



City of Port Moody

Report to Finance Committee

Date: June 9, 2022
Submitted by: Finance and Technology Department – Financial Services Division
Subject: 2023-2027 Financial Plan Guidelines for Staff

Purpose

To present the 2023-2027 Financial Plan Guidelines for Staff (**Attachment 1**) in preparation of the 2023-2027 Five-Year Financial Planning process.

Recommended Resolution(s)

THAT 2023-2027 Financial Plan Guidelines for Staff be approved as recommended in the report dated June 9, 2021 from the Finance and Technology Department – Financial Services Division regarding 2023-2027 Financial Plan Guidelines for Staff;

AND THAT the Port Moody Police Board be informed of the 2023-2027 Financial Plan Guidelines for Staff;

AND THAT the Budget Expenditure Control Policy be temporary amended for two years to increase the approval threshold of the City Manager to 25% of the original approved budget for capital projects funded from the Equipment Replacement Reserve.

Background

Each year, the Financial Services Division prepares guidelines for staff as they begin work on the next Five-Year Financial Plan. The Guidelines form the basis for the 2023-2027 Five-Year Financial Plan, establish a preliminary timeline for the budget process, and provide general guidance to staff drafting their operating and capital budgets.

Discussion

Budget Targets

City staff, and the Port Moody Police Board, will be instructed to submit an Operating Budget for 2023 based on 2022 service levels. The follows a Zero-based budgeting methodology where all expenses must be justified for each new period. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. The budgets are then built around what is needed for the upcoming period, regardless of whether each budget is higher or lower than the previous one.

The 2023 budget will also include a \$450,000 reduction to the growth stabilization reserve transfer, introduced in the 2021 Budget to smooth the impacts of the significant tax revenue loss as a result of the class shift (class 4 to class 6) of the Mill and Timber property. 2023 is the final year of this reduced budget transfer, resulting in the 2021 assessment impact to be fully incorporated into the budget.

As in previous years, the preliminary 2023 budget will also include a \$485,000 increase for the Asset Renewal Levy (estimated to represent a 1% tax increase).

Staff no longer recommend using the historic 2% increase as the Operating target. With inflation for the first five months of 2022 at the highest levels in over 30 years, recommending a single operating target is unrealistic at this time as we cannot reasonably estimate the overall inflation impacts. Instead, Divisions are instructed to follow the zero-based budgeting approach and to prepare their operating budget based on the 2022 service levels by using the most up-to-date and relevant cost estimates.

Approved Target Tax Increase (\$)	2023	2024	2025	2026	2027
Operating	Zero based	Zero based	Zero based	Zero based	Zero based
Growth Stabilization Reserve (2021)*	450,000	-	-	-	-
Capital – Asset Renewal	485,000	513,000	535,000	554,000	572,000
Total	TBD	TBD	TBD	TBD	TBD

**Reduction to the growth stabilization reserve transfer introduced in the 2021 Budget to smooth the impacts of the significant tax revenue loss as a result of the class shift (class 4 to class 6) of the Mill and Timber property*

Approved Target Tax Increase (%)	2023	2024	2025	2026	2027
Operating	Zero based	Zero based	Zero based	Zero based	Zero based
Growth Stabilization Reserve (2021)*	0.93%	-	-	-	-
Capital – Asset Renewal	1.00%	1.00%	1.00%	1.00%	1.00%
Total	TBD	TBD	TBD	TBD	TBD

The budget targets above do not include growth, new revenues, nor the provision of additional services (expenses or revenues), which are unknown or cannot be reasonably estimated at this time.

Budget Timeline

The proposed timeline for the 2023-2027 Five-Year Financial Plan includes accelerated approval of the City's capital plan. The capital plan will be reviewed with the committee prior to the winter break, ensuring all capital projects can begin in January 2023 and eliminating the need for pre-approvals. Early approval of the Capital Plan allows departments to strategically plan work, take advantage of competitive pricing and contractor scheduling, which ensures assets are put into service as soon as possible providing continued, uninterrupted service delivery. If there is a need for additional capital approval later in the budget process, staff will bring forward an additional report.

Budget deliberations will occur with the Finance Committee through the winter and spring of 2023, with first three readings of the Five-Year Financial Plan Bylaw and the corresponding 2023 Tax Rates Bylaw at Regular Council on April 25, 2023. Adoption of the Bylaws is scheduled for May 9, 2023. A detailed budget timeline can be found in Appendix 1 of the Guidelines.

Budget Consultation

The public budget consultation will take place in February 2023 and will remain open for three weeks to allow time for members of the community to provide feedback on the Financial Plan.

The City will use Engage Port Moody, the City's public engagement hub, to inform and collect community feedback on the 2023 Financial Plan. As in 2022, this will include the annual budget survey, budget resource information, and FAQs posted on the project page. Staff will answer questions from community members as they are posted. Staff have found the Engage Port Moody platform to be a modern and interactive platform allowing the community to learn, become informed, and provide feedback on their own terms.

Budget Expenditure Control Policy

The Expenditure Control Policy (**Attachment 2**) formalizes a defined and transparent process for requesting one-time and ongoing capital funding that exceeds the approved budget. The policy authorizes the General Manager of Finance and Technology (Chief Financial Officer) to approve an increase up to \$5,000 and the City Manager to approve an increase up to \$10,000.

Due to global supply chain challenges, initially in response to the COVID-19 pandemic, and currently in response to significant inflation and market conditions, there are significant cost fluctuations and tight timelines around the order and purchase of new vehicles. Order banks are only remaining open for limited time periods, and if missed, vehicle replacements can be delayed a full year or more and pricing can vary significantly over historical averages.

To address this concern, staff are requesting a temporary (two year) amendment to the thresholds in the Budget Expenditure Control Policy. For capital projects funded from the Equipment Replacement Reserve (statutory reserve for the replacement of the City's fleet), upon request of a Department's General Manager, the City Manager may authorize a budgetary increase to a capital project up to 25% of the originally approved budget. This temporary measure will provide additional flexibility to enable City staff to procure vehicle replacements without interruption during these extraordinary times.

Other Option(s)

1. THAT the 2023-2027 Financial Plan Guidelines for Staff be approved as amended.

Financial Implications

There are no direct financial implications associated with approving the Financial Plan Guidelines for Staff. Financial implications pertaining to the 2023-2027 Financial Plan are discussed above in this report.

Communications and Civic Engagement Initiatives

The budget guidelines are included in the Five-Year Financial Plan document that is available on the City's website.

Council Strategic Plan Objectives

The Financial Plan Guidelines for Staff align with Council's strategic priority of Exceptional Service and Council's objective to provide the public with transparent and open government, and opportunities to provide input on City issues.

Attachment(s)

1. Draft 2023-2027 Financial Plan Guidelines for Staff.
2. Budget Expenditure Control Policy

Report Author

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Report Approval Details

Document Title:	2023 - 2027 Financial Plan Guidelines for staff.docx
Attachments:	- Attachment 1 - 2023 – 2027 Financial Plan Guidelines.pdf - Attachment 2 - Budget Expenditure Control Policy.PDF
Final Approval Date:	Jun 21, 2022

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

Paul Rockwood, General Manager of Finance and Technology - Jun 18, 2022 - 4:55 PM

Rosemary Lodge, Manager of Communications and Engagement - Jun 20, 2022 - 11:42 AM

Tim Savoie, City Manager - Jun 21, 2022 - 8:32 AM