



City of Port Moody

Report to Finance Committee

Date: February 9, 2023
Submitted by: Finance and Technology Department – Financial Services Division
Subject: 2023-2027 Draft Five Year Financial Plan

Purpose

To introduce the draft 2023-2027 Five-Year Financial Plan, inclusive of new funding requirements and new revenues, for deliberation by the Committee. The introduction of the operating plan is the preliminary step in the budget deliberation process. Following the introduction of the draft financial plan, staff will be presenting departmental budgets and conducting a public consultation on the draft financial plan.

Recommended Resolution(s)

THAT the report dated February 9, 2023, from the Finance and Technology Department – Financial Services Division regarding 2023-2027 Draft Five Year Financial Plan be received for information.

Executive Summary

Municipalities must annually prepare a five-year financial plan and adopt tax rates in accordance with the Community Charter (Section 165 Community Charter). The five-year requirement encourages city councils to think strategically and consider the longer-term impacts of current decisions.

When an entity embraces strategic planning, it gives the community confidence that decisions are well thought out and sustainable over the long term. City Council is in the process of completing their Strategic Plan that will set out the goals and objectives for their term of Office. Financial sustainability has long been a primary goal of City Council, recognizing that the goals and objectives must be sustainable and balanced with the ability to pay. Financial sustainability is not only ensuring that the delivery of services is affordable now but also being mindful of the financial well-being of future generations.

To be financially sustainable, an entity must look to diversify and reduce its reliance on any one source of revenue as much as possible. The City diversifies its revenue base between property tax, utility fees, development levies, program fees, permits & licence fees, investment income, and fines & penalties. Entities must have autonomy to set revenues and have unrestricted access over a certain portion of those revenues. Reliance on other levels of governments and agencies reduces the City's ability to achieve financially sustainable.

All City Departments and Boards prepared and submitted their budgets for consideration to the Finance Committee (the Committee) on February 7, 2023, as the preliminary step in 2023 - 2027 Financial Plan (the Plan) deliberation process. The Committee received that draft submission and is now presenting the Plan, prior to the Committee deliberations, to the public for comment as required under Section 166 of the Community Charter. Balancing the delivery of services with property taxes and user fees to meet community needs is the essence of the budget process required under the legislation. City councils rely on feedback from citizens to tell them when they are hitting the mark.

The draft 2023 Five-Year Financial Plan presented some unique challenges. Inflation at the end of 2022 was 6.6%, one of the highest year over year increases we have seen in decades. This inflationary pressure has increased costs around transportation, insurance, construction, contracted and professional services, and software maintenance. Additionally, high inflation has increased expectations regarding wage settlements for most of the city's bargaining units which have collective agreements that expired in 2021 and 2022. Finally, benefit and overhead costs are increasing because of increased costs for Canada Pension Plan (CPP), Employment Insurance (EI), WorkSafeBC premiums, and extended health benefits.

Budget considerations have become increasingly complex as local governments respond to pressing community health and social issues. With declining support from senior governments for initiatives such as affordable housing, childcare, mental health, and homelessness, municipalities are faced with the challenge of absorbing the costs of these important services. Furthermore, the frequency and intensity of extreme weather events such as atmospheric rivers, heat domes, and the ongoing COVID-19 pandemic have put significant strain on municipal services, requiring them to adapt and respond to shifting community needs and expectations. As a result, budget considerations must take into account the need to address these pressing issues while also balancing the limited resources available.

Port Moody has emerged as a sought-after regional destination, thanks to its diverse offerings, including the Shoreline Trail, Rocky Point Parks, Old Orchard Park, Sasamat Lake, Brewers Row, and more. As the city attracts more visitors, it is faced with the challenge of managing regional growth and transportation demand. Despite this growth, Port Moody is not generating sufficient revenues to keep pace with the increased pressures on its services. Moreover, the city is faced with a reciprocity challenge, as it is providing services to users from other growing municipalities, while also trying to match service levels with neighboring cities such as Burnaby and Coquitlam.

Additionally, there is an unlevel regional playing field, as Port Moody is disadvantaged in terms of casinos, pay parking, and development revenues compared to other cities. All these factors present ongoing challenges for Port Moody as we strive to maintain our status as a regional destination while balancing the needs of its residents and visitors.

In accordance with the Budget Guidelines, which mandate the use of zero-based budgeting strategies, the draft submissions for the budget have been created with the goal of maintaining the 2022 service level as a baseline. Additionally, these submissions aim to reinstate services that were cut in previous COVID-related austerity budgets. Staff have proposed some

adjustments to the baseline service level, with that are deemed necessary to move the City forward. The staff submissions equate to an estimated 11.33% tax increase over 2022, as presented below.

The following table is breakdown of the 2023 Operating budget drivers. Each line is further detailed in the discussion section of the report.

	Budget Driver	Amount (\$)	Tax (%)	Driver Impact
1	Revenue Increases	-1,452,000	-2.99%	Development and other Permits; Sale of Services; Interest Revenue
2	Revenue Decreases	372,000	0.77%	Program and User Fees (Recreation Revenues), Lease Rentals, Digital Billboards, Transit Shelter
3	Salary - Wages	1,532,000	3.16%	Salaries and Wages – follows regional patterns
4	Salary - Benefits	536,000	1.11%	CPP, EI, WorkSafe BC, Employer Health Tax, extended health benefits
5	Operating Expenses	551,000	1.14%	Inflationary related increases – Insurance, fuel, equipment, contracted services, professional services, leases, etc.
6	Operating Reserves	1,427,000	2.94%	Transfers to/from reserves (Development Processing Reserve, Climate Action Program, MRN, etc.)
7	Sub Total - City	2,966,000	6.13%	
8	Port Moody Police Department	900,000	1.86%	Updated from original Police Board presentation
9	Total - Operations	3,866,000	7.99%	
10	Capital Asset Levy	485,000	1.00%	To fund <u>existing</u> capital asset renewal and replacement
11	Growth Stabilization Reserve	450,000	0.93%	Reserve transfer to offset revenue loss from land use changes (year 3 of 3)
12	Total - Before New Funding Requirements	4,801,000	9.92%	

New Revenues

13	New Tax Revenue	-700,000	-1.44%	Limited new construction (primarily Class 1 - Residential)
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Reinstated Services

14	Cultural Services	90,000	0.19%	Events Coordinator Position eliminated in 2020 – Required to support and coordinate ongoing City Events and provide internal events support across the corporation
15	Cultural Service Events	136,000	0.28%	Golden spike days (support), Community volunteer BBQ, Spike Awards, Canada Day Celebration (City participation and concert headliner), Remembrance Day support, Holiday Cheer at the Pier, Community Fair, Pop-up City Hall at the Fingerling Festival and loco Festival, and other minor events

16	Cultural Services Festival and Special Event Assistance Program	68,000	0.14%	Community led special events such Rib Fest, loco Festival, Inlet Spring Regatta, Fish Fest, Rock for Autism, Port Moody Shuffle, etc.
17	Reinstated Services Total	294,000	0.61%	

New positions to meet service demands

18	Communications and Engagement	43,000	0.09%	0.40 FTE – to support Communications and Engagement division
19	Legislative Services	70,000	0.14%	0.56 FTE – to support legislative services division
20	Cultural Services	90,000	0.19%	1.0 FTE – Position required to support Cultural Services division
21	Parks	189,000	0.39%	2.00 FTE – to support Parks division
22	Building, Bylaws, and Licensing	65,000	0.13%	0.67 FTE – to support Building, Bylaws, and Licensing division
23	Fire Rescue	346,000	0.72%	3.0 FTEs – to support Fire Rescue Division
24	Port Moody Police Department	94,000	0.19%	1.0 FTEs – As submitted by the Port Moody Police Board
25	Total - New Positions to meet service demand	897,000	1.85%	8.63 FTEs – Funded through Taxation

New operating expenses to meet service demands

26	Environmental Services Leased vehicle	14,000	0.03%	Vehicle is required for ongoing operational work
27	Parks Supplies and Contracted services	25,000	0.05%	Horticultural supplies, maintenance supplies, addition of red bin dog waste program at two sites
28	Recreations Activating Parks	20,000	0.04%	Activating Parks program – through the summer, two recreation staff to visit a different park each day to organize crafts, scavenger hunts and activities. Recommended through Parks and Recreation Commission
29	Library Reserve Transfer	15,000	0.03%	Future replacement of systems and technology
30	Skedda Desk Booking Software	2,000	0.00%	Annual operating cost/licensing for software related to hotel desk booking system
31	Operating Impact: CU23030 - Theatre Management Software	8,000	0.02%	Annual operating cost/licensing for software related to theatre management software and Point of Sale solution
32	Operating Impact: IS23007 - Cloud Disaster Recovery Server Backup	112,000	0.23%	Annual operating cost/licensing for software related to cloud disaster recovery and server backups
33	Total - New operating expenses to meet service demands	196,000	0.40%	

Discussion

The City, like many other entities, faces numerous financial pressures in preparing its 2023 Financial Plan. These are trying times globally, with financial challenges affecting all corners of the world. Despite this, residents have come to expect a high level of service delivery and have expressed, through past surveys, a desire to see these services maintained at a level comparable to neighboring municipalities.

The draft 2023 Financial Plan has been developed with the objective of maintaining the same level of service as the 2022 Financial Plan and includes the reinstatement of services and positions related to community events, which were cut during the 2020 budget process as a means of reducing the tax rate increase amid the uncertainty created by the COVID-19 pandemic. To address rising demands and pressures on services, staff have proposed new positions and increased operating expenses.

The following is a further breakdown of the major drivers – which correspond to the Operating Budget table in the executive summary.

Operating Financial Plan

1. Revenue Increases – Development and construction related application and permit revenues, as well as investment and grant revenue are projected to increase by \$1,452,000 (2.99%). These increases are offset with reserve transfers noted in line #6.
2. Revenue Decreases – The city is realizing a \$372,000 (0.77%) decrease revenue categories, related to Recreation revenues, digital billboard and transit shelter revenues, and Lease revenues for City owned facilities.
3. Salaries and wages have increase by \$1,532,000 (3.16%). This represents estimated collective agreement increases for all the bargaining units and management.
4. General benefits have increased costs for: WorkSafeBC premiums, extended health benefits, the employer portion of the Canadian Pension Plan (CPP), Employment Insurance (EI), and the Employer Health Tax.
5. Operating expenses are increasing by \$551,000 (1.14%). This represents inflationary increases for operating expenses such as insurance, equipment, contracted services, utilities, legal services, professional services, leases, etc.
6. Transfers to and from reserves are increasing by \$1,427,000 (2.94%). This increase is primarily related to the increase in development related revenues noted above (#1).
7. The 2023 increase for City services is \$2,966,000 (6.13%).
8. The Port Moody Police submitted their Provisional Budget in November 2022. This has been adjusted as required based on updated information and represents a 2023 increase of \$900,000 (1.86%).

9. The subtotal for operations (City and Police) is an increase of \$3,866,000 (7.99%) for 2023.
10. As noted in the Financial Plan Guidelines, the Capital Asset Levy has increased by an estimated 1% or \$485,000. This is consistent with past practice and ensures that the Asset Reserve and associate capital envelopes have sufficient funds to renew and replace critical city infrastructure.
11. In 2021, the Mill and Timber site on the Port Moody waterfront was reclassified from a Class 4 (Heavy Industry) to Class 6 (Business/Other) as a result of winding down their sawmill activities. This resulted in a significant tax shift for 2021. To reduce the impact, the City utilized the Growth Stabilization Reserve to smooth the impact over three years. The reserve transfer was reduced by \$450,000 in 2023 (year three of three), which represents a 0.93% tax increase.
12. The total before reinstated new service or new funding requirements to meet increasing service demand is a 2023 budget increase of \$4,801,000 or 9.92%.

New Revenue

13. Growth or Non-Market Change (NMC) represents an estimate of increases in taxable values unrelated to market increases. Preliminary estimates for 2023 are \$700,000 (1.44%). These figures may be further refined as updated information is received from BC Assessment.

Reinstated Service

Staff have submitted services and positions related to community events which were eliminated during 2020 budget deliberations in an effort to reduce the overall tax rate increase during a period of uncertainty surrounding the COVID-19 pandemic.

14. Events Co-ordinator - \$90,000 (1.19%) - Position required to support and coordinate ongoing City Events and provide internal events support across the corporation.
15. City Events \$136,000 (0.28%) - Reinstatement of budgets to support; Golden spike days (support), Community volunteer BBQ, Spike Awards, Canada Day Celebration (City participation and concert headliner), Remembrance Day support, Holiday Cheer at the Pier, Community Fair, Pop-up City Hall at the Fingerling Festival and loco Festival, and other minor events.
16. Festival and Special Event Assistance Program - \$68,000 (0.14%) - Reinstatement of budgets to support the festival and special events assistance program. This has previously included events such as; Rib Fest, loco Festival, Inlet Spring Regatta, Fish Fest, Rock for Autism, Port Moody Shuffle, etc.
17. The reinstated services total \$294,000 (0.61%)

New positions to meet service demands

Staff have submitted several new positions that are required to meet ongoing service demands across the City. These total \$897,000 (1.85%) in 2023. These items are listed above (#20-#26) and will be discussed in greater detail by the requesting department in their departmental summary.

18. Communications and Engagement - \$43,000 (0.09%) 0.40 FTE – Position required to support public consultations across the corporation. Portion of position was approved in prior years budgets with 0.60 FTE funded from the development processing reserve to support public consultations related to development in the City. Remaining portion (0.40 FTE) required to be built into the base operating budget.
19. Legislative Services - \$70,000 (0.14%) 0.56 FTE – Position required to support the Legislative Services division. 0.44 FTR portion of position was approved in May 2022 to provide addition support related to written public input. Remaining portion (0.56 FTE) required to be built into the base operating budget.
20. Cultural Services - \$90,000 (0.19%) 1.0 FTE – Position required to help support theatre operations, enabling the Production Coordinator to focus on additional strategic priorities (i.e. coordinating film productions within the City and supporting large community events).
21. Parks - \$189,000 (0.39%) 2.0 FTE – Positions required to support increased and ongoing parks usage and the increasing complexity of Parks operations and long-term planning requirements.
22. Building, Bylaws, and Licensing - \$65,000 (0.13%) 0.67 FTE – Position required to support increased demand and usage in public parks.
23. Fire Rescue - \$346,000 (0.72%) 3.0 FTE – Positions required to align with the draft Fire Rescue Master Plan.
24. Port Moody Police Department - \$94,000 (0.19%) 1.0 FTE – As submitted by the Port Moody Police Board.
25. The new positions to meet service demands total \$897,000 (1.85%) in 2023.

New operating expenses to meet service demands

Staff have submitted new operating expenses that are required to meet ongoing service demands across the City. These total \$196,000 (0.40%) in 2023. These items are listed in the executive summary (#28-#34) and will be discussed in greater detail by the requesting department in their departmental summary.

26. Leased vehicle for Environmental Service staff - \$14,000 (0.03%)
27. Parks supplies and contracted services - \$25,000 (0.05%)
28. Recreation activation of parks - \$20,000 (0.04%)

29. Library transfer to reserve - \$15,000 (0.04%)

30. Skedda Desk Booking Software - \$2,000 (0.00%)

31. Theatre Management Software - \$8,000 (0.02%) - Operating Impact of capital project (CU23030)

32. Cloud Disaster Recovery Server Backup - \$112,000 (0.23%) - Operating Impact of capital project (IS23007)

33. The new operating expenses to meet service demands total \$196,000 (0.40%) in 2023.

Summary – Staff Submitted DRAFT Budget

Total 2023 Staff Submitted Budget			
Total - Before New Funding Requirements	4,801,000	9.92%	Items 1-12
New Revenues	-700,000	-1.44%	Item 13
Reinstated Services	294,000	0.61%	Items 14-17
New positions to meet service demands	897,000	1.85%	Items 18-25
New operating expenses to meet service demands	196,000	0.40%	Items 26-33
Total - New Funding Requirements	687,000	1.41%	
Total Staff Submitted DRAFT Budget Increase	5,488,000	11.33%	DRAFT

Capital Financial Plan

The 2023 Capital budget was introduced to the Finance Committee on November 15, 2022, and approved by the Finance Committee on December 6, 2022. The draft Five-Year Financial Plan contains \$69 million in projects for years 2023 through 2027. 2023 has \$18.5 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. City reserves are balanced as required for the Five-Year Financial Plan, although some have opening balance deficits which limit funding for future year projects.

The list of 2023 projects are diverse and includes project submissions for the following items:

- fleet replacements;
- road reconstruction and rehabilitation at various locations throughout the City;
- water and drainage reconstruction along the Ioco Road corridor;
- improvements to Arena 1 dressing rooms;
- improvements to traffic signals, street lights, and bus stops;
- major utility projects, including Alderside foreshore sanitary sewer assessment and Stoney Creek sanitary sewer rehabilitation; and
- storm/drainage rehabilitations at various locations.

The following table highlights the top ten projects for 2023 by budget (dollars).

Top 10 Projects (by dollar)					
Division	Project Name	Climate Action Plan	Priority	LP 2023	Percentage of Total Projects
Water	WT23009 - Water Network Infrastructure Asset Renewal Program	Not Applicable	3. High	2,180,000	12%
Engineering	EN23009 - Major Road Network (MRN) Road Rehabilitation Program	Not Applicable	3. High	2,000,000	11%
Drainage	DR23013 - Ioco Road Corridor Reconstruction	Infrastructure	3. High	1,900,000	10%
Water	WT23012 - Ioco Road Corridor Reconstruction (Water)	Not Applicable	3. High	1,550,000	8%
Engineering	EN23006 - Local Road Network (LRN) Road Reconstruction Program	Not Applicable	3. High	750,000	4%
Sanitary Sewer	SD23016 - Stoney Creek Sanitary Sewer Rehabilitation	Not Applicable	3. High	500,000	3%
Sanitary Sewer	SD23003 - Alderside Foreshore Sanitary Sewer Assessment	Not Applicable	3. High	350,000	2%
Drainage	DR23007 - Storm Drainage Capital Infrastructure Program (Linear and Non-Linear)	Infrastructure	4. Medium	300,000	2%
Facilities	FC23217 - Recreation Complex - Arena 1 Dressing Rooms	Not Applicable	3. High	250,000	1%
Facilities	FC23218 - Works Yard - Building Envelope Replacement	Buildings	3. High	246,000	1%
Total - Top 10 Projects (by dollar)				10,026,000	54%

Other Option(s)

Staff can report back with additional changes to the draft 2023-2027 Five-Year Financial Plan at the committee's direction.

Financial Implications

The financial implications are discussed above.

Communications and Civic Engagement Initiatives

The City's Financial Plan and associated resources will be posted on the City website. Engage Port Moody, the City's public engagement platform, will be used to collect community feedback on the 2023 Financial Plan. The annual budget survey, budget resource information, and FAQs will be posted on the project page, and staff will answer questions from community members, and collect general comments and feedback to be presented to Council. The Engage Port Moody hub allows Council to see questions and comments from the community as they are posted. Staff will report back to the Finance Committee with the full results of the budget consultation.

Council Strategic Plan Objectives

The Financial Plan supports the entire strategic plan by aligning financial resources to the strategic priorities of Exceptional Service, Environmental Leadership, Healthy City, Economic Prosperity, and Community Evolution.

Report Author

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Report Approval Details

Document Title:	2023-2027 Draft Five Year Financial Plan.docx
Attachments:	
Final Approval Date:	Feb 15, 2023

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

Paul Rockwood, General Manager of Finance and Technology - Feb 13, 2023 - 9:50 AM

Stephanie Lam, City Clerk and Manager of Legislative Services - Feb 13, 2023 - 10:22 AM

Natasha Vander Wal, Acting Manager of Communications and Engagement - Feb 13, 2023 - 8:13 PM

Jeff Moi for Tim Savoie, City Manager - Feb 15, 2023 - 9:06 AM