).

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| Top 10 Projects (by dollar) | | | | | |
|---|--|---------------------|------------|------------------|------------------------------|
| Division | Project Name | Climate Action Plan | Priority | LP 2022 | Percentage of Total Projects |
| Parks | PK22001 - Inlet Trail - Boardwalk and Pedestrian Bridge Reconstruction | Infrastructure | 3. High | 2,500,000 | 15% |
| Parks | PK22024 - Trasolini Field - Synthetic Turf Replacement | Not Applicable | 4. Medium | 1,110,000 | 6% |
| Water | WT22015 - Glenayre/Seaview/College Park Water System Rehabilitation | Not Applicable | 3. High | 1,100,000 | 6% |
| Engineering | EN22006 - Local Road Network (LRN) Road Reconstruction Program | Not Applicable | 3. High | 1,000,000 | 6% |
| Water | WT22012 - Ioco Road Corridor Reconstruction (Water) | Not Applicable | 3. High | 750,000 | 4% |
| Parks | PK22054 - Noons Creek Bike Trail Bridge | Infrastructure | 3. High | 600,000 | 3% |
| Development Planning | DP22007 - Development Process Streamlining | Not Applicable | 2. Council | 535,000 | 3% |
| Engineering | EN22009 - Major Road Network (MRN) Road Rehabilitation Program | Not Applicable | 3. High | 300,000 | 2% |
| Facilities | FC22218 - Works Yard - Roofing Replacement | Buildings | 3. High | 255,000 | 1% |
| Parks | PK22013 - Maintenance Dredging - Rocky Point Pier | Not Applicable | 3. High | 250,000 | 1% |
| Total - Top 10 (by dollar) Project Costs | | | | 8,400,000 | 49% |

Staff have prepared the provisional 2022 Capital Plan for the Committee’s approval in line with the 2022 Financial Plan Guidelines and other City policies and Master Plans.

Funding for the Capital Plan is proposed to come from multiple City reserves, including the:

- Asset Reserve;
- Artworks Reserve;
- Carbon Offset Community Reserve;
- Equipment Replacement Reserve;
- MRN reserves;
- New Initiatives Reserve;
- Community Amenity Contribution Reserve;
- Density Bonusing Reserve;
- Master Transportation Plan Reserve;
- multiple utility reserves (Sewer, Water, Drainage, and Sanitation); and
- external grants (including the COVID-19 Restart grant).

All departments (except People, Communications, and Engagement) have submitted projects as part of the 2022 capital budget process. A complete list of submitted projects by department is detailed in **Attachment 1**. Departments have prioritized project submissions based on several factors, including Council’s Strategic Plan, the Asset Management Investment Plan (AMIP), the Climate Action Plan, risk assessments, and other relevant factors in allocating the available funding.

The following criteria, as outlined in the 2022 Budget Guidelines, was used to prioritize project submissions. This is consistent with previous years.

High

- public health and life safety issues;
- legislation or regulation requirements;

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- management of existing assets (extends useful life; deterioration; avoids expensive repairs; lessens emergency disruptions); or
- strategic priority of Council.

Medium

- improves an existing asset;
- increases cost savings/revenues generated;
- equipment replacement at the end of its life cycle; or
- reduces future maintenance/repairs on recurring issues or long-standing deficiencies.

Low

- new service/infrastructure;
- addresses deficiencies reported in commissioned studies and reports; or
- addresses future concerns.

Discussion

Reserves are required to be balanced over the Five-Year Financial Plan as part of a balanced budget. It is common practice to have more projects than funding in a particular year for reserves depending on the overall reserve balance and the nature of the projects, as long as the final year of the Five-Year Financial Plan remains in a positive balance. A complete list of Capital and Operating projects and reserve summaries is included in **Attachment 1**. Detailed project submissions have been made available internally on the City's intranet site, and externally on the City's website. Unfortunately, the document is too large to be included as an attachment to this report.

Asset Reserve

The Asset Reserve is the primary reserve used to fund the repair and replacement of City Assets (excluding utilities). This is broken down into various envelopes, which receive annual funding allocations. Although some of the envelopes are overdrawn in the first part of the Five-Year Financial Plan, all envelopes are balanced by the fifth year of the financial plan.

As noted and approved in the Financial Plan Guidelines, annual funding is proposed to increase by \$462,000 in 2022. This is distributed proportionally to the six envelopes.

| Capital Program - Asset Reserve | 2022 Allocation* | 2023 Allocation* | 2024 Allocation* | 2025 Allocation* | 2026 Allocation* |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Equipment - City | 310,713 | 346,313 | 382,996 | 420,979 | 465,376 |
| Equipment - Police | 182,882 | 192,378 | 202,163 | 212,295 | 224,137 |
| Facilities | 1,328,020 | 1,480,179 | 1,636,967 | 1,799,308 | 1,989,067 |
| Parks | 582,212 | 648,919 | 717,656 | 788,827 | 872,019 |
| Transportation | 1,571,943 | 1,752,050 | 1,937,635 | 2,129,794 | 2,354,407 |
| Unallocated | 330,641 | 379,982 | 430,824 | 483,467 | 545,001 |
| Total | 4,306,411 | 4,799,821 | 5,308,241 | 5,834,670 | 6,450,007 |

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Following are additional details on the status of each envelope.

Asset Reserve – Capital Programs (envelopes)

1. City Equipment – The City Equipment Program envelope was overdrawn in previous years, resulting in an estimated opening balance deficit of \$470,000. Submitted projects total \$325,000 (2022), \$160,500 (2023), \$297,000 (2024), \$384,500 (2025), and \$285,500 (2026). The reserve has an estimated ending balance surplus of \$3,400 in 2026.
2. Police Equipment – Submitted projects total \$103,900 (2022), \$170,500 (2023), \$206,600 (2024), \$158,200 (2025), and \$315,100 (2026). The estimated ending balance is \$86 at the end of 2026.
3. Facilities Maintenance – The Facilities Maintenance Program was significantly overdrawn in previous years, resulting in an estimated opening balance deficit of \$1,547,000. Submitted projects total \$1,575,000 (2022), \$1,496,000 (2023), \$1,598,000 (2024), \$1,458,500 (2025), and \$975,000 (2026). The reserve remains in a deficit throughout most of the Five-Year Plan. The Reserve has an estimated balance surplus of \$11,700 at the end of 2026.
4. Parks Maintenance – The Parks Maintenance Program envelope is overdrawn across the Five-Year Financial Plan. Submitted projects total \$631,500 (2022), \$937,500 (2023), \$222,500 (2024), \$458,500 (2025), and \$507,500 (2026). The envelope has an estimated ending balance surplus of \$69,000 in 2026. Several Parks related projects were funded from the Unallocated Envelope of the Asset Reserve (discussed below).
5. Transportation – The Transportation Program envelope is balanced over the Five-Year Financial Plan. The envelope was significantly overdrawn in previous years, resulting in a \$1,866,000 opening balance deficit. Submitted projects total \$1,859,500 (2022), \$1,128,000 (2023), \$1,313,000 (2024), \$1,238,000 (2025), and \$1,213,000 (2026). The reserve gradually becomes balanced through the Five-Year Capital Plan to achieve a positive balance of \$78,500 in 2025 and has an estimated ending balance surplus of \$1,220,000 in 2026.
6. Unallocated – The Unallocated Program envelope was established as part of the Capital Program structure in 2015 to capture assets that had not been accounted for or classified in the AMIP. This Program envelope was overdrawn in previous years resulting in a negative opening balance of \$1,010,000 in 2022. In 2022, several major Park's projects (\$2.5M Inlet Trail – Boardwalk and Pedestrian Bridge Reconstructions; \$1.1M Trasolini Field – Synthetic Turf Replacement; and \$0.6M Noons Creek Bike Trail Bridge) are proposed to be funded from this reserve. As a result, staff have proposed a one-time transfer of \$4.0M from the Asset Reserve Opening balance to help fund these projects. The reserve gradually recovers within the Five-Year Financial Plan as fewer projects have been submitted for future years, and the reserve has an estimated ending balance surplus of \$270,000 in 2026.

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New Initiatives Reserve

This reserve is used to fund new initiatives and strategic priorities. This reserve has been chronically overdrawn in previous years, resulting in an opening balance deficit of \$729,000. Proposed projects total \$672,000 (2022), \$253,000 (2023), \$163,000 (2024), \$163,000 (2025), and \$163,000 (2026). The reserve has an estimated ending balance surplus of \$422,800 in 2026.

In 2021, Council has approved an annual funding increase of \$38,000 to help bring annual funding back to 2015 levels. Additionally, staff are proposing an annual funding increase of \$15,000 for 2022, increasing by \$15,000 annually for all five years of the Financial Plan to balance the reserve and provide an annual level funding that is better aligned with project submissions.

Equipment Replacement Reserve (ERR)

The ERR is a statutory reserve used to fund the replacement of City vehicles. Funding is provided through the established replacement provisions charged to departmental operating budgets, which provide sufficient funding to replace vehicles when they reach the end of their useful lives. The reserve balance is reviewed annually to ensure replacement schedules are accurate and replacement provisions are keeping pace with inflation and foreign exchange factors. Proposed projects total \$782,200 (2022), \$1,251,200 (2023), \$1,915,400 (2024), \$1,777,300 (2025), and \$2,434,700 (2026).

The Financial Planning team works with the Fleet Manager and Fleet Supervisor to review all scheduled replacements over the Five-Year Financial Plan. When possible, replacements are delayed to future years and vehicle lives are extended. Additionally, in some cases, when assets have deteriorated at a rapid pace and ongoing service and maintenance costs are high, replacements are accelerated. This reserve is balanced over the Five-Year Financial Plan and fully funded as a result of budgeted departmental replacement provisions.

MRN Reserves

The Major Road Network (MRN) reserves are funded through the annual payments made by TransLink to the City as part of the MRN agreement. A portion of annual funding is allocated to general rehabilitation and pavement rehabilitation reserves to fund road works that are part of the Major Road Network. The projects submitted are limited by the level of funding provided by TransLink. The 2022 Capital Plan includes limited projects as the City must ensure MRN funding from TransLink is re-established prior to making further capital commitments.

MTP Reserve

The Master Transportation Plan (MTP) reserve is used to fund the projects associated with the implementation of *TransPort Moody* – Port Moody's Master Transportation Plan. Initial funding from this reserve came through internal borrowing from the City's Density Bonus reserve. This reserve is balanced across the Five-Year Financial Plan; however, project submissions are limited leading up to findings of the 2021 Master Transportation Plan Review. At that time, it is anticipated that additional funding will be required to implement the next phase of the MTP.

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Density Bonus Reserve

The Density Bonus Reserve Fund (Bylaw No. 3142) references expenditures from the reserve for the funding of: community facilities/amenities; parks and recreation facilities/amenities; environmental enhancements; arts and cultural facilities/amenities; public art; streetscape and/or pedestrian related improvements; affordable or special needs housing or contributions to the Affordable Housing Reserve; parkland and other strategic land purchases; repayment of debt; and Transportation Improvements.

Future year projects include Civic Complex Exterior Upgrades and Enhancement (Phase II). However, this project has been pushed out by one year to 2024 through 2026.

This funding source was selected for these projects due to its alignment with the reserve policy and overall community benefit. Funding for these projects could not be accommodated through other City funding sources (Asset Reserve or New Initiatives Reserve).

Utility Reserves

Capital projects related to the water, sewer, drainage, and solid waste utilities have been submitted as part of the capital plan. All four of the Utility reserves are balanced over the Five-Year Financial Plan.

Other Reserves and Funding Sources

A number of additional City reserves and funding sources are used for project funding in the Five-Year Capital Plan. Details of these reserves can be found in **Attachment 1**.

Summary of 2022 Projects by Department

A complete list of projects by division for all five years of the annual plan can be found in **Attachment 1**.

The following table summarizes the proposed projects by department across the five years of the Financial Plan.

| Department | Total Project Count | 2022 | 2023 | 2024 | 2025 | 2026 |
|----------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| City Administration | 2 | 240,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Community Development | 12 | 1,148,000 | 57,000 | 12,000 | 12,000 | 12,000 |
| Community Services | 134 | 7,409,600 | 2,786,400 | 2,272,800 | 2,730,200 | 1,932,100 |
| Engineering and Operations | 77 | 3,475,900 | 3,708,800 | 3,983,200 | 2,908,600 | 3,027,500 |
| Fire Rescue | 2 | 66,000 | | | | |
| Finance and Technology | 16 | 389,000 | 130,000 | 160,000 | 90,000 | 55,000 |
| Library | 3 | 11,000 | | | | |
| Police | 33 | 125,900 | 338,500 | 578,100 | 354,700 | 549,300 |
| Utilities | 48 | 4,285,500 | 6,973,600 | 6,074,700 | 4,598,700 | 3,704,500 |
| | | 17,150,900 | 14,119,300 | 13,205,800 | 10,819,200 | 9,405,400 |

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Other Considerations

The timeline for approving the 2022 Capital Plan is consistent with prior years. The accelerated timeline eliminates the need for divisions to submit and identify projects for pre-approval and has allowed the committee to review the Capital Plan in its entirety. Additionally, by having projects approved by the end of 2021, staff can begin the necessary project planning, procurement, and general resourcing required in January 2022.

Should the Committee want additional information, or further debate/discussion, individual projects may be removed from the approved projects list and brought back to the Committee in December or January for further deliberations without holding up other projects that need to get out into the market for competitive quotes, contractor work plans, product availability, etc. Additionally, if conditions evolve resulting in the need to reduce the 2022 Capital Plan, or add additional projects to the 2022 Capital Plan, this information will be brought forward to the Finance Committee.

Other Option(s)

THAT staff report back to the Committee with additional requested information on the 2022 Capital Plan.

Financial Implications

All capital projects are aligned with a funding source (City reserve or external funding source).

Five of the submitted 2022 projects have an ongoing impact on the operating budget, which would result in an additional funding requirement in 2022 and beyond (tax increase).

| Projects with Operating Budget Impact | | | | LP 2022 | Annual Operating Impact |
|---------------------------------------|---|---------------------|-----------|----------------|-------------------------|
| Division | Project Name | Climate Action Plan | Priority | | |
| Fleet | FL22041 - PK - Mini Excavator | Not Applicable | 3. High | 80,500 | 15,000 |
| Fleet | FL22042 - PK - Tandem Dump Trailer | Not Applicable | 3. High | 22,500 | 2,500 |
| Information Services | IS22007 - Cloud Disaster Recovery Server Backup | Not Applicable | 3. High | 30,000 | 112,000 |
| Information Services | IS22009 - Telephony Replacement | Not Applicable | 3. High | 70,000 | 360 |
| Parks | PK22061 - Noons Creek Stairs | Not Applicable | 4. Medium | 25,000 | 2,000 |
| Total - Project Costs | | | | 228,000 | 131,860 |

The proposed Capital Plan includes an annual funding increase to the Asset Reserve of the equivalent of a 1% tax increase (\$462,000 in 2022). This is in line with the City's past practice to ensure funding is available for the renewal of City assets. The New Initiatives reserve includes an additional \$15,000 contribution in 2022, which is proposed to increase by \$15,000 annually to provide the necessary funding for the proposed projects.

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Communications and Civic Engagement Initiatives

The City's Financial Plan and associated documentation will be posted on the City website. Additional Financial Plan information will be made available to the public during the Public Budget Consultation process.

Council Strategic Plan Objectives

All projects are aligned with at least one Council Strategic Plan objective as required by the Budget Guidelines. The specific goals each project align with can be viewed in the Capital Plan details in **Attachment 1**.

Attachment(s)

1. Provisional 2022-2026 Five-Year Financial Plan Capital Budget.

Report Author

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Report Approval Details

| | |
|----------------------|--|
| Document Title: | Provisional 2022-2026 Capital Budget.docx |
| Attachments: | - Attachment 1 - Provisional 2022-2026 Five-Year Financial Plan Capital Budget.pdf |
| Final Approval Date: | Nov 8, 2021 |

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

Paul Rockwood, General Manager of Finance and Technology - Nov 5, 2021 - 10:18 AM

Dorothy Shermer, Corporate Officer - Nov 5, 2021 - 5:28 PM

Rosemary Lodge, Manager of Communications and Engagement - Nov 7, 2021 - 9:16 PM

Tim Savoie, City Manager - Nov 8, 2021 - 1:28 PM