



REPORT

Finance

To: Mayor Coté and Members of Council **Date:** 7/13/2020

From: Lorraine Lyle, CPA, CGA **File:**
Acting Director of Finance

Item #: 245/2020

Subject: **Five Year Financial Plan (2019-2023) Amendment Bylaw No. 8207, 2020**

RECOMMENDATION

THAT the attached Five-Year Financial Plan (2019-2023) Amendment Bylaw No. 8207, 2020 be given three readings and adoption as presented in Attachment #1 of this report.

PURPOSE

The purpose of this report is to obtain Council approval to amend the Five-Year Financial Plan, 2019-2023 (the “Financial Plan”).

BACKGROUND

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”.

To comply with the Charter, it is advisable to adopt a bylaw amending the Five-Year Financial Plan (2019-2023) so that it agrees with the figures in the 2019 audited consolidated financial statements.

EXISTING POLICY/PRACTICE

The City’s practice is to amend its financial plan during the year if it is anticipated that expenditures will exceed budget by the end of the year.

In some instances budget overruns may still occur due to unanticipated expenditures late in the year and/or due to year end accounting adjustments required under Public Sector Accounting Board (PSAB) accounting standards. In this regard, the City's past practice, which is consistent with the practice of other municipalities, is to adopt a bylaw amending the City's financial plan for a given fiscal year so that it agrees with the audited financial statements for that year.

DISCUSSION

The City's 2019 Financial Statements contain a number of year-end accounting adjustments that were not anticipated in the 2019-2023 Financial Plan, including:

- Gains and losses on disposal of tangible capital assets because these amounts are difficult to estimate for budgeting purposes;
- Revenues recorded in recognition of developer contributed tangible capital assets because these amounts are difficult to estimate for budgeting purposes; and
- Budgeted capital costs that are required to be reclassified as operating expenses in the Financial Statements because they do not meet the definition of Tangible Capital Assets

To accommodate these year-end financial statement adjustments it is proposed that the City amend its 2019-2023 Financial Plan to align with the City's 2019 Financial Statements.

CONCLUSION

To ensure compliance with the Community Charter, it is recommended that Council adopt "Five-Year Financial Plan (2019-2023) Amendment Bylaw No. 8207, 2020".

ATTACHMENTS

Attachment #1 - Five Year Financial Plan (2019 - 2023) Amendment Bylaw No. 8207, 2020

Approved for Presentation to Council



Lorraine Lyle, CPA, CGA
Acting Director of Finance



Lisa Spitale
Chief Administrative Officer

Attachment #1

Five Year Financial Plan (2019-2023) Amendment Bylaw No. 8207, 2020

CORPORATION OF THE CITY OF NEW WESTMINSTER

BYLAW NO. 8207, 2020

A Bylaw of the City of New Westminster to amend the Five-Year Financial Plan for the years 2019 – 2023, inclusive

WHEREAS pursuant to Section 165 of the Community Charter, the “Five-Year Financial Plan (2019 – 2023) Bylaw No. 8104, 2019” was adopted on the 29th day of April, 2019;

NOW THEREFORE, the City Council of the Corporation of the City of New Westminster ENACTS AS FOLLOWS:

- (1) This bylaw may be cited for all purposes as the “Five-Year Financial Plan (2019 – 2023), Amendment Bylaw No. 8207, 2020”.
- (2) Council does hereby amend the Five-Year Financial Plan 2019-2023 inclusive, as set out in Schedule A attached to this bylaw and forming a part thereof:
- (3) Schedules B and C provide supplementary information to the bylaw.

GIVEN FIRST READING this day of , 2020.

GIVEN SECOND READING this day of , 2020.

GIVEN THIRD READING this day of , 2020

ADOPTED and the Seal of the Corporation of the City of New Westminster affixed this day of ,2020.

Jonathan Cote, Mayor

Jacque Killawee, City Clerk

CORPORATION OF THE CITY OF NEW WESTMINSTER

CONSOLIDATED FINANCIAL PLAN

Schedule 'A' to Amendment Bylaw No. 8207, 2020

	2019	Budget Projections			
	Budget	2020	2021	2022	2023
REVENUE					
Municipal Taxation (see below)	\$ 84,959,871	\$ 89,623,012	\$ 92,939,061	\$ 97,959,664	\$ 104,049,513
Utility Rates	86,621,367	90,801,552	94,737,922	98,873,330	103,248,236
Sale of Services	17,299,526	14,633,702	14,637,180	14,640,757	14,644,438
Grants from Other Governments (1)	3,337,361	5,511,940	2,974,440	2,949,440	2,736,940
Contributed Tangible Capital Assets	4,273,789	-	-	-	-
Contributions (2)	16,770,623	14,971,502	12,328,905	11,325,181	8,987,051
Other Revenue (3)	23,692,567	16,265,867	16,135,985	16,349,881	16,623,757
Total Revenues	236,955,104	231,807,575	233,753,493	242,098,253	250,289,935
EXPENSES					
General Services					
Police Services	30,278,685	30,946,836	31,447,868	31,958,256	32,710,412
Parks and Recreation	22,216,243	21,804,190	22,309,579	25,606,945	25,996,344
Fire and Rescue	16,611,088	17,510,758	17,577,875	17,922,008	18,375,902
Development Services	5,603,874	5,842,820	5,989,329	6,088,057	6,231,351
Engineering	30,405,160	27,679,146	28,169,469	28,689,845	29,176,205
General Government	27,843,611	24,699,347	24,872,948	25,406,198	26,104,285
Library	3,865,675	4,526,353	4,600,831	4,678,829	4,752,952
Total	136,824,336	133,009,450	134,967,899	140,350,138	143,347,451
Utilities Services					
Electrical Utility	40,623,213	40,550,084	41,626,169	41,798,257	42,648,658
Water Utility	9,013,677	9,239,624	10,149,668	11,225,160	12,446,468
Sewer Utility	13,839,755	13,237,003	14,572,845	16,044,143	17,214,372
Solid Waste Utility	3,430,493	3,364,293	3,419,428	3,443,697	3,569,774
Total	66,907,138	66,391,004	69,768,110	72,511,257	75,879,272
Fiscal Expenses					
Interest and Bank Charges	1,849,968	2,722,488	3,977,611	5,866,307	6,812,294
Total	1,849,968	2,722,488	3,977,611	5,866,307	6,812,294
Total Expenses	205,581,442	202,122,942	208,713,620	218,727,702	226,039,017
INCREASE IN TOTAL EQUITY	31,373,662	29,684,633	25,039,873	23,370,551	24,250,918
Reconciliation to Financial Equity					
Amortization of Tangible Capital Assets	23,448,644	26,052,000	26,562,000	29,430,000	30,304,000
Capital Expenses (Schedule B)	(60,525,313)	(93,602,100)	(95,979,800)	(62,238,500)	(33,835,100)
Debt Retirement	(17,570,455)	(3,916,670)	(5,552,205)	(6,845,835)	(8,470,399)
Proceeds on Debt Issuance	23,850,000	35,287,800	55,922,900	28,294,900	2,038,500
Net (Gain) / Loss on Disposals	(2,274,215)	-	-	-	-
Acquisition of Inventory and Prepaids	(92,669)	-	-	-	-
Proceeds from Disposal of Assets	7,391,392	-	-	-	-
CHANGE IN FINANCIAL EQUITY (Reserves)	5,601,046	(6,494,337)	5,992,768	12,011,116	14,287,919
Financial Equity, beginning of year	107,561,383	113,162,429	106,668,092	112,660,860	124,671,976
FINANCIAL EQUITY (Reserves), end of year	\$ 113,162,429	\$ 106,668,092	\$ 112,660,860	\$ 124,671,976	\$ 138,959,895

Notes:

- (1) Includes capital grants noted on Schedule B.
- (2) Includes capital contributions and DCCs noted on Schedule B and Gaming Revenue noted on Schedule C.
- (3) Includes proceeds from property sales noted on Schedule C.

Municipal Taxation					
Property Taxes	\$ 83,307,098	\$ 87,963,112	\$ 91,273,661	\$ 96,228,064	\$ 102,319,413
Parcel Taxes	59,600	28,900	28,900	28,900	27,400
Grant-in-Lieu of Taxes	920,673	958,500	964,000	1,030,200	1,030,200
Utilities 1%-in-Lieu of Taxes	672,500	672,500	672,500	672,500	672,500
	\$ 84,959,871	\$ 89,623,012	\$ 92,939,061	\$ 97,959,664	\$ 104,049,513

**CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN**

Schedule 'A' to Amendment Bylaw No. 8207, 2020

(continued)

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	36%
Utility Rates	37%
Sale of Services	7%
Gov't Grants	1%
Contributions	9%
Other Revenue	10%
	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	60%
2	Utilities	<1%
4	Major Industry	2%
5	Light Industry	5%
6	Business	32%
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. All other applications for permissive exemption from property taxes are reviewed on a case-by-case basis.

**CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED CAPITAL PROGRAM**

Schedule 'B' to Amendment Bylaw No. 8207, 2020

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.

	2019 Budget	Budget Projections			
		2020	2021	2022	2023
CAPITAL EXPENSES					
Land	\$ 4,722,268	\$ -	\$ -	\$ -	\$ -
Buildings	18,756,386	35,544,700	63,679,700	24,310,400	5,386,000
Vehicles/Equipment	4,222,366	6,457,600	3,134,600	2,508,600	4,508,600
Other Projects	30,863	3,365,000	870,000	920,000	905,000
Park Improvements	2,697,915	842,000	1,180,000	2,362,000	950,000
Engineering Structures	9,263,430	11,590,000	12,740,000	16,332,000	7,290,000
Water Infrastructure	4,478,125	2,685,000	3,185,000	3,700,000	4,380,000
Sewer Infrastructure	7,620,210	8,917,800	6,750,500	6,225,500	8,015,500
Electrical Distribution System	8,733,750	24,200,000	4,440,000	5,880,000	2,400,000
TOTAL	\$ 60,525,313	\$ 93,602,100	\$ 95,979,800	\$ 62,238,500	\$ 33,835,100
FUNDING SOURCES					
Reserve Funds	\$ 41,111,230	\$ 46,961,400	\$ 33,949,800	\$ 28,931,500	\$ 29,352,000
Development Cost Charges	577,334	604,900	1,554,100	304,100	304,100
Long Term Debt	8,963,000	35,287,800	55,922,900	28,294,900	2,038,500
Grants from Other Governments	480,440	5,293,000	1,090,500	1,065,500	853,000
Contributions	9,393,309	5,455,000	3,462,500	3,642,500	1,287,500
TOTAL	\$ 60,525,313	\$ 93,602,100	\$ 95,979,800	\$ 62,238,500	\$ 33,835,100

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 which forms the basis for the City's DCC Bylaw. The City's DCC Bylaw was amended in 2015 to reflect new rates based on an updated capital project plan.
2. City contributions will be from reserves while other contributions are from provincial / federal government grants.
3. The mainland waterfront parkland acquisition / development (\$16M) was initially funded with debt with the intention that the principal on the debt would be repaid over time using Parks DCCs.

	TTL	2009 - 2018	2019	2020	2021	2022	2023	2024 +
Total DCCs	\$ 87,284,408	\$ 36,428,755	\$ 577,334	\$ 604,900	\$ 1,554,100	\$ 304,100	\$ 304,100	\$ 47,511,119
Total City & Other Contributions	34,985,065	8,446,264	1,204,883	569,800	563,200	550,600	550,600	23,099,719
	\$ 122,269,473	\$ 44,875,019	\$ 1,782,217	\$ 1,174,700	\$ 2,117,300	\$ 854,700	\$ 854,700	\$ 70,610,838

CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED STATEMENT OF RESERVES AND DEVELOPMENT COST CHARGES
Schedule 'C' to Amendment Bylaw No. 8207, 2020

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.

FINANCIAL EQUITY (RESERVES)	2019	Budget Projections			
	Budget	2020	2021	2022	2023
Revenues:					
Contributions	\$ 10,632,966	\$ 7,413,284	\$ 7,534,170	\$ 7,111,480	\$ 7,125,510
Land Sale Proceeds	7,391,392	-	-	-	-
	18,024,358	7,413,284	7,534,170	7,111,480	7,125,510
Transfers (to) from:					
Operating Budget	28,687,918	33,053,779	32,408,398	33,831,136	36,514,409
Capital Budget	(41,111,230)	(46,961,400)	(33,949,800)	(28,931,500)	(29,352,000)
	(12,423,312)	(13,907,621)	(1,541,402)	4,899,636	7,162,409
Change in Financial Equity (Reserves)	5,601,046	(6,494,337)	5,992,768	12,011,116	14,287,919
Financial Equity, Beginning of Year	107,561,383	113,162,429	106,668,092	112,660,860	124,671,976
Financial Equity, End of Year	113,162,429	106,668,092	112,660,860	124,671,976	138,959,895
CHANGE IN RESERVES					
Non-Statutory Reserves	\$ 10,349,668	\$ (4,141,012)	\$ 6,069,250	\$ 11,894,611	\$ 14,169,953
Statutory Reserves					
Cemetery	45,003	35,350	35,350	35,350	35,350
Construction of Municipal Works	(3,927,643)	(693,407)	(150,888)	41,396	42,141
Parking Cash In Lieu	24,517	21,392	21,778	22,170	22,569
Park Land Acquisition	(926,261)	16,973	17,278	17,589	17,906
Tax Sale Land	35,762	(1,733,633)	-	-	-
Change in Reserves	\$ 5,601,046	\$ (6,494,337)	\$ 5,992,768	\$ 12,011,116	\$ 14,287,919
Statutory DCC Reserves					
Drainage DCC	\$ (2,403)	\$ 118,495	\$ 120,628	\$ 122,799	\$ 125,010
Parkland DCC	1,541,085	1,310,246	1,318,132	1,325,659	1,332,621
Sewer DCC	365,998	183,150	453,746	461,914	470,228
Transportation DCC	579,939	(927,349)	(573,593)	666,082	678,072
Water DCC	157,320	191,396	194,842	198,348	201,919
Change in DCCs	\$ 2,641,939	\$ 875,938	\$ 1,513,755	\$ 2,774,802	\$ 2,807,850
RESERVE BALANCES					
Non-Statutory Reserves	\$ 98,751,619	\$ 94,632,688	\$ 100,684,965	\$ 112,631,416	\$ 126,749,529
Statutory Reserves			34,251		69,746
Cemetery	751,919	787,269	822,619	857,969	893,319
Construction of Municipal Works	10,728,176	10,034,769	9,883,881	9,925,277	9,967,418
Parking Cash In Lieu	1,191,974	1,213,366	1,235,144	1,257,314	1,279,883
Park Land Acquisition	-	-	-	-	-
Tax Sale Land	1,738,741	-	-	-	-
Total Reserves	\$ 113,162,429	\$ 106,668,092	\$ 112,660,860	\$ 124,671,976	\$ 138,959,895
Statutory DCC Reserves					
Drainage DCC	\$ 630,920	\$ 749,415	\$ 870,043	\$ 992,842	\$ 1,117,852
Parkland DCC	8,434,542	9,744,788	11,062,920	12,388,579	13,721,200
Sewer DCC	1,310,655	1,493,805	1,947,551	2,409,465	2,879,693
Transportation DCC	(453,076)	(1,380,425)	1,163,758	1,829,840	2,507,912
Water DCC	1,927,492	2,118,888	2,313,730	2,512,078	2,713,997
Total DCC Reserves	\$ 11,850,533	\$ 12,726,471	\$ 17,358,002	\$ 20,132,804	\$ 22,940,654