



City of Port Moody

Report/Recommendation to Council

Date: April 7, 2023
Submitted by: Finance and Technology Department – Financial Services Division
Subject: 2023-2027 Five-Year Financial Plan

Purpose

To present the proposed 2023-2027 Five-Year Financial Plan Bylaw for consideration as directed by the Finance Committee.

Recommended Resolution(s)

THAT City of Port Moody Financial Plan Bylaw, 2023, No. 3402 be read a first, second, and third time as recommended in the report dated April 7, 2023 from the Finance and Technology Department – Financial Services Division regarding 2023-2027 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 2023 Financial Plan covering the years 2023 to 2027 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, 2023, No. 3402, 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 4, 2023, and subsequently ratified by Council on the same date (RC23/067).

FC23/021

THAT staff be directed to prepare the 2023-2027 Financial Plan Bylaw and 2023 Tax Rates Bylaw for Council consideration based on a 9.26% tax rate increase.

As approved by the Finance Committee on April 4, 2023, the draft Financial Plan Bylaw includes a net budgetary increase of \$4,500,000, which is estimated to represent a 9.26% tax rate increase.

This is comprised of operating expenses related to:

- Salary, wage, and benefit increases of \$2,506,000 (5.17%);
- Operating expense increase of \$480,000 (0.99%);
- Revenue increases of \$1,518,000 (3.13%);
- Revenue decreases of \$389,000 (0.80%);
- Net reserve transfer increase of \$1,342,000 (2.77%); and
- Net increase for Port Moody Police of \$946,000 (1.95%).

To continue to fund the replacement of critical municipal infrastructure, the City is increasing the Asset Renewal Levy (the Levy) by \$485,000 (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 2023-2027 Five-Year Financial Plan includes a \$450,000 or 0.93% 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.

Net new funding requirements required to address service delivery pressures total \$881,000 (1.80%) and included the reinstatement of City events which were removed from the budget in 2020, as well as new positions and operating expenses to meet service demand pressures. All new positions will be phased in over a two-year period (2023 and 2024).

The total Capital budget, approved by the Finance Committee on December 6, 2022 (FC22/055), is \$20.05 million for 2023 (\$69.06 million over the Five-Year Financial Plan).

Discussion

2023-2027 Financial Plan

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 recently completed 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 and licence fees, investment income, and fines and 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 financial sustainability.

The annual budget process begins with specific Budget Guidelines that are approved by Council to guide staff to prepare a sustainable Financial Plan, which considers the following:

- The services and level of service residents expect;
- Revenue including the relative level of taxation for residents;
- Businesses and diversification options;
- The level of taxation subsidies for programs; and

- The level of funding for assets critical to deliver the services.

All City Departments and Boards prepared and submitted their budgets for consideration to the Finance Committee on February 7, 2023, as the preliminary step in 2023-2027 Financial Plan (the Plan) deliberation process. The Finance Committee received that draft submission and presented 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 Park, 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 initial budget submission from City staff was a \$5,493,000 (11.33%) increase over 2022; however, ongoing budget deliberations and the pursuit of additional revenues reduced the budget increase to \$4,500,000 (9.26%) over 2022. Staff presented the Finance Committee with an initial overview of the draft 2023 Financial Plan followed by detailed department presentations that highlighted each department's overall budget and how it was proposed to change over the prior year.

The preliminary \$5.5 million (11.33%) budget was presented to the community in the 2023 Budget Consultation, which was facilitated through engage.portmoody.ca, the City's online engagement hub. Participants registered to learn about the City's plans and projects, share ideas, and provide feedback. Between February 28 and March 19, 2023, participants had access to the annual budget survey, budget resource information, FAQs, and could pose questions and comments to staff. 377 individuals completed the online survey and 183 (49%) individuals provided feedback or comments for Council members.

- 72% of survey respondents indicated that they received good (62%) or excellent (10%) value in relation to the taxes and utility fees that they pay.
- 45% of survey respondents wanted to maintain current service levels through a tax increase.
- 28% of respondents wanted to keep tax rate the same as last year through reduced services levels; in contrast, 14% wanted enhanced service levels through a larger tax increase.
- 56% of respondents said to leave subsidies and user fees they way they are (no change), while 25% wanted decreased subsidies so users pay more than they do now, while 8% wanted to increase subsidies so users pay less than they do now.

The results from the public consultation undertaken for the 2023-2027 Five-Year Financial Plan were presented to the Finance Committee on April 4, 2023.

Growing Communities Fund

In March 2023, the City received notification from the Province that the City would receive \$6,734,000 in the form of a one-time grant. The principal objective of the Growing Communities Fund (GCF) is to increase the local housing supply with investments in community infrastructure and amenities. The funding provided through the GCF is limited to one-time costs needed to build required infrastructure and amenities rather than funding ongoing operational activities. As such, these funds could not be used to directly reduce the 2023 tax increase; however, they will be used to fund critical investments in municipal infrastructure and will be used to fund capital projects in line with the grant's criteria set by the Province.

2023-2027 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 capacity 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 2023 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 2023 Financial Plan presented for Council's approval results in an estimated total residential property tax charge increase of 9.26% for the average household assessed at \$1,333,000 for 2023, or \$242 for the year (\$4.65 per week). The total blended property charge, which includes property tax and utility levies, is estimated at approximately \$2,972 for the average household, an increase of 9.45% from 2022.

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 21, 2023, meeting. Schedule B of the attached Bylaw states the City's current Revenue Policy Disclosure – Policies and Objectives.

The Province's continued use of tax capping, specifically in relation to the Ports Property Tax Act (PPTA), results the Council approved tax increase, not being applied to specific port properties. Council's longstanding tax policy has been to keep the proportional increase within the tax class, resulting in other class 4 (heavy industry) properties absorbing an additional tax burden.

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)

THAT the 2023-2027 Five Year Financial Plan be referred back to staff and/or the Finance Committee for further deliberations, acknowledging that the Financial Plan bylaw and Tax Rates Bylaw must be adopted before May 15, 2023, in accordance with the *Community Charter*.

THAT the 2023 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 2023-2027 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 2023 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 29 and March 19, 2023, participants had access to the annual budget survey, budget resource information, FAQs, and could pose questions and comments to staff. 377 individuals completed the online survey and 183 (49%) individuals provided feedback or comments for Council members. The results from the public consultation undertaken for the 2023-2027 Five-Year Financial Plan were presented to the Finance Committee on April 4, 2023.

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 priority areas of Sustainable Core Service, Healthy Community Development, Resilient Natural Environment, and a Vibrant and Prosperous Community.

Attachment(s)

1. Draft City of Port Moody Financial Plan Bylaw, 2023, No. 3402.

Report Author

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Report Approval Details

Document Title:	2023-2027 Five Financial Plan .docx
Attachments:	- Attachment 1 - Draft City of Port Moody Financial Plan Bylaw, 2023, No. 3402.pdf
Final Approval Date:	Apr 17, 2023

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

Paul Rockwood, General Manager of Finance and Technology - Apr 14, 2023 - 4:41 PM

Tracey Takahashi, Deputy Corporate Officer, for Stephanie Lam, City Clerk and Manager of Legislative Services - Apr 14, 2023 - 5:55 PM

Lindsay Todd, Manager of Communications and Engagement - Apr 15, 2023 - 7:52 AM

Tim Savoie, City Manager - Apr 17, 2023 - 6:12 AM