



City of Port Moody

Report/Recommendation to Council

Date: April 24, 2020
Submitted by: Finance and Technology Department – Financial Services Division
Subject: 2020-2024 Five-Year Financial Plan

Purpose

To present the proposed 2020-2024 Five-Year Financial Plan Bylaw for consideration.

Recommended Resolution(s)

THAT City of Port Moody Financial Plan Bylaw, 2020, No. 3248 be read a first, second, and third time as recommended in the report dated April 24, 2020 from the Finance and Technology Department – Financial Services Division regarding 2020-2024 Five-Year Financial Plan.

AND THAT, as permitted by section 12 of Ministerial Order No. MO 139/2020, City of Port Moody Financial Plan Bylaw, 2020, No. 3248 be adopted.

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 2020 Financial Plan covering the years 2020 to 2024, 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, 2020, No. 3248, 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 21, 2020, and subsequently ratified by Council on the same date (RC20/172).

FC20/025

THAT the 2020 budget with an increase of \$699,000 estimated at a 1.61% tax increase be used to prepare the 2020-2024 Five-Year Financial Plan Bylaw and the 2020 Tax Rates Bylaw for Council consideration.

The draft Financial Plan Bylaw includes a budgetary increase of \$699,000, which is estimated to represent a 1.61% tax rate increase. This is composed of:

- salaries, wages, and benefits increases of \$930,000 (2.14%);
- operating expenses increased by \$60,000 (0.13%);
- budget revenues (including growth) increase of \$990,000 (2.28%);
- net reserve transfers increase of \$40,000 (0.09%);
- net increase for Port Moody Police of \$350,000 (0.81%), including a \$100,000 allocation of growth revenue; and
- total operating impact for City and Police services of \$390,000 (0.89%).

To continue to fund the replacement of critical municipal infrastructure, the City is increasing the Asset Renewal Levy (the Levy) by \$173,000 (0.40%). This was reduced from the City's historic practice and earlier 2020 budget deliberations to increase asset funding by the equivalent of a 1% tax increase or \$433,000.

Three new services have been included in the 2020-2024 Five-Year Financial Plan:

- \$8,000 (0.02%) operating costs for a new Facilities vehicle;
- \$66,000 (0.15%) debt servicing for two heavy-duty Fire Rescue apparatus replacements; and
- \$63,000 (0.15%) second half of new police officer position added to the 2018 Financial Plan.

The total Capital budget, approved by the Finance Committee on December 3, 2019 (FC19/092), is \$16.5 million for 2020 (\$67.7 million over the Five-Year Financial Plan).

Discussion

2020-2024 Financial Plan

The 2020-2024 Financial Plan is a fiscally-conservative budget in response to the current COVID-19 pandemic. In an effort to keep the current year tax increases as low as possible, similar to most municipalities in the region, some services were reduced from 2019 levels.

Port Moody, like other municipalities, continues to face budget challenges with cost increases for wages and benefits, which make up the single highest cost driver in the budget. The City has included modest growth in tax revenues from new construction, as well as other small increases to fees and fines that offset the revenues needed from the proposed increase to taxation.

The 2020-2024 Capital Financial Plan was approved by the Finance Committee on December 3, 2019 and ratified by Council on January 28, 2020 (RC20/063).

Port Moody, like other cities across Canada, also continues to be challenged with the capital funding 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 Renewal Levy (the Levy) as a reliable and sustainable capital funding source, and has historically increased the Levy annually in an attempt to address the capital funding gap.

The Levy will increase by \$173,000 (0.40%) in 2020. Original budget deliberations contemplated a \$433,000 (1.0%) increase; however, the typically annual 1% increase to the Levy was temporarily reduced in an effort maintain a low tax increase in 2020 in response to the current COVID-19 pandemic. The Levy is proposed to again increase annually throughout the Five-Year Financial Plan starting in 2021 to provide a stable funding source for ongoing renewal and replacement of critical municipal infrastructure.

Total Property Charges

The 2020 Financial Plan presented for Council's approval shows a total property tax charge increase of 1.61% for the average household assessed at \$942,000 for 2020, or \$38 for the year (\$0.73 per week). The total blended property charge, which includes in addition to property taxes, utility charges, is estimated at approximately \$3,700 for the average household, an increase of 2.47% from 2019.

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 February 18, 2020 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 2020 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, 2020 in accordance with the *Community Charter*.
2. THAT the 2020 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 for the presentation of the 2020-2024 Financial Plan to Council were included in the local newspaper. Budget deliberations have been open to the public and information posted and updated on the website. Council has undertaken a variety of public engagement initiatives to gather feedback on desired service levels, including a Town Hall meeting to discuss the Five-Year Financial Plan, and electronic and paper surveys. The Town Hall meeting was open to the general public and direct invitations to participate were sent to members of the Citizen Advisory Group.

Council Strategic Plan Objectives

The City has 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, 2020, No. 3248.

Report Author

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Report Approval Details

Document Title:	2020-2024 Five-Year Financial Plan.docx
Attachments:	- Attachment 1 - Draft City of Port Moody Financial Plan Bylaw, 2020, No. 3248.pdf
Final Approval Date:	May 4, 2020

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

Dorothy Shermer, Corporate Officer - May 3, 2020 - 12:47 PM

Rosemary Lodge, Manager of Communications and Engagement - May 4, 2020 - 11:51 AM

Paul Rockwood, General Manager of Finance and Technology - May 4, 2020 - 12:35 PM

Tim Savoie, City Manager - May 4, 2020 - 1:57 PM