



City of Port Moody

Report/Recommendation to Council

Date: April 8, 2022

Submitted by: Finance and Technology Department – Financial Services Division

Subject: 2022-2026 Five Year Financial Plan

Purpose

To present the proposed 2022-2026 Five-Year Financial Plan Bylaw for consideration as directed by the Finance Committee.

Recommended Resolution(s)

THAT City of Port Moody Financial Plan Bylaw, 2022, No 3358 be read a first, second, and third time as recommended in the report dated April 8, 2022 from the Finance and Technology Department – Financial Services Division regarding the 2022-2026 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 2022 Financial Plan covering the years 2022 to 2026 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, 2022, No. 3358, 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 April 5, 2022, and subsequently ratified by Council on the same date (RC22/127).

FC22/021

THAT staff be directed to prepare the 2022-2026 Financial Plan Bylaw and 2022 Tax Rates Bylaw for Council consideration based on a 4.71% tax rate increase as discussed in the memo dated March 25, 2022 from the Finance and Technology Department – Financial Services Division regarding 2022 Budget Deliberations and at the Special Council meeting of April 5, 2022.

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As approved by the Finance Committee on April 5, 2022, the draft Financial Plan Bylaw includes a net budgetary increase of \$2,176,000, which is estimated to represent a 4.71% tax rate increase.

This is comprised of operating expenses related to:

- salary, wage, and benefit increases of \$977,000 (2.12%);
- operating expense increase of \$371,000 (0.80%);
- budget revenue (including growth) increases of \$558,000 (-1.21%);
- net reserve transfer increase of -\$400,000 (-0.87%); and a
- net increase for Port Moody Police of \$576,000 (1.25%)

To continue to fund the replacement of critical municipal infrastructure, the City is increasing the Asset Renewal Levy (the Levy) by \$462,000 (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.

The draft 2022-2026 Five-Year Financial Plan includes a \$450,000 or 0.97% tax increase as the City reduces the annual transfer from the Growth Stabilization Reserve, introduced in 2021 to phase in the impact of the Mill and Timber tax class change.

New funding requirements as a result of previous Council direction or contractual obligations total \$230,000 (0.50%). Net new funding requirements required to address service delivery pressures total \$68,000 (0.15%).

The total Capital budget, approved by the Finance Committee on December 7, 2021 (FC21/067), is \$17.2 million for 2022 (\$64.8 million over the Five-Year Financial Plan).

Discussion

2022-2026 Financial Plan

The 2022-2026 Financial Plan is a fiscally responsible budget that balances levels of service, gradual recovery post COVID-19 pandemic, and limited increases in City revenues. Port Moody, like other municipalities, continues to face budget challenges with cost increases for wages, benefits, and WorkSafe BC premiums, which make up the single highest cost driver in the budget. The City realized limited new tax revenue from construction growth (up from previous years) that helped to reduce the proposed increase to taxation.

The initial budget submission from City staff was a \$3,600,000 (7.81%) increase over 2021. This was the level of funding deemed appropriate to move the City forward, and incorporated services removed and/or foregone due to COVID and other financial challenges over the last number of years. The Executive Leadership Team (ELT) reduced this to \$2,756,000 (5.97%) through increases to revenues and the reduction of a number of services, including the majority of new positions requested for 2022.

This budget was presented to the community in the 2022 Budget Consultation, which was facilitated through engage.portmoody.ca, the City's online engagement hub. Participants registered to learn about the City's financial plans and projects, share ideas, and provide

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feedback. Between February 8 and February 28, 2022, participants had access to the annual budget survey, budget resource information, FAQs, and could pose questions and comments to staff. 288 individuals completed the online survey and 146 (51%) individuals provided feedback or comments for Council members.

73% of survey respondents indicated that they received good (63%) or excellent (10%) value in relation to the taxes and utility fees that they pay. 49% of survey respondents wanted to maintain current service levels through a tax increase. 27% of respondents wanted to keep tax rate the same as last year through reduced services levels; in contrast, 12% wanted enhanced service levels through a larger tax increase.

The results from the public consultation undertaken for the 2022-2026 Five-Year Financial Plan were presented to the Finance Committee on March 15, 2022.

At the March 15, 2022, Finance Committee meeting, the following resolution was passed:

FC22/107 as amended by FC22/108:

THAT staff be directed to report back with options for a 1% and a 2% reduction, in order of severity, to the proposed tax rate increase.

At the April 5, 2022, closed Finance Committee meeting, the committee was presented with options to reduce the overall tax increase for 2022. At the April 5, 2022 Finance Committee meeting, the options selected by the Committee were presented publicly. These included general budget adjustments (\$310,000 – 0.67%), revenue adjustments (\$117,500 – 0.25%), and service adjustments (\$152,000 – 0.33%). These adjustments to the 2022 Financial plan allowed the committee to pass the following resolution:

FC22/021

THAT staff be directed to prepare the 2022-2026 Financial Plan Bylaw and 2022 Tax Rates Bylaw for Council consideration based on a 4.71% tax rate increase as discussed in the memo dated March 25, 2022 from the Finance and Technology Department – Financial Services Division regarding 2022 Budget Deliberations and at the Special Council meeting of April 5, 2022.

2022-2026 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 2022, and is proposed to increase annually throughout the

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Five-Year Financial Plan to provide a stable funding source for ongoing renewal and replacement of critical municipal infrastructure.

Total Property Charges

The 2022 Financial Plan presented for Council's approval results in a total residential property tax charge increase of 4.71% for the average household assessed at \$1,200,000 for 2022, or \$122 for the year (\$2.35 per week). The total blended property charge, which includes property tax and utility levies, is estimated at approximately \$2,742 for the average household, an increase of 4.69% from 2021.

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 15, 2022 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 2022 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, 2022 in accordance with the *Community Charter*.

2. THAT the 2022 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 2022-2026 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 2022 Budget Consultation was facilitated through engage.portmoody.ca, the City's online engagement hub where participants register to learn about the City's financial plans and projects, share ideas, and provide feedback. Between February 8 and February 28, 2022, participants had access to the annual budget survey, budget resource information, FAQs, and could pose questions and comments to staff. 288 individuals completed the online survey and 146 (51%) individuals provided feedback or comments for Council members. The results of the public engagement were presented to Council on March 15, 2022.

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, 2022, No. 3358.

Report Author

Tyson Ganske, CPA, CGA
Manager of Financial Planning

Report Approval Details

Document Title:	2022 - 2026 Five Year Financial Plan Bylaw.docx
Attachments:	- Attachment 1 - Draft City of Port Moody Financial Plan Bylaw, 2022, No. 3358.pdf
Final Approval Date:	Apr 14, 2022

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

Tyson Ganske, Manager of Financial Planning - Apr 13, 2022 - 3:45 PM

Paul Rockwood, General Manager of Finance and Technology - Apr 13, 2022 - 7:05 PM

Rosemary Lodge, Manager of Communications and Engagement - Apr 14, 2022 - 1:55 PM

Paul Rockwood for Tim Savoie, City Manager - Apr 14, 2022 - 3:04 PM



City of Port Moody

Bylaw No. 3358

A Bylaw to establish the budget for the 2022-2026 Five-Year Financial Plan.

The Council of the City of Port Moody enacts as follows:

1. Citation

- 1.1 This Bylaw may be cited as “City of Port Moody Financial Plan Bylaw, 2022, No. 3358”.

2. Repeal

- 2.1 City of Port Moody Financial Plan Bylaw, 2021, No. 3309 and all amendments thereto are hereby repealed.

3. Attachments and Schedules

- 3.1 The following schedules are attached to and form part of this Bylaw:
 - Schedule A – Financial Plan, 2022; and
 - Schedule B – 2022 Revenue Policy Disclosure – Policies and Objectives.

4. Severability

- 4.1 If a portion of this Bylaw is found invalid by a court, it will be severed and the remainder of the Bylaw will remain in effect.

Read a first time this ___ day of _____, 2022.

Read a second time this ___ day of _____, 2022.

Read a third time this ___ day of _____, 2022.

Adopted this ___ day of _____, 2022.

R. Vagramov
Mayor

D. Shermer
Corporate Officer

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I hereby certify that the above is a true copy of Bylaw No. 3358 of the City of Port Moody.

D. Shermer
Corporate Officer

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Schedule A to Bylaw No. 3358
Financial Plan, 2022

	2022	2023	2024	2025	2026
REVENUES					
Taxation	\$ 49,296,835	\$ 52,139,142	\$ 54,296,779	\$ 56,172,630	\$ 58,017,594
Sales, Fees and User Charges	\$ 22,962,374	\$ 24,077,020	\$ 25,524,602	\$ 27,168,963	\$ 29,505,606
Other Revenue	\$ 18,545,566	\$ 7,617,722	\$ 7,628,521	\$ 7,633,837	\$ 7,637,219
Development Levies	\$ 17,914				
	\$ 90,822,689	\$ 83,833,884	\$ 87,449,901	\$ 90,975,430	\$ 95,160,419
EXPENSES					
Operating Expenses	(89,356,245)	(83,782,157)	(87,555,963)	(91,398,035)	(96,087,398)
SURPLUS/(DEFICIT)	\$ 1,466,444	\$ 51,727	(106,061)	(422,606)	(926,979)
NON-CASH ITEMS					
Amortization	\$ 11,013,293	\$ 12,114,623	\$ 13,326,086	\$ 14,658,694	\$ 16,124,565
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Cash Items					
Capital Expenditures	(55,581,652)	(12,489,900)	(11,672,000)	(9,464,500)	(8,250,300)
Debt principal repayment	(1,281,309)	(1,390,252)	(1,390,252)	(1,390,252)	(1,390,252)
	(56,862,961)	(13,880,152)	(13,062,252)	(10,854,752)	(9,640,552)
TRANSFERS FROM					
Accumulated Surplus	\$ 61,963	-	-	-	-
Equip. Replace. Reserve Fund	\$ 1,172,341	\$ 1,254,954	\$ 1,921,146	\$ 1,782,632	\$ 2,442,004
Land Sales Reserve Fund	\$ 141,597	-	-	-	-
Off Road Parking Fund	\$ 35,000	-	-	-	-
Reserves/Funds	\$ 59,692,137	\$ 17,527,322	\$ 15,768,819	\$ 13,542,053	\$ 11,441,990
	\$ 61,103,038	\$ 18,782,276	\$ 17,689,965	\$ 15,324,685	\$ 13,883,994
TRANSFERS TO					
Equip. Replace. Reserve Fund	(1,532,186)	(1,654,411)	(1,734,386)	(1,794,165)	(1,841,923)
Reserves/Funds	(15,187,627)	(15,414,064)	(16,113,351)	(16,911,857)	(17,599,104)
	(16,719,813)	(17,068,475)	(17,847,737)	(18,706,022)	(19,441,027)
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Schedule B to Bylaw No. 3358
2022 Revenue Policy Disclosure – Policies and Objectives

Requirement: The proportion of total revenue proposed to come from each funding source

The City receives revenue from various funding sources. The greatest proportion of revenue generated by the City is from property taxes. Property taxes are a stable and consistent revenue source for many services, including protective, community, and transportation services that would be complicated to fund on a user-pay basis. For this reason, property taxation will continue to be the City's major source of revenue.

The second largest revenue source is user fees and charges. User fees are applied to City services such as water, sewer, garbage, and recycling as a means of fairly apportioning the value of that service to those who use the service.

Council has been committed to developing a sustainable infrastructure replacement plan by moving towards a pay-as-you-go strategy for infrastructure replacement. This is put into practice through the process of transferring a portion of tax revenues to the Asset Reserve. These funds are then set aside for use as capital funding in recognition that other more historical capital revenue sources, such as land sales, are finite capital funding sources and are not as available in the future.

Policy:

Council is committed to reducing taxation in favour of the following practices:

- fees and charges are reviewed annually to maximize the revenues from services and also to ensure that they are in line with the market rates for similar services or programs;
- costs for services can be recovered from general taxation or charged specifically to the users of the services. Council recognizes that costs of some services could be more fairly recovered from user fees than property taxes. Council has considered, where feasible, to shift the cost burden of municipal services from property taxes to user fees. However, with respect to user fees, Council has concerns that the overall interests of the community are not always best served. Savings transferred from taxpayers by shifting costs to users also shift a financial burden to some service users that cannot absorb the shifts reducing equal access to services;
- senior government and other agency grant opportunities are applied for and leveraged wherever possible as an external source of revenue to supplement scarce capital and operating property taxation revenues. However, Council will pursue federal and provincial funds and other grant opportunities only after assessing their full-cost implications. The City's Long-Term Strategic Financial Framework, a document designed to steer the City towards financial sustainability, states that the City will not rely on grant funding and will only pursue grants that align with established community priorities;

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- when certain and applicable City land parcels have been identified for development, leasing opportunities rather than straight land sales are a consideration as ownership of City land inventories can be retained while still generating ongoing and sustainable lease, tax, and utility revenue streams, thereby reducing property taxation. Alternatively, the City could maintain those City land inventories through land swaps or land sales and repurchase of other strategic land parcels, when contemplating land development opportunities of City lands; and
- wherever possible, the City maximizes development opportunities to provide community amenities. Also, new developments generally should fund new increased infrastructure requirements.

Objective:

The 2022 Financial Plan includes the following distribution of revenue:

Table 1: Proportions of Total Revenue

Revenue Source	% Total Revenue
Municipal Taxation	53.1%
Fees and Charges	25.4%
External Grants	12.3%
Government Contributions	2.5%
Investment Revenue	0.7%
Payment in Lieu of Taxes	1.4%
Other	4.6%
TOTAL	100.0%

Requirement: The distribution of property taxes among the property classes

The City has delineated six property tax classes within the City, with separate rates levying taxes to six different types of property. Class 4 Major Industry has three rates, two of which are set by the Province to cap certain port properties to encourage new investments in those properties. The City's tax rate ratios are relatively consistent over the years except for classes where external forces, such as provincial capping and assessment calculation practices, are mandated by the Province.

Table 2 provides the distribution of property tax revenue among the property classes. Table 3 provides the comparison of the mill rates among the property taxes.

Table 2: Distribution of property tax revenue among the property classes (2022)

Property Class	% Property Tax
Residential (1)	67.29%
Utilities (2)	0.34%
Major Industry – Other (4)	11.99%
Major Industry – Ports (4)	2.47%
Major Industry – Ports (New Investments) (4)	1.36%
Light Industry (5)	1.69%
Business (6)	14.77%
Recreation (8)	0.09%
TOTAL	100.0%

Table 3: Distribution of property tax mill rates (2022)

Property Class	Ratio
Residential (1)	1.00:1
Utilities (2)	17.23:1
Major Industry – Other (4)	16.91:1
Major Industry – Ports (4)	12.03:1
Major Industry – Ports (New Investments) (4)	9.84:1
Light Industry (5)	4.49:1
Business (6)	2.23:1
Recreation (8)	0.86:1

Policy:

Taxation versus Services Consumed

Property taxation is an *ad valorem* tax system, which means that taxes are based on the assessed value of real property (land and improvements). Therefore, the City does not relate the amount of the tax levied on each individual property with the amount of service the City provides each property. Similarly, the City does not levy its taxes based on the number of occupants in a household using services as taxes are not user fees. Further to this, Council commits to ongoing reviews with the objective of establishing a tax policy that best distributes property taxes among the property classes.

Tax Class Capping

Council is concerned with the distribution of property taxes for classes where provincial capping has been legislated. Provincial tax rate capping can affect the equity of the allocation due to the capping being only applied to certain properties within the class:

- the *Ports Property Tax Act* – 2004 restricts the municipal tax rates to \$27.50 per \$1,000 of assessment value. Eligible new construction relating to port properties is taxed at \$22.50 per \$1,000 of assessment value. The Province provides an annual grant to the City to assist in offsetting the cap, but since the grant is indexed to inflation and the tax increase may be higher, other taxpayers within the class are allocated the variance;
- Class 2 Utilities with respect to the *Local Government Act 329/96* is capped at the greater of \$40 or 3.28 times Class 6 Business/Other; and
- Bill 42 (Bill 42 – *2018 Assessment Amendment Act*, 2018) has a significant impact on the City's autonomy over property taxation. The introduction of Bill 42 held a certain property valuation to current use rather than the highest and best use as is the case for all other properties. The restriction on this property resulted in all other properties paying more tax to compensate for this reduction in property value.

Allocating the Tax Burden

After the provincial restrictions or capping of tax rates are met, the tax rates for the remaining classes are established by adding the Council approved tax increase to distribute the tax burden as equitably as possible across all tax classes, using a fixed share approach. Port Moody reviews its tax rates and the revenue derived from the different property tax classes periodically, and strives to keep the tax rates comparable to neighbouring jurisdictions. As mentioned, Council's policy is to allocate the tax increase equitably to each of the different tax classes recognizing that all tax classes have their own financial challenges.

The impact to tax rates can appear inequitable in some classes even though the tax dollars paid rise more equitably. The reason some tax rates rise more while other tax rates remain more constant is due to the fact that the assessed values, on which the tax rates are based to generate the required revenues, can move in different directions by class as well. When assessed values move in opposite directions for certain classes, the tax rates also need to move in step to keep the tax dollars paid equitable. Over time, tax rates moving in opposite directions to adjust for assessed values moving in opposite directions create significant variances in the tax rates between the classes. The only equity Council can achieve, without purposely directing tax shifts, is to try to keep the percentage increases to the tax dollars paid as equitable as possible.

Objective:

The 2022 Financial Plan includes minor changes in the distribution of property taxes among the property classes. Council's informal policy is to spread the tax burden equitably to each taxpayer in each class.

Requirement: The use of permissive and revitalization tax exemptions

Section 224 of the *Community Charter* provides Council with the authority to grant permissive property tax exemptions on land or improvements.

In 2020, Council approved the list of permissive tax exemptions granted for the 2022 taxation year and the estimated amount of tax revenue foregone. The list demonstrates the policy of Council that permissive exemptions are granted to not-for-profit institutions, including religious, historical, and cultural institutions that form a valuable part of our community.

The City provided 2022 permissive tax exemptions to:

- Mennonite Church;
- Catholic Church;
- Anglican Church;
- United Church;
- Port Moody Ecological Society;
- Port Moody Heritage Society;
- Port Moody Arts Centre Society;
- Port Moody Senior Housing Society;
- Community Ventures Society;
- Association of Neighbourhood Houses of BC DBA Sasamat Outdoor Centre;
- Port Moody (Pacific #119) Branch of the Royal Canadian Legion;
- Catalyst Community Developments Society and St. Andrews Port Moody Housing Society; and
- City of Port Moody.

In accordance with the *Community Charter*, notice to adopt the bylaws must be published, and the bylaws adopted by October 31st of each year.

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Civic tax revenue foregone as a result of the permissive tax exemptions for charitable organizations is estimated to be \$157,049 for 2022. Per section 227 of the *Community Charter*, notice of this exemption was given to the public. Per section 98(2) of the *Community Charter*, this amount of foregone revenue will be disclosed in the City of Port Moody 2022 Annual Report.

Policy:

Permissive Tax Exemptions

Council is committed to the continued support of local organizations for permissive tax exemptions since the organizations provide value to the community that, in Council's view, should be supported by taxpayers.

Revitalization Tax Exemptions

Section 226 of the *Community Charter* provides Council with the authority to grant revitalization property tax exemptions on land or improvements to encourage revitalizations within the municipality. The City has currently entered into one Heritage Revitalization agreement for the taxation years 2016-2022.

Objective:

Each year, Council will examine its permissive tax exemption policy to determine if it should be expanded.