



City of Port Moody

Report to Finance Committee

Date: November 3, 2020
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Provisional 2021-2025 Capital Budget

Purpose

To present the provisional 2021 Capital Budget for approval.

Recommended Resolution(s)

THAT the 2021 projects be approved as attached to and recommended in the report dated November 3, 2020 from the Finance and Technology Department – Financial Services Division regarding Provisional 2021-2025 Capital Budget;

AND THAT \$3,320,000 be borrowed internally from the Density Bonus Reserve for the Master Transportation Plan Reserve with repayment from the Transportation Levy over ten years.

Executive Summary

The provisional Five-Year Financial Plan contains \$67.6 million in projects for years 2021 through 2025. 2021 has \$22.6 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. Most City reserves are balanced as required for the Five-Year Financial Plan, although some have opening balance deficits. The list of 2021 projects is diverse and includes project submissions for the following items:

- fleet replacements;
- road reconstruction and rehabilitation at various locations throughout the City;
- upgrades and repairs to civic buildings;
- park improvements and updates to Park plans;
- improvements to traffic signals, street lights, and bus stops; and
- major utility projects, including the Ioco Road Low-Pressure Sanitary Siphon and Valve Replacement, and the Shoreline Trail Sanitary Gravity Sewer.

Background

Staff have prepared the provisional 2021 Capital Plan for the Committee's approval in line with the 2021 Financial Plan Guidelines and other City policies and Master Plans.

Funding for the Capital Plan is proposed to come from multiple City reserves, including the:

- Asset Reserve;
- Artworks Reserve;
- Carbon Offset Community Reserve;
- Equipment Replacement Reserve;
- MRN reserves;
- New Initiatives Reserve (formerly Council Strategic Plan Reserve);
- Community Amenity Contribution Reserve;
- Density Bonusing Reserve;
- Master Transportation Plan Reserve;
- multiple utility reserves (Sewer, Water, Drainage, and Sanitation); and
- External Grants.

All departments (with the exception of Fire and Rescue) have submitted projects as part of the 2021 capital budget process. A complete list of submitted projects by department is detailed in **Attachment 1**. Departments have prioritized project submissions based on a number of factors, including Council's Strategic Plan, the Asset Management Investment Plan (AMIP), risk assessments, and other relevant factors in allocating the available funding.

The following criteria, as outlined in the 2021 Budget Guidelines, was used to prioritize project submissions. This is consistent with previous years.

High

- Public health and life safety issues;
- Legislation or regulation requirements;
- Management of existing assets (extends useful life; deterioration; avoids expensive repairs; lessens emergency disruptions); or
- Strategic priority of Council.

Medium

- Improves an existing asset;
- Increases cost savings/revenues generated;
- Equipment replacement at the end of its life cycle; or
- Reduces future maintenance/repairs on recurring issues or long-standing deficiencies.

Low

- New service/infrastructure;
- Addresses deficiencies reported in commissioned studies and reports; or
- Addresses future concerns.

Discussion

Reserves are required to be balanced over the Five-Year Financial Plan as part of a balanced budget. It is common practice to have more projects than funding in a particular year for reserves depending on the overall reserve balance and the nature of the projects as long as the final year of the Five-Year Financial Plan remains in a positive balance.

A complete list of Capital and Operating projects and reserve summaries is included in **Attachment 1**. Detailed project submissions will be made available internally on the City's intranet site, and externally on the City's website. Unfortunately, the document is too large to be included as an attachment to this report.

Asset Reserve

The Asset Reserve is the primary reserve used to fund the repair and replacement of City Assets (excluding utilities). This is broken down into various envelopes, which receive annual funding allocations. Although some of the envelopes are overdrawn across the Five-Year Financial Plan, the overall Asset Reserve (including all envelopes) is balanced.

Below are additional details on the status of each envelope.

Asset Reserve – Capital Programs (envelopes)

1. City Equipment – The City Equipment Program envelope was overdrawn in previous years, resulting in an estimated opening balance deficit of \$575,000. Total submitted projects range from \$185,500 (2021), \$353,500 (2022), \$149,000 (2023), \$235,000 (2024), and \$424,500 (2025). The reserve has an estimated ending balance deficit of \$292,000 in 2025.
2. Police Equipment – Total submitted projects range from \$162,400 (2021), \$138,300 (2022), \$149,300 (2023), \$238,500 (2024), and \$301,500 (2025). The Reserve balance fluctuates throughout the five-year financial plan with estimated ending balance deficits in 2021 and 2022, positive ending balances in 2023, and deficit in 2024, and 2025.

The 2020 Financial plan saw an increase of \$100,000 in annual funding to balance Police equipment replacement, which is deemed sufficient based on the current listing of equipment and their corresponding scheduled replacements.

3. Facilities Maintenance – The Facilities Maintenance Program was significantly overdrawn in previous years, resulting in an estimated opening balance deficit of \$1,547,000. Total submitted projects range from \$1,025,000 (2021), \$1,610,000 (2022), \$980,000 (2023), \$1,615,000 (2024), and \$565,000 (2025). The reserve remains in a deficit throughout the Five-Year Plan with an estimated deficit of \$18,000 at the end of 2025. It is important to note that annual project submissions are closer aligned to annual funding than in previous capital plans.
4. Parks Maintenance – The Parks Maintenance Program envelope is overdrawn across the Five-Year Financial Plan. Total submitted projects range from \$861,000 (2021), \$1,350,800 (2022), \$192,500 (2023), \$192,500 (2024), and \$713,500 (2025). The envelope has an estimated ending balance deficit of \$397,000 in 2025.
5. Transportation – The Transportation Program envelope is balanced over the Five-Year Financial Plan. The envelope was significantly overdrawn in previous years, resulting in a \$1,866,000 opening balance deficit. Total submitted projects range from \$1,388,000 (2021), \$1,338,000 (2022), \$1,263,000 (2023), \$1,308,000 (2024), and

\$1,178,000 (2025). The reserve gradually becomes balanced through the Five-Year Capital Plan to achieve a positive balance of \$358,000 in 2025.

6. Unallocated – The Unallocated Program envelope was established as part of the Capital Program structure in 2015 to capture assets that had not been accounted for or classified in the AMIP. This Program envelope was overdrawn in previous years resulting in a negative opening balance of \$741,000 in 2021. In an effort to address this, only \$72,200 in projects have been submitted for 2021. The reserve recovers within the Five-Year Financial Plan as fewer projects have been submitted for future years, and the program allocation is gradually increased.

The annual allocation to this reserve was reduced by \$100,000 in 2020 to address the funding deficit in the Police Equipment envelope. Additionally, the reduction of the 2020 Asset Levy by \$260,000 has been added back to the 2021 Financial Plan, and allocated to the Unallocated Program envelope. Should Council decide to remove this from the 2021 Financial Plan, it will not have a direct impact on the other capital envelopes. Allocations to the envelope will be recalculated with the revised Asset Management Investment Plan (AMIP).

New Initiatives Reserve (formerly Council Strategic Priorities Reserve – CSPR)

This reserve is used to fund new initiatives and strategic priorities. This reserve has been chronically overdrawn in previous years, resulting in an opening balance deficit of \$662,000 (down from an opening balance deficit of \$741,000 in 2020). Proposed projects are \$514,600 (2021), \$486,000 (2022), \$266,000 (2023), \$181,000 (2024), and \$171,000 (2025). There are fewer significant projects submitted for 2023-2025. Annual funding and annual proposed projects are more closely aligned in the 2021 plan, preventing this reserve from going into a further deficit.

In 2020, funding was proposed to increase to 2015 levels, and included annual transfers from the Water, Sewer, and Sanitation reserves. Due to efforts to reduce the 2020 property tax increase, the proposed increase from the general fund was eliminated (\$47,500). Staff have increased annual funding by 2% per year to maintain the reserve's purchasing power. The Utility contributions represent a portion of the benefits received for the corporate initiatives funded from this reserve.

Equipment Replacement Reserve (ERR)

The ERR is a statutory reserve used to fund the replacement of City vehicles. Funding is provided through the established replacement provisions charged to departmental operating budgets, which provide sufficient funding to replace vehicles when they reach the end of their useful lives. The reserve balance is reviewed annually to ensure replacement schedules are accurate and replacement provisions are keeping pace with inflation and foreign exchange factors. Proposed projects total \$918,300 (2021), \$706,600 (2022), \$327,500 (2023), \$2,218,800 (2024), and \$1,472,700 (2025).

The Financial Planning team works with the Fleet Manager and Fleet Supervisor to review all scheduled replacements over the five-year financial plan. When possible, replacements are delayed to future years and vehicle lives are extended. Additionally, in some cases, when

assets have deteriorated at a rapid pace and ongoing service and maintenance costs are high, replacements are accelerated. This reserve is balanced over the Five-Year Financial Plan and fully funded as a result of budgeted departmental replacement provisions.

MRN Reserves

The Major Road Network (MRN) reserves are funded through the annual payments made by TransLink to the City as part of the MRN agreement. A portion of annual funding is allocated to general rehabilitation and pavement rehabilitation reserves to fund road works that are part of the Major Road Network. The projects submitted are limited by the level of funding provided by TransLink. The 2021 Capital Plan includes limited projects as the City must ensure MRN funding from TransLink is re-established prior to making further capital commitments.

MTP Reserve

The Master Transportation Plan (MTP) reserve is used to fund the projects associated with the implementation of *TransPort Moody* – Port Moody's Master Transportation Plan. This reserve is overdrawn for the current Five-Year Financial Plan, as the plan was front-end loaded with capital works over a 10-year timeframe (first half of the 20-year MTP plan). Staff are working on a revised implementation plan which will be presented to Council in 2021.

The original (2018) Master Transportation Plan funding strategy envisioned \$3,320,000 in debt to fund the projects in the plan, with the annual MTP levy \$386,000 to be used to service the annual debt (10-year term). Due to the nature of the projects in the MTP, long-term debt through the Municipal Finance Authority (MFA) is not a viable option as there are too many projects, many with uncertain budgets and timelines. The province has informed the City that the borrowing process is not set up to accommodate borrowings of this nature, and therefore, has denied the City's borrowing request. As such, staff are recommending internal borrowing of the original \$3,320,000 from the Density Bonus Reserve, with repayment (with interest) from the Transportation Levy over a term of ten years.

Density Bonus Reserve

The Density Bonus Reserve Fund (Bylaw No. 3142) references expenditures from the reserve for the funding of: community facilities/amenities; parks and recreation facilities/amenities; environmental enhancements; arts and cultural facilities/amenities; public art; streetscape and/or pedestrian related improvements; affordable or special needs housing or contributions to the Affordable Housing Reserve; parkland and other strategic land purchases; repayment of debt; and Transportation Improvements.

The Density Bonus Reserve has been identified as a funding source for two projects in 2021:

- \$262,500 PK21001: Inlet Trail – Boardwalk and Pedestrian Bridge Reconstruction; and
- \$400,000 PK21034: Shoreline Bike Path – Paving – north side of trail network in coordination with sanitary sewer.

Future year projects include CA21002: Civic Complex Exterior Upgrades and Enhancement (Phase II). However, this project has been pushed out by one year to 2022 through 2025.

This funding source was selected for these projects due to its alignment with the reserve policy and overall community benefit. Funding for these projects could not be accommodated through other City funding sources (Asset reserve or New Initiatives reserve).

Utility Reserves

Capital projects related to the water, sewer, drainage, and solid waste utilities have been submitted as part of the capital plan. All four of the Utility reserves are balanced over the Five-Year Financial Plan.

Other Reserves and Funding Sources

A number of additional City reserves and funding sources are used for project funding in the five-year capital plan. Details of these reserves can be found in **Attachment 1**.

Summary of 2021 Projects by Department

A complete list of projects by division for all five years of the annual plan can be found in **Attachment 1**.

The following table summarizes the proposed projects by department across the five years of the Financial Plan.

Department	Total Project Count	2021	2022	2023	2024	2025
City Administration	1	125,000	125,000	125,000	125,000	125,000
Community Development	15	2,300,200	350,000	15,000	10,000	10,000
Community Services	103	2,830,600	3,678,300	1,802,400	2,023,800	1,717,700
Engineering and Operations	65	6,846,800	2,881,200	3,583,800	3,852,000	2,518,900
Finance and Technology	13	215,000	234,000	70,000	180,000	125,000
Library	3	5,700				
People, Communications, and Engagement	3	126,000	41,000	36,000	41,000	36,000
Police	32	202,400	248,000	217,600	527,200	538,900
Utilities	47	9,960,800	3,819,700	5,837,400	5,275,100	4,835,900
		22,612,500	11,377,200	11,687,200	12,034,100	9,907,400

Other Considerations

The timeline for approving the 2021 Capital Plan is consistent with the 2020 Capital Plan. The accelerated timeline eliminates the need for divisions to submit and identify projects for pre-approval and has allowed the committee to review the Capital Plan in its entirety. Additionally, by having projects approved by the end of 2020, staff can begin the necessary project planning, procurement, and general resourcing required in January 2021.

Should the Committee want additional information, or further debate/discussion, individual projects may be removed from the approved projects list and brought back to the Committee in December or January for further deliberations. Additionally, if conditions evolve resulting in the need to reduce the 2021 Capital Plan, or add additional projects to the 2021 Capital Plan, this information will be brought forward to the Finance Committee.

Other Option(s)

THAT staff report back to the Committee with additional requested information on the 2021 Capital Plan.

Financial Implications

As discussed above.

Communications and Civic Engagement Initiatives

The City's Financial Plan and associated documentation will be posted on the City website. Additional Financial Plan information will be made available to the public during the Public Budget Consultation process.

Council Strategic Plan Objectives

All projects are aligned with at least one Council Strategic Plan objective as required by the Budget Guidelines. The specific goals each project aligns with can be viewed in the Capital Plan details in **Attachment 1**.

Attachment(s)

1. 2021-2025 Five-Year Financial Plan Capital Budget.

Report Author

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Report Approval Details

Document Title:	Draft 2021-2025 Financial Plan – Capital Budget.docx
Attachments:	- Attachment 1 - 2021-2025 Five-Year Financial Plan Capital Budget.pdf
Final Approval Date:	Nov 10, 2020

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

Paul Rockwood, General Manager of Finance and Technology - Nov 7, 2020 - 1:57 PM

Dorothy Shermer, Corporate Officer - Nov 8, 2020 - 8:19 PM

Rosemary Lodge, Manager of Communications and Engagement - Nov 8, 2020 - 9:57 PM

Tim Savoie, City Manager - Nov 10, 2020 - 2:15 PM