



City of Port Moody

Report/Recommendation to Council

Date: December 5, 2023
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Provisional 2024-2028 Five-Year Financial Plan

Purpose

To present the draft 2024-2028 Five-Year Financial Plan, inclusive of new funding requirements and services for provisional approval.

Recommended Resolution(s)

THAT the 2024-2028 Five-Year Financial Plan be provisionally approved as recommended in the report dated December 5, 2023, from the Finance and Technology Department – Financial Services Division regarding Provisional 2024-2028 Five-Year Financial Plan.

Executive Summary

The City, like many other entities, faces numerous financial pressures in preparing its 2024 Financial Plan. These are trying times globally, with financial challenges affecting most municipalities across the country. 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 2024 Financial Plan has been developed with the objective of maintaining the same level of service as the 2023 Financial Plan and includes the second-year phase in of the new positions that were approved as part of the 2023 plan. To address rising demands and pressures on services, staff have proposed new positions and increased operating expenses.

The provisional 2024 Financial Plan equates to an overall estimated 10.09% tax increase over 2023. Details of the draft budget submission can be found in **Attachment 1**.

The following table is breakdown of the 2024 Operating budget drivers. Each line is further detailed in the discussion section.

Budget Driver		Dollar (\$)	Est. Tax Increase (%)
1	Revenue Increases	(1,164,000)	(2.19%)
2	Salary, Wages, and Benefits	1,843,000	3.46%
3	2023 New Position Phase in	401,000	0.75%
4	Operating Expenses	954,000	1.79%
5	Operating Reserves	856,000	1.61%
6	Sub Total - City	2,890,000	5.43%
7	Port Moody Police Department	958,000	1.80%
8	2023 New Position Phase in PMPD	47,000	0.09%
9	Total - Operations	3,895,000	7.32%
10	Capital Asset Levy	532,000	1.00%
11	Total - Before New Funding Requirements	4,427,000	8.32%
New Revenues			
12	New Tax Revenue	(532,000)	(1.00%)
New positions to meet service demands			
13	Fire Masterplan (Two New FFT and Equipment)	273,000	0.51%
14	Public Art Coordinator RPT (reinstated – 2020)	86,000	0.16%
15	Finance - Clerk support	10,000	0.02%
16	Invasive Species and Restoration – TFT	28,000	0.05%
17	Parks Caretaker (ie Alcohol in Parks)	35,000	0.07%
18	Police Training Sergeant	205,000	0.39%
19	Total – New Positions	637,000	1.20%
New operating expenses to meet service demands			
20	Climate Action Implementation	532,000	1.00%
21	Car Free Day	124,000	0.23%
22	PUMA energy modelling software for civic buildings	17,000	0.03%

23	National Indigenous Peoples Day	10,000	0.02%
24	Zoom Webinar	10,000	0.02%
25	BL24001 - Operating Impact for New Vehicle	4,000	0.01%
26	Recommendations from the Mayor's Arts and Business Coalition Task Force	75,000	0.14%
27	PMPD - Ongoing Policy Review	40,000	0.08%
28	PMPD - Reserve Constable Program	25,000	0.05%
29	Total – New Operating Expenses	837,000	1.57%
Net Total - New operating expenses to meet service demands		942,000	1.77%
Total 2024 Provisional Budget Increase		5,368,000	10.09%

Background

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 has completed their Strategic Plan that sets 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 financial sustainability.

Discussion

All City departments have prepared and submitted their budget for consideration in line with the financial plan guidelines that were approved by the Finance Committee in May 2023.

The provisional 2024-2028 Five-Year Financial Plan presented some unique challenges. Inflation through 2023 continues to be high ranging from five and a half to seven percent in the

first seven months of the year. This inflationary pressure has continued to drive cost increases costs around transportation, insurance, construction, contracted and professional services, and software maintenance. Additionally, continued 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 reducing green house gas (GHG) emissions, 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 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 2023 service level as a baseline. The 2024 submission includes the new positions that were include in the 2023 Five-Year Financial Plan but were phased in over two years. Additionally, staff have submitted several new funding requirements/services that do not have a direct impact on the property tax rate as they are funded through City reserves or tied to increases in revenues. There are still several new funding requirements/services that are proposed adjustments to the baseline service level, with that staff deem necessary to address operational requirements or fulfill direction from Council.

The provisional Five-Year Financial Plan for the general fund budget equates to an estimated 10.09% tax increase over 2023. The following is a further breakdown of the major drivers – which correspond to the Operating Budget table noted in the Executive Summary.

Operating Financial Plan

1. Net Revenues – Development and construction related application and permit revenues, grant revenues, and program and user fees are projected to increase by \$1,164,000 (-2.19%). A significant portion of these increases are offset with reserve transfers noted in line #5.
2. Salaries, wages, and benefits have increase by \$1,843,000 (3.46%). This represents estimated collective agreement increases for all the bargaining units and management and related overhead and benefit costs such as: WorkSafeBC premiums, extended health benefits, the employer portion of the Canadian Pension Plan (CPP), Employment Insurance (EI), and the Employer Health Tax.
3. 2023 New Position Phase in for the City is \$401,000 (0.75%)
4. Operating expenses are increasing by \$954,000 (1.79%). This represents inflationary increases for operating expenses such as insurance, equipment, contracted services, utilities, legal services, professional services, leases, etc.
5. Transfers to and from reserves are increasing by \$856,000 (1.61%). This increase is primarily related to the increase in development related revenues noted above (#1).
6. The 2024 increase for City services is \$2,890,000 (5.43%).
7. The Port Moody Police's provisional budget submission is anticipated to represent an increase of \$958,000 (1.80%).
8. 2023 New Position Phase in for the PMPD is \$47,000 (0.09%)
9. The subtotal for operations (City and Police) is an increase of \$3,895,000 (7.32%) for 2024.
10. As noted in the Financial Plan Guidelines, the Capital Asset Levy has increased by an estimated 1% or \$532,000. 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. The total before new service and funding requirements to meet increasing service demand is a 2024 budget increase of \$4,427,000 or 8.32%.

New Tax Revenue

12. Growth or Non-Market Change (NMC), which represents an estimate of increases in taxable values unrelated to market increases, as not been included in the draft financial plan. As a preliminary placeholder included in the adjustments and amendments to the Draft Financial Plan, staff are including \$532,000 (1.00%) for 2024 growth. This figure will be further refined as updated information is received from BC Assessment.

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 \$637,000 (1.20%) in 2024. These items are listed above (#13-#18).

13. Fire Rescue - Fire Masterplan \$273,000 (0.51%).

These positions are required to align with implementation of the Fire Rescue Master Plan.

14. Cultural Services - Public Art Coordinator \$86,000 (0.16%)

Reinstatement of the position that was eliminated from the financial plan in 2020 and increase hours from 3 days/week to Four days/week.

15. Finance - Clerk Support \$10,000 (0.02%)

Additional budget required to convert a current regular part time position to a regular full-time position. This change provides better coverage, cross training (business continuity), and stability within the Finance area for property tax, utility billings, accounts receivable, and accounts payable (including BMO administration).

16. Environmental Services – Invasive and Restoration \$28,000 (0.05%)

Additional temporary full-time hours for outside labour related to invasive species removal and restoration.

17. Parks – Parks Caretaker \$35,000 (0.07%)

Additional hours for Parks staff to support the increase in Parks usage related to alcohol in Parks.

18. Port Moody Police – Training Sergeant \$204,000 (0.38%)

The inclusion of a regular full-time Training Sergeant for PMDP operations

19. The new positions to meet service demands total \$637,000 (1.20%) in 2024.

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 \$837,000 (1.57%) in 2024. These items are listed in the executive summary (#20-#28) and will be discussed in greater detail by the requesting department in their departmental summary.

20. Fiscal Services - Climate Action Implementation \$532,000 (1.00%)

Increase the annual contribution to the Climate Action Implementation Reserve to provide the necessary annual funding to meet ongoing climate action implementation targets. Approved for inclusion in the 2024 Financial Plan at the September 5, 2023, City Initiatives and Planning Committee.

21. Cultural Services - Car Free Day \$124,000 (0.23%)

Reinstatement of the Community event into the base operating budget. Staff will seek out sponsorship (revenue) opportunities, however, the full cost of the event must be budgeted to provide ongoing certainty for planning purposes.

22. Policy Planning - PUMA energy modelling software for civic buildings \$17,000 (0.03%)
Annual operating budget for energy modelling software.
23. Cultural Services - National Indigenous Peoples Day \$10,000 (0.02%)
Annual operating budget for city-based events to acknowledge/recognize Nation Indigenous Peoples Day.
24. Information Services - Zoom Webinar license \$10,000 (0.02%)
Ongoing annual licensing and support costs for Zoom Webinar, previous funded through the COVID-19 restart grant.
25. Building, Bylaws, & Licensing - BL24001 - Operating Impact for New Vehicle \$4,000 (0.01%). Annual operating expenses of a new vehicle.
26. Mayor and Council – MABCTF \$75,000 (0.14%)
Annual budget (additional \$75,000 in 2025) to address the recommendations of the Mayor's Arts and Business Task Force.
27. PMPD - Ongoing Policy Review \$40,000 (0.08%)
Annual operating budget for ongoing policy review across the department.
28. PMPD - Reserve Constable Program \$25,000 (0.05%)
Re-establishment of a reserve constable program including training and uniforms.
29. The new operating expenses to meet service demands total \$837,000 (1.57%) in 2024.

Summary – Provisional 2024 Financial Plan

2024 Provisional Budget			
Total - Before New Funding Requirements	4,427,000	8.32%	Items 1-11
Tax Growth – Non-Market Change	(532,000)	(1.00%)	Item 12
New positions to meet service demands	637,000	1.20%	Items 13-18
Funding for Climate Action	532,000	1.00%	Items 20
New operating expenses to meet service demands	305,000	0.57%	Items 21-28
Total Provisional 2024 Budget Increase	5,368,000	10.09%	DRAFT

Comparing percentage increases across municipalities is not a straightforward or directly comparable metric due to several critical factors. A 1% percentage increase in one municipality does not necessarily correspond to an equivalent dollar increase in another, given the substantial variations in services and service levels. Therefore, the City will be presenting the increase in dollars as well, so the financial impact is more clearly communicated and better understood.

Many factors such as the level and delivery of police services, approaches to the delivery of library services, the condition of roads, snow removal services, garbage pickup, and other distinct municipal service levels contribute to diverse cost pressures and impact residents' quality of life. Therefore, looking solely at a single-year tax percentage increase provides a limited perspective, as it overlooks the significance of year-over-year or multi-year averages.

To achieve a comprehensive understanding, it is imperative to aggregate tax increases, utility charges, and parcel taxes when calculating total property charges, recognizing the diverse funding tools employed by different municipalities, including parcel taxes and reserves.

Furthermore, variations in the inclusion of asset levies, the strategic use of reserves to mitigate tax increases, and the consequences of substantial revenue losses from factors such as mill closures, thermal plant shutdowns, and changes in land use introduce additional layers of complexity not adequately conveyed by percentage tax increases alone. Therefore, it is important to report all the charges to understand the total financial residential impact as presented in the next section.

Total Residential Impact

The estimated impact of the 2024 budget on an average residential property is \$224 or an 8.37% increase over 2023. When storm drainage is included, which was approved in the 2024 Utility budgets, the total charge for an average residential property increases to \$3,006, a \$226 increase or 8.13% over 2023.

Residential - Class 1	Average Residential Property - \$1,248,000*		
	2024	Increase (%)	Increase (\$)
General Government	1,872	5.81%	156
Port Moody Police	737	1.69%	45
Asset Renewal Levy	246	1.00%	20
MTP Levy - Capital	19	0.00%	-
Fire Hall #1 Replacement Levy	26	0.15%	3
Property Tax Levies	\$2,900	8.37%	\$224
Storm Drainage	106	1.48%	2
Total - Property Tax Levies	\$3,006	8.13%	\$226

*Based on the BC Assessment Preview Roll for 2024. Data may be adjusted on the revised BC Assessment information.

When looking at the total impact to homeowners, we need to consider total municipal property charges, including Utility fees which are billed in January and due in February. For 2024, total property charges are proposed to increase to \$4,568, a \$307 increase or 7.20% over 2023.

Residential - Class 1	Average Residential Property - \$1,248,000*		
	2024	Increase (%)	Increase (\$)
Property Tax Levies	\$2,900	8.37%	\$224
Storm Drainage	\$106	1.48%	\$ 2
Water, Sewer, Solid Waste Services*	\$1,562	5.47%	\$ 81
Total - Property Charges	\$4,568	7.20%	**\$307

*Based on a single-family dwelling. Rates for Townhouses and Condominiums would be lower than shown.

** \$307 annually extrapolates in \$5.90 per week (\$307/52)

Other Option(s)

THAT the report dated December 5, 2023, from the Finance and Technology Department – Financial Services Division regarding the Provisional 2024-2028 Five-Year Financial Plan be received for information.

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 2024 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 from the community as they are posted and staff responses. Staff will report back to the Finance Committee with the full results of the budget consultation in early 2024.

Council Strategic Plan Goals

The recommendations in this report align with the following Council Strategic Plan Goal(s):

- Strategic Goal 1.1 – Prioritize Core Services

Attachment(s)

1. 2024-2028 Five Year Financial Plan - Operating Budget.

Report Author

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Deputy Chief Financial Officer / Manager of Financial Planning

Report Approval Details

Document Title:	Provisional 2024-2028 Five-Year Financial Plan.docx
Attachments:	- Attachment 1 - 2024-2028 Five Year Financial Plan - Operating Budget.pdf
Final Approval Date:	Nov 27, 2023

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

Paul Rockwood, General Manager of Finance and Technology - Nov 24, 2023

Stephanie Lam, City Clerk and Manager of Legislative Services - Nov 24, 2023

Lindsay Todd, Manager of Communications and Engagement - Nov 24, 2023

Tim Savoie, City Manager - Nov 27, 2023