

REPORT

Finance & Information Technology

To: Mayor and Council in Committee of the Whole **Date:** August 29, 2011

From: Gary Holowatiuk, CA
Director of Finance &
Information Technology **File:** Doc# 178881v1

Subject: Five Year Financial Plan (2011-2015) Amendment Bylaw

RECOMMENDATION

THAT Five-Year Financial Plan (2011-2015) Amendment Bylaw No. 7476, 2011 (Attachment 1) be forwarded to the regular meeting of Council for consideration.

PURPOSE

The purpose of this report is to obtain Council approval to amend the Five-Year Financial Plan, 2011-2015 (the "Financial Plan").

BACKGROUND

The City's NWR Substation is owned, maintained and operated by BC Hydro solely for the purpose of supplying electricity to the City's electrical distribution customers. The City has secured this arrangement through the NWR Substation Operating Agreement. This Operating Agreement has expired and the City is in the process of renegotiating a new agreement which will be presented to Council for consideration in a separate report.

EXISTING POLICY/PRACTICE

Section 165 of the Community Charter (Charter) requires that a municipality adopt annually, by bylaw, a five year financial plan. This Section also allows a municipality to amend the financial plan, by bylaw, at any time to provide for greater certainty.

Section 173 of the Charter states that “A municipality must not make an expenditure other than an expenditure that is included for that year in its financial plan”.

The City’s practice is to amend its financial plan during the year if it is anticipated that expenses will exceed budget by the end of the year. In some instances budget overruns may still occur due to unanticipated expenses late in the year and/or due to year end accounting adjustments. In these situations the City amends its Financial Plan as soon as practically possible once the financial impact of the unanticipated event is determined.

DISCUSSION

The City is in the process of renewing the NWR Substation Operating Agreement with BC Hyrdo. This agreement, which will be presented to Council in due course, commits the City to major expenditures related to upgrades required to replace aging equipment in the substation and to increase the capacity of the substation to meet load growth projections for the City. The upgrades are expected to be undertaken in 2012 at an estimated cost of \$23.5 million. Similar to the previous operating agreement, the new agreement requires the City to pay for the upgrades over the expected service life of the assets through the Annual Substation Investment Charge. The proposed operating agreement also provides the option for the City to secure alternative financing, possibly through the Municipal Financing Authority. Staff is in the process of investigating this option.

The City’s current Financial Plan includes an increase in the Electrical Utility’s annual Substation Investment Charge to accommodate the anticipated upgrades based on preliminary cost estimates available at the time. Now that the cost estimates for the upgrade have been finalized, the City needs to amend its Financial Plan bylaw to update the annual Substation Investment Charge to reflect the current information. The following table summarizes the changes to the Electrical Utility expense line item in Schedule A of the attached Financial Plan (2011-2015) Amendment Bylaw.

Summary of Amendments to the 2011-2015 Financial Plan

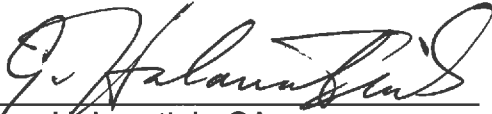
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fiscal Expenses, original budget	<u>1,439,000</u>	<u>1,526,000</u>	<u>2,688,000</u>	<u>3,286,000</u>	<u>3,899,000</u>
- Increase in annual E/U Substation Investment Chrg.	-	-	390,000	1,222,000	1,173,000
Fiscal Expenses, amended budget	<u>1,439,000</u>	<u>1,526,000</u>	<u>3,078,000</u>	<u>4,508,000</u>	<u>5,072,000</u>

NOTE: The annual Substation Investment Charge (SIC) originally included in fiscal expenses is approximately \$280,000, increasing to \$1.28 million in 2013 once the substation upgrades are put into service. Based on the revised cost estimates for upgrades to NWR Substation, the annual SIC for 2013 through 2015 will be approximately \$1.67 million, 2.50 million and \$ 2.45 million, respectively (SIC declines annually over the service life of the upgrades).

CONCLUSION

To ensure compliance with the Community Charter, it is recommended that Council adopt "Five-Year Financial Plan (2011-2015) Amendment Bylaw No. 7476, 2011".

Respectfully submitted by:



Gary Molowatiuk, CA
Director of Finance & Information
Technology

Approved for presentation to Council
by:



Paul Daminato
City Administrator

ATTACHMENT 1

Corporation of the City of New Westminster
Five Year Financial Plan (2011-2015) Amendment
Bylaw No. 7476, 2011

CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN

Schedule 'A' to Bylaw No. 7476, 2011

NOTE: Schedules 'B' and 'C' are addendums to this Schedule. They provide additional detailed information, but their figures are included in the consolidated numbers below.

	2011 Budget (Amended)	Budget Projections (Amended)			
		2012	2013	2014	2015
REVENUES:					
Taxation (see below)	57,021,000	59,256,000	62,414,000	65,457,000	68,199,000
Utility Rates	54,903,000	58,771,000	62,904,000	67,340,000	72,109,000
Sale of Services	11,145,000	11,161,000	11,211,000	12,953,000	12,953,000
Grants from Other Governments (1)	16,388,000	2,528,000	2,562,000	2,113,000	2,113,000
Other Revenue (2)	8,475,000	10,572,000	11,572,000	8,572,000	8,572,000
Contributions (3)	23,152,000	25,891,000	20,094,000	11,631,000	12,207,000
Total Revenues	171,084,000	168,179,000	170,757,000	168,066,000	176,153,000
EXPENSES:					
General Services					
Police Services	22,933,000	23,026,000	24,218,000	24,810,000	25,409,000
Parks & Recreation	17,798,000	19,019,000	21,807,000	24,500,000	24,849,000
Fire & Rescue	12,914,000	13,375,000	13,820,000	14,178,000	14,533,000
Development Services	3,422,000	3,598,000	3,626,000	3,655,000	3,737,000
Engineering	19,278,000	19,839,000	20,161,000	20,549,000	20,700,000
General Government	12,807,000	12,921,000	13,193,000	13,671,000	13,751,000
Library	3,452,000	3,618,000	3,696,000	3,774,000	3,832,000
	92,604,000	95,396,000	100,521,000	105,137,000	106,811,000
Utilities Services					
Electrical Utility	25,388,000	26,796,000	28,319,000	29,835,000	31,404,000
Water Utility	6,026,000	6,697,000	7,439,000	8,310,000	9,239,000
Sewer Utility	6,970,000	7,340,000	7,685,000	8,051,000	8,379,000
Solid Waste Utility	2,231,000	2,331,000	2,206,000	2,228,000	2,250,000
	40,615,000	43,164,000	45,649,000	48,424,000	51,272,000
Fiscal Expenses					
Interest & Bank Charges	1,439,000	1,526,000	3,078,000	4,508,000	5,072,000
Total Expenses	134,658,000	140,086,000	149,248,000	158,069,000	163,155,000
INCREASE IN TOTAL EQUITY	36,426,000	28,093,000	21,509,000	9,997,000	12,998,000
Reconciliation to Financial Equity					
Amortization of Tangible Capital Assets	15,876,000	17,230,000	19,789,000	20,312,000	20,308,000
Capital Expenses (Schedule B)	(70,467,000)	(46,711,000)	(41,294,000)	(37,614,000)	(36,724,000)
Debt Retirement	(384,000)	(686,000)	(686,000)	(8,789,000)	(1,419,000)
Proceeds on Debt Issuance	6,751,000	-	3,100,000	10,750,000	9,750,000
CHANGE IN FINANCIAL EQUITY (Reserves)	(11,798,000)	(2,074,000)	2,418,000	(5,344,000)	4,913,000
Financial Equity, beginning of year	61,431,000	49,633,000	47,559,000	49,977,000	44,633,000
FINANCIAL EQUITY (Reserves), end of year	49,633,000	47,559,000	49,977,000	44,633,000	49,546,000

Notes:

(1) Includes capital grants noted on Schedule B.

(2) Includes proceeds from property sales noted on Schedule C.

(3) Includes capital contributions and DCCs noted on Schedule B and Gaming Revenue noted on Schedule C.

Taxation					
Property Taxes	55,135,000	57,318,000	60,423,000	63,410,000	66,096,000
Parcel Taxes	8,000	8,000	8,000	8,000	8,000
Grant-in-Lieu of Taxes	1,129,000	1,92,000	1,96,000	1,232,000	1,268,000
Utilities %-in Lieu of Taxes	749,000	788,000	787,000	807,000	827,000
	57,021,000	59,256,000	62,414,000	65,457,000	68,199,000

**CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN**

Schedule 'A' to Bylaw No. 7476, 2011

(cont'd)

Proportion of Revenues By Funding Source:

The following Table shows the proportion of total revenue purposed to be raised from each funding source. Property taxes form the largest portion of revenues. They provide a stable and consistent source of revenues to pay for many services, such as police and fire protection, that are difficult or undesirable to fund on a user-pay basis.

Utilities' rates are the City's second largest component of planned revenues. These revenues pay for services including electricity, water, sewer and solid waste and are charged on a user-pay basis. This basis attempts to fairly apportion utility service costs to those that make use of these services.

Other revenue sources, including sale of services, government grants and contributions make up the remainder of total revenues. These revenues fluctuate due to economic conditions and City initiatives.

Revenue Source	% Total Revenue
Taxation	33%
Utility Rates	32%
Sale of Services	7%
Govt Grants	10%
Other Revenue	5%
Contributions	14%
	100%

Distribution of Property Taxes Between Property Classes:

The following Table provides the distribution of property tax revenue between property classes. The City's primary goal is to set tax rates that are sufficient, after maximizing non-tax revenues, to provide for service delivery; city assets; and maintain tax stability. This is accomplished by maintaining the historical relationship between the property classes and applying the same annual tax rate increase across all Classes. A secondary goal is to set tax rates that are competitive within the region; consequently, the City may, from time to time, adjust the property tax distribution between the Classes as deemed necessary.

Class No	Property Class	% Tax Burden
1	Residential	62%
2	Utilities	<1%
4	Major Industry	3%
5	Light Industry	4%
6	Business	31%
8	Recreation/Non-Profit	<1%
9	Farm	<1%
		100%

Use of Permissive Exemptions:

The City's Annual Municipal Report contains a list of permissive exemptions granted for the year and the amount of tax revenue foregone. Permissive tax exemption is granted to not-for-profit institutions including religious institutions, some recreational facilities, service organizations and cultural institutions that form a valuable part of our community.

Since the mid-90's the City has generally ceased granting new permissive exemptions from property taxes in order to preserve the tax revenue base. Organizations granted exemption prior to implementation of this practice continue to be considered for exemption provided they make an annual submission showing the use of the property subject to exemption has not been altered.

CITY OF NEW WESTMINSTER
CONSOLIDATED CAPITAL PROGRAM

Schedule 'B' to Bylaw No. 7476, 2011

NOTE: This Schedule has been provided as an addendum to Schedule A. The figures in this Schedule are included in the consolidated figures in Schedule A.

Capital Budget Projections	2011	Budget Projections (Amended)			
	Budget (Amended)	2012	2013	2014	2015
Equipment	5,193,000	3,147,000	2,959,000	2,797,000	2,832,000
Vehicles	2,608,000	2,028,000	2,832,000	1,134,000	109,000
Public Works	6,564,000	6,305,000	7,015,000	12,835,000	12,615,000
Facilities	18,475,000	22,383,000	17,824,000	9,288,000	8,605,000
Parks	23,532,000	2,865,000	2,401,000	3,737,000	3,560,000
Other	2,831,000	283,000	228,000	228,000	198,000
Electrical	779,000	600,000	1,100,000	500,000	600,000
Water	4,420,000	2,950,000	3,030,000	3,085,000	3,140,000
Sewer	6,065,000	6,150,000	3,905,000	4,010,000	5,065,000
TOTAL	70,467,000	46,711,000	41,294,000	37,614,000	36,724,000
Funding Sources					
Reserves Funds	32,323,000	26,719,000	23,965,000	21,547,000	21,349,000
Development Cost Charges (see below)	1,786,000	2,334,000	1,730,000	167,000	75,000
Long Term Debt	6,751,000	-	3,100,000	10,750,000	9,750,000
Gov't Grants	15,332,000	415,000	449,000	-	-
Contributions	14,275,000	17,243,000	12,050,000	5,150,000	5,550,000
TOTAL	70,467,000	46,711,000	41,294,000	37,614,000	36,724,000

City of New Westminster - Development Cost Charge Funding Envelope Plan for the 2009 DCC Bylaw 7311

NOTES:

1. This DCC Funding Envelope Plan is based on the capital projects set out in the 2009 Development Cost Charge Review Report which forms the basis for the City's DCC Bylaw.
2. City contributions will be from reserves while other contributions are from federal / provincial government grants.
3. The mainland waterfront parkland acquisition / development (\$16M) is initially funded with debt with the intention that the principal on the debt would be repaid over time using Parks DCCs.

TOTAL	2009-2010	City's 2011-2015 Financial Plan					2016-2021	
		2011	2012	2013	2014	2015		
Total DCCs	72,364,187	367,775	1,786,000	2,334,200	1,730,000	167,200	75,000	65,904,013
Total City & Other Contributions	23,932,753	15,767,394	2,067,750	514,300	565,000	247,800	150,000	4,620,508
	96,296,940	16,135,169	3,853,750	2,848,500	2,295,000	415,000	225,000	70,524,521

**CITY OF NEW WESTMINSTER
CONSOLIDATED RESERVES AND DEVELOPMENT COST CHARGES**

Schedule 'C' to Bylaw No. 7476, 2011

NOTE: This Schedule has been provided as an addendum to Schedule A. The reserve figures in this Schedule are included in the consolidated figures in Schedule A. Development Cost Charges are provided for information, but are deferred charges rather than reserves.

<u>FINANCIAL EQUITY (RESERVES)</u>	2011	Budget Projections (<i>Amended</i>)			
	Budget (<i>Amended</i>)	2012	2013	2014	2015
Revenues:					
Gaming Revenues	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Land Sale Proceeds	-	2,000,000	3,000,000	-	-
	6,000,000	8,000,000	9,000,000	6,000,000	6,000,000
Transfers (to) from:					
Operating Budget	14,525,000	16,645,000	17,383,000	10,203,000	20,262,000
Capital Budget	(32,323,000)	(26,719,000)	(23,965,000)	(21,547,000)	(21,349,000)
	(17,798,000)	(10,074,000)	(6,582,000)	(11,344,000)	(1,087,000)
Change in Financial Equity (Reserves)	(11,798,000)	(2,074,000)	2,418,000	(5,344,000)	4,913,000
Financial Equity, Beginning of Year	61,431,000	49,633,000	47,559,000	49,977,000	44,633,000
Financial Equity, End of Year	49,633,000	47,559,000	49,977,000	44,633,000	49,546,000
CHANGE IN RESERVES					
Non-Statutory Reserves	(11,114,000)	(3,521,000)	(943,000)	(543,000)	4,708,000
Statutory Reserves					
Cemetery	53,000	54,000	57,000	58,000	60,000
Construction of Municipal Works	(843,000)	2,111,000	3,219,000	(4,948,000)	54,000
Tax Sale Land	51,000	52,000	54,000	57,000	58,000
Parkland Acquisition	23,000	24,000	25,000	26,000	27,000
Parking Cash in Lieu	32,000	(794,000)	6,000	6,000	6,000
Change in Reserves	(11,798,000)	(2,074,000)	2,418,000	(5,344,000)	4,913,000
Statutory DCC Reserves					
Drainage DCC	125,000	443,000	459,000	473,000	491,000
Open Space DCC	1,075,000	606,000	1,879,000	1,946,000	2,013,000
Sewer DCC	(72,000)	285,000	296,000	306,000	317,000
Transportation DCC	(276,000)	(1,082,000)	(194,000)	1,415,000	1,561,000
Water DCC	152,000	331,000	342,000	354,000	367,000
Change in DCCs	1,004,000	583,000	2,782,000	4,494,000	4,749,000
RESERVE BALANCES					
Non-Statutory Reserves	44,800,000	41,279,000	40,336,000	39,793,000	44,501,000
Statutory Reserves					
Cemetery	521,000	575,000	632,000	690,000	750,000
Construction of Municipal Works	1,155,000	3,266,000	6,485,000	1,537,000	1,591,000
Tax Sale Land	1,503,000	1,555,000	1,609,000	1,666,000	1,724,000
Parkland Acquisition	691,000	715,000	740,000	766,000	793,000
Parking Cash in Lieu	963,000	169,000	175,000	181,000	187,000
	49,633,000	47,559,000	49,977,000	44,633,000	49,546,000
Statutory DCC Reserves					
Drainage DCC	3,781,000	4,224,000	4,683,000	5,156,000	5,647,000
Open Space DCC	2,206,000	2,812,000	4,691,000	6,637,000	8,650,000
Sewer DCC	(707,000)	(422,000)	(126,000)	180,000	497,000
Transportation DCC	2,313,000	1,231,000	1,037,000	2,452,000	4,013,000
Water DCC	577,000	908,000	1,250,000	1,604,000	1,971,000
	8,170,000	8,753,000	11,535,000	16,029,000	20,778,000