



City of Port Moody

Report to Finance Committee

Date: January 4, 2021
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Draft 2021-2025 Financial Plan – Operating Budget

Purpose

To introduce the draft 2021-2025 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 to derive a proposed tax increase to be presented as part of the Budget Consultation process.

Recommended Resolution(s)

THAT the report dated January 4, 2021 from the Finance and Technology Department – Financial Services Division regarding the Draft 2021-2025 Financial Plan – Operating Budget be received for information;

AND THAT a draft proposed budget increase of \$1,998,000, which represents an estimated 4.50% tax rate increase, be used for the City's Public Budget Consultation.

Executive Summary

The following table is breakdown of the 2021 Operating budget drivers. Each line is further detailed in the discussion section of the report.

	Item	Amount (\$)	Tax (%)	Comment
1	Mill and Timber	1,200,000	2.70%	Revenue loss as a result of land use and tax class change
2	Class Shifts and Adjustments	-270,000	-0.61%	Impact on tax revenues from changes to the City's tax roll
3	growth stabilization reserve transfer	-930,000	-2.09%	Transfer from Reserve established to phase in land use changes (i.e. Mill and Timber)
4	Sub Total – Tax Roll Adjustments	0	0.00%	
5	Estimated 2021 Non-Market Change (Growth)	-225,000	-0.51%	New construction

	Item	Amount (\$)	Tax (%)	Comment
6	Revenue Changes	-62,425	-0.14%	Development, Permits, Sale of Services
7	Salaries and Wages, Benefits, Employer Health Tax	1,494,202	3.37%	Employer Health Tax, WCB, Benefits, Collective Agreements
8	Operating Expenses	231,854	0.52%	Inflationary related increases (Insurance, Equipment, Contracted Services, utilities, legal services)
9	Reserve Changes	-115,373	-0.26%	Development processing reserve, MTP reserve, etc.
10	Sub Total – City	1,323,258	2.98%	Budget Guidelines mandates 1.87%
11	Police	527,916	1.19%	Budget Guidelines mandates 0.63%
12	Sub Total – Operations	1,851,174	4.17%	Budget Guidelines mandates 2.50%
13	Capital Asset Renewal Levy	444,000	1.00%	As per the Budget Guidelines
14	Sub Total – Operations and Capital Levy	2,295,174	5.17%	Guidelines 3.50%
15	New Funding Requirements	352,741	0.79%	See list - Council Resolution, Negotiated, ELT high priority
16	New Revenues	-650,000	-1.46%	Digital Billboards (budgeted at minimum guaranteed)
17	Sub Total – New Funding Requirements	-297,259	-0.67%	
18	Sub Total – Before Tax Shift	1,997,915	4.50%	Guidelines 3.50%

Does not include any additional/new climate action funding

City departments and the Port Moody Library have submitted a 2021 Operating Budget that would result in a budget increase of \$1,323,000, which is estimated to be a 2.98% tax increase.

The Port Moody Police Board presented their 2021 budget submission at the November 24, 2020 Regular Council meeting, requesting a 2021 budget increase of \$528,000¹, which would result in an estimated 1.19% tax increase.

Combined, the operating increase to the 2021 budget is \$1,851,000, estimated to be a 4.17% tax increase, which is \$731,000 (1.65%) over the 2021 guideline target of \$1,110,000 (2.50%).

¹ Adjusted for updated overhead rates from original submission of \$490,000 (1.05%)

The draft 2021-2025 Five-Year Financial Plan includes a proposed \$444,000 or a 1.00% tax increase for the capital Asset Renewal Levy.

The components noted above result in an estimated operating budget increase of \$2,295,000 or 5.17%, which is 1.67% above the Budget Guideline target of 3.5%.

Staff have brought forward \$353,000 in new funding requirement to the base operating budget. A complete list of these services are listed below. Additionally, the 2021 operating budget includes new advertising revenues of \$650,000 from the two new digital billboards recently installed in the City.

The total cumulative net increase to the 2021 budget is \$1,998,000, or an estimated tax increase of 4.50%.

Background

Staff have prepared the draft 2021-2025 Five-Year Financial Plan for the Committee's initial consideration in line with the 2021 Financial Plan Guidelines.

As described in the Financial Plan Guidelines, in order to accurately calculate tax rate increases, staff will propose a total dollar increase to the Financial Plan, which can then be estimated as a percentage tax increase.

Due to the dynamic nature of the property tax system in British Columbia that uses unpredictable and changing assessed values that drive Mill Rate calculations that are then used to allocate and collect property tax charges, the approval of a total dollar increase is the only consistent and accurate way to ensure the City collects the required funds to balance the budget.

Through the Financial Plan Guidelines, Council provided direction to City staff to submit a maximum operating budget increase of \$1,110,000 (2.5% tax increase) for 2021 comprising \$829,000 for City operations and \$281,000 for Police operations, both of which includes the third and final phase-in of the Employer Health Tax (EHT) in the base operating budget.

Given increasing costs of providing and maintaining service levels, many of which the City does not have direct control over (e.g. labour, Employer taxes and fees, benefit increases, etc.), it was a challenge for many departments to meet their individual target budget allocations.

Discussion

The 2021 draft Financial Plan has been prepared to maintain the same level of service as the 2020 Financial Plan, with the exception of the new funding requirements, and adjustments based on Provincial Health Orders as a result of the COVID-19 pandemic. As in previous financial plans, the 2021 Five-Year Financial Plan presented some unique challenges and opportunities.

The following is a breakdown of the major drivers – which correspond to the Operating Budget table in the Executive Summary.

Operating Financial Plan

1. As a result of Mill and Timber ceasing operations as a sawmill, their waterfront property will be assessed as a class 6 (Business/other) instead of a class 4 (Heavy Industry) property on the 2021 tax roll. This reduces the City's tax revenue by an estimated \$1.2 million.
2. Adjustments and shifts on the 2021 tax roll result in an estimated adjustment of \$270,000. Staff have made adjustments to ensure the tax revenue distribution between the tax classes remained consistent with previous years, and that the tax increase for all property classes is consistent.
3. In an effort to offset the impacts of Mill and Timber, staff are proposing transferring \$930,000 for the City's growth stabilization reserve (current balance of \$1,450,000). A subsequent and final transfer will likely be required in 2022 in an effort to "smooth" the impact.
4. The sub total of tax roll adjustments nets to zero.
5. 2021 Non-Market Change (NMC) on the 2021 Completed Tax Roll includes significant shifts between Class 4 (heavy Industry) and Class 6 (Business/Other). The resulting impact is a significant reduction in tax revenues, as Class 4 has a significantly higher mill rate than Class 6. In order to offset this shift, the City must transfer \$930,000 from the Growth Stabilization Reserve, which is intended to be used to help smooth the impact of sudden tax shifts. The \$225,000 figure represents an estimate of the City's NMC (growth) as a result of increases in taxable values unrelated to market increases and the shift described above. The Growth Stabilization Reserve will be used to smooth the impact of the significant Class 4/6 shift over the next two to three years. These figures may be further refined as updated information is received from BC Assessment.
6. Net new revenues are budgeted to increase by nearly \$62,000.
7. Salaries, Wages, Benefits, and other employee related overhead costs have increased by \$1,494,000 (3.37%). This represented estimated collective agreement increases for all the bargaining units and management, increased costs for extended benefits, increased costs for the employer portion of the Canadian Pension Plan (CPP), increases to WorkSafeBC premiums, and the final (year three of three) phase in of the employer health tax.
8. Operating expenses, including (but not limited to): equipment, consulting and professional services, supplies and materials, insurance, and contracted services have increased by \$232,000 (0.52%).
9. Changes to reserve transfers (net transfers into reserves) have increased by \$115,000 (0.26%).
10. The total net operating increase for the City is \$1,323,000 (2.98%).

11. The Port Moody Police Board submitted a net operating budget increase of \$528,000 (1.19%).
12. The total operating budget increase is \$1,851,000 (4.17%) and 1.67% over the budget guidelines mandate of 2.50%.
13. Capital – Asset Renewal Levy
Included in the draft 2021 Five-Year Financial Plan is a 1% tax increase of the capital asset levy, which equates to a \$444,000 transfer to the Asset Reserve. These funds will be used for the replacement and upgrading of existing City infrastructure.
14. The total budget increase before new funding requirement and revenues is \$2,295,000 (5.17%) and 1.67% over the budget guidelines mandate of 3.50%.
15. New Funding Requirements
Port Moody staff have brought forward new funding requirements for 2021 that total \$353,000. This is further divided between items that stem from Council Resolutions or negotiated and contractual obligations and are deemed unavoidable (\$215,000) and items that are viewed as a high priority for ELT (\$137,000).
16. The new funding requirements are offset with \$650,000 in new revenues related to the new digital billboards.
17. The net operating impact of new services is a credit of \$297,000 (-0.67%).

New Funding Requirements		Amount (\$)	Tax (%)	Comment
Council Resolution / Negotiated / Contractual				
CO	Communications and Engagement	13,000	0.03%	Engage Port Moody – Online Platform licence fee
CU	Cultural Services	5,880	0.01%	Theatre Technician for Council Meetings (Council Resolution)
DP	Development Planning	1,500	0.00%	Advisory Design Panel (Council Resolution)
FI	Finance	108,837	0.25%	Payroll Position (business continuity – risk mitigation)
FL	Fleet	101,852	0.23%	Mechanic
FL	Fleet	-101,852	-0.23%	Mechanic – funding recovery through vehicle charge outs
IS	Information Services	37,000	0.08%	Office 365 (contractual obligation)
IS	Information Services	48,500	0.11%	Unit4 ERP – licenses (contractual obligation)
Sub Total – Council Resolution / Negotiated		214,717	0.48%	

New Funding Requirements		Amount (\$)	Tax (%)	Comment
ELT – High Priority				
IS	Information Services	44,000	0.10%	Cyber Security Risk Mitigation
IS	Information Services	5,950	0.01%	Remote work – VPN and sign-in dual factor authentication
PK	Parks	75,000	0.17%	Hazardous tree removal – risk and liability mitigation
HR	Human Resources	12,000	0.03%	Check Mate – working alone personal safety app
Sub Total – ELT High Priority		136,950	0.31%	

While the service listed below have been deemed to be important by Divisions, due to fiscal constraints, they are recommended not to be included in the 2021 Financial Plan.

New Funding Requirements		Amount (\$)	Tax (%)	Comment
ELT – Medium Priority				
ES	Environmental Services	23,000	0.05%	Invasive species program
IS	Information Services	73,441	0.17%	I.S. Service Desk Specialist – New Position
IS	Information Services	112,000	0.25%	Cloud Disaster Recovery Server Backup
IS	Information Services	13,700	0.03%	Corporate Wide internal service request system
MC	Mayor and Council	15,550	0.04%	Council Conferences and conventions (LMLGA, UBCM, FCM)
PK	Parks	75,838	0.17%	New Position – Parks Caretaker
PK	Parks	75,000	0.17%	Parks snow and ice response
PK	Parks	15,000	0.03%	Dog waste diversion expansion
PK	Parks	5,000	0.01%	Plant health care service
PK	Parks	5,000	0.01%	Murray Street landscaping beds
PK	Parks	27,016	0.06%	Trail Maintenance
PK	Parks	39,646	0.09%	Mini Excavator Operator and Equipment Rental
PK	Parks	30,000	0.07%	Vehicle Rentals
Sub Total – ELT Medium Priority		510,191	1.15%	

18. The total increase for the draft 2021 Five-Year Financial Plan, including net operating increases, the proposed Port Moody Police budget, the Asset Renewal Levy, and new funding requirements and revenues, is \$1,998,000, which is estimated to be a 4.50% tax increase.

Impact of COVID-19

The impacts of the COVID-19 global pandemic will continue to have a significant impact on City operations through 2021.

COVID-19 Impact		Amount (\$)	Tax (%)	Comment
19	COVID-19 Pandemic response increases	280,291	0.63%	Supplies, materials, Staffing
20	COVID-19 Revenue loss	1,516,246	3.41%	Recreation, Culture, and Parks revenues
21	COVID-19 Expense reductions	-425,919	-0.96%	Reduction in expenses from operational limitations
22	Provincial recovery funding	1,370,618	-3.09%	Provincial funding
23	Sub Total – COVID-19 Impact	0	0.00%	

19. As a result of COVID-19, operating expenses are budgeted to increase by \$280,300 over the 2020 budget. This includes: \$15,800 to bring back the funding for the Community Grant program in 2021; \$4,500 in reduced revenues in Community Development Admin; \$84,400 in reduced revenues in Cultural Services; \$115,000 in Parks for labour, supplies and signage; \$60,500 in Library for revenues, grants, personnel services, and supplies.
20. Reductions in revenues are primarily in Recreation (\$1,486,000) but also impact Fiscal Services (\$30,000) related to revenue sharing on some lease agreements.
21. As a result of continuing changes to City operations in 2021 due to COVID-19, \$426,000 of expenses can be reduced in Cultural Services (\$22,000) and Recreation (\$404,000).
22. The City will use a portion of its \$4.6 million Provincial COVID-19 Safe Restart Grant to offset the net impact of revenue losses and temporary adjustments due to COVID-19. It should be noted that the grant cannot be used to simply reduce the tax rate increase; and must be used for the continuation of service delivery impacted by COVID-19.
23. With the utilization of the provincial restart grant, the net impact of COVID-19 for the 2021 Financial Plan for the City is zero.

Capital Financial Plan

The 2021 Capital budget was introduced to the Finance Committee on November 17, 2020, and approved by the Finance Committee on January 5, 2021. The draft Five-Year Financial Plan contains \$67.2 million in projects for years 2021 through 2025.

2021 has \$22.5 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. Most 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 2021 projects is diverse and includes project submissions for the following items:

- fleet replacements;
- road rehabilitation at various locations throughout the City;
- upgrades and repairs to civic buildings;
- park improvements and updates to master plans;
- improvements to traffic signals, street lights, and bus stops; and
- sewer, drainage, water, and solid waste projects.

Other Option(s)

Staff can report back with additional changes to the draft 2021-205 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. Due to the COVID-19 pandemic and current orders from the provincial public health officer, the City is planning a digital public engagement for the 2021 Financial Plan that will not include any in-person public gatherings. *Engage Port Moody*, the City's new public engagement platform, will be used to collect community feedback on the 2021 Financial Plan. The annual budget survey, budget resource information, and FAQ's 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:	Draft 2021-2025 Financial Plan - Operating Budget.docx
Attachments:	
Final Approval Date:	Jan 13, 2021

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

Paul Rockwood, General Manager of Finance and Technology - Jan 11, 2021 - 3:46 PM

Dorothy Shermer, Corporate Officer - Jan 11, 2021 - 5:25 PM

Rosemary Lodge, Manager of Communications and Engagement - Jan 12, 2021 - 4:08 PM

Tim Savoie, City Manager - Jan 13, 2021 - 9:06 AM