



Corporation of the City of
NEW WESTMINSTER

REPORT

Finance and Information Technology

To: Mayor Coté and Members of Council **Date:** 7/8/2019

From: Colleen Ponzini, CPA, CGA **File:**

Director of Finance

Item #: 286/2019

Subject: **Five Year Financial Plan (2018 - 2022) Amendment Bylaw No. 8136, 2019**

RECOMMENDATION

THAT Five-Year Financial Plan (2018 - 2022) Amendment Bylaw No. 8136, 2019 (Attachment 1) be given three readings.

PURPOSE

The purpose of this report is to obtain Council approval to amend the Five-Year Financial Plan, 2018 - 2022 (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 (2018-2022) so that it agrees with the figures in the 2018 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 2018 Financial Statements contain a number of year-end accounting adjustments that were not anticipated in the 2018-2022 Financial Plan, including:

- Gains and losses on disposal of tangible capital assets because these amounts are difficult to estimate for budgeting purposes;
- DCC and grant revenues that are less than the amount included in the Financial Plan because some capital projects, which determine the amount of DCC and grant revenues to be recognized, were not completed in the year;
- 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 2018-2022 Financial Plan to align with the City's 2018 Financial Statements.

CONCLUSION

To ensure compliance with the Community Charter, it is recommended that Council adopt "Five-Year Financial Plan (2018-2022) Amendment Bylaw No. 8136, 2019".

ATTACHMENTS

Attachment #1 - Five Year Financial Plan (2018 - 2022) Amendment Bylaw No. 8136, 2019

Approved for Presentation to Council



Colleen Ponzini, CPA, CGA
Director of Finance



Lisa Spitale
Chief Administrative Officer

Attachment #1

Five Year Financial Plan (2018-2022) Amendment Bylaw No. 8136, 2019

CORPORATION OF THE CITY OF NEW WESTMINSTER

BYLAW NO. 8136, 2019

A Bylaw of the City of New Westminster to amend the
Five-Year Financial Plan for the years 2018 – 2022, inclusive

WHEREAS pursuant to Section 165 of the Community Charter, the “Five-Year Financial Plan (2018 – 2022) Bylaw No. 7992, 2018” was adopted on the 5th day of March, 2018;

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 (2018 – 2022), Amendment Bylaw No. 8136, 2019”.

(2) Council does hereby amend the Five-Year Financial Plan 2018-2022 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 THREE READINGS this day of , 2019.

ADOPTED and the Seal of the Corporation of the City of New Westminster affixed this
day of , 2019.

Jonathan Cote, Mayor

Jacque Killawee, City Clerk

CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED FINANCIAL PLAN
Schedule 'A' to Amendment Bylaw No. 8136, 2019

	2018	Budget Projections			
	Budget	2019	2020	2021	2022
REVENUE					
Municipal Taxation (see below)	\$ 79,144,993	\$ 83,906,987	\$ 87,065,895	\$ 90,818,455	\$ 96,928,862
Utility Rates	82,701,147	83,584,260	87,293,951	91,377,700	95,865,580
Sale of Services	15,473,302	14,038,721	14,041,446	14,044,204	14,047,059
Grants from Other Governments (1)	5,414,699	3,143,940	4,034,440	3,376,940	3,351,940
Contributed Tangible Capital Assets	705,463	-	-	-	-
Contributions (2)	12,309,863	19,203,011	12,706,302	8,608,505	10,279,781
Other Revenue (3)	19,955,508	14,413,631	14,296,750	14,018,859	14,060,515
Total Revenues	215,704,975	218,290,550	219,438,784	222,244,663	234,533,737
EXPENSES					
General Services					
Police Services	29,201,472	29,248,275	29,841,294	30,298,914	30,892,500
Parks and Recreation	21,457,111	20,646,453	21,143,038	23,945,056	24,356,623
Fire & Rescue	15,639,590	16,820,128	17,196,016	17,582,383	17,934,556
Development Services	5,240,493	4,859,550	4,956,768	5,061,062	5,161,103
Engineering	27,714,669	26,717,473	26,812,672	27,151,803	27,391,023
General Government	26,083,563	23,092,142	23,487,849	23,919,127	24,524,444
Library	3,382,223	4,401,484	4,469,916	4,528,166	4,586,188
	128,719,121	125,785,505	127,907,553	132,486,511	134,846,437
Utilities Services					
Electrical Utility	39,224,628	37,815,149	39,214,007	40,256,702	43,109,246
Water Utility	8,173,082	8,098,269	8,566,186	9,190,855	9,850,615
Sewer Utility	12,284,535	12,744,419	13,861,991	14,942,427	15,655,945
Solid Waste Utility	3,233,949	2,773,225	2,760,635	2,777,386	2,813,863
	62,916,194	61,431,062	64,402,819	67,167,370	71,429,669
Fiscal Expenses					
Interest and Bank Charges	903,798	1,864,915	3,036,729	5,404,501	7,605,181
Total Expenses	192,539,113	189,081,482	195,347,101	205,058,382	213,881,287
INCREASE IN TOTAL EQUITY	23,165,862	29,209,068	24,091,683	17,186,281	20,652,450
Reconciliation to Financial Equity					
Amortization of Tangible Capital Assets	21,934,083	24,099,000	25,160,000	28,383,000	30,361,000
Capital Expenses (Schedule B)	(52,021,999)	(146,819,359)	(111,140,600)	(99,106,600)	(28,611,100)
Debt Retirement	(2,588,472)	(3,080,675)	(4,416,174)	(6,673,459)	(8,934,546)
Proceeds on Debt Issuance	12,192,000	34,757,000	68,761,000	62,800,000	1,000,000
Net (Gain) / Loss on Disposals	(858,233)	-	-	-	-
Acquisition of Inventory and Prepaids	(926,175)	-	-	-	-
Proceeds from Disposal of Assets	4,830,530	-	-	-	-
CHANGE IN FINANCIAL EQUITY (Reserves)	5,727,596	(61,834,966)	2,455,909	2,589,222	14,467,804
Financial Equity, beginning of year	101,833,787	107,561,383	45,726,417	48,182,326	50,771,548
FINANCIAL EQUITY (Reserves), end of year	\$ 107,561,383	\$ 45,726,417	\$ 48,182,326	\$ 50,771,548	\$ 65,239,352

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	\$ 77,655,077	\$ 82,096,687	\$ 85,252,095	\$ 89,000,155	\$ 95,109,962
Parcel Taxes	60,655	92,200	92,200	91,200	25,600
Grant-in-Lieu of Taxes	966,847	1,214,500	1,218,000	1,223,500	1,289,700
Utilities 1%-in-Lieu of Taxes	462,414	503,600	503,600	503,600	503,600
	\$ 79,144,993	\$ 83,906,987	\$ 87,065,895	\$ 90,818,455	\$ 96,928,862

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

Schedule 'A' to Amendment Bylaw No. 8136, 2019

(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 second 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 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	37%
Utility Rates	38%
Sale of Services	8%
Gov't Grants	2%
Contributions	6%
Other Revenue	9%
	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. 8136, 2019

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.

	2018 Budget	Budget Projections			
		2019	2020	2021	2022
CAPITAL EXPENSES					
Land	\$ 5,341,908	\$ -	\$ -	\$ -	\$ -
Buildings	7,903,232	58,074,968	36,025,000	34,369,000	1,277,500
Vehicles/Equipment	3,421,910	11,978,740	4,178,600	4,637,600	3,194,600
Other Projects	91,207	4,676,293	815,000	635,000	565,000
Park Improvements	1,545,160	5,112,740	3,867,000	7,120,000	2,752,000
Engineering Structures	14,142,713	20,760,887	10,960,000	8,710,000	8,802,000
Water Infrastructure	3,537,075	5,227,125	3,410,000	3,410,000	3,910,000
Sewer Infrastructure	10,849,944	14,817,756	8,685,000	6,535,000	5,760,000
Electrical Distribution System	5,188,850	26,170,850	43,200,000	33,690,000	2,350,000
TOTAL	\$ 52,021,999	\$ 146,819,359	\$ 111,140,600	\$ 99,106,600	\$ 28,611,100
FUNDING SOURCES					
Reserve Funds	\$ 32,092,818	\$ 99,080,500	\$ 34,619,100	\$ 33,317,100	\$ 22,991,600
Development Cost Charges	1,934,342	3,831,058	1,050,000	411,500	336,500
Long Term Debt	12,192,000	34,757,000	68,761,000	62,800,000	1,000,000
Grants from Other Governments	2,579,720	3,695,620	2,110,500	1,453,000	1,428,000
Contributions	3,223,119	5,455,181	4,600,000	1,125,000	2,855,000
TOTAL	\$ 52,021,999	\$ 146,819,359	\$ 111,140,600	\$ 99,106,600	\$ 28,611,100

City of New Westminister - 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.

	ITL	2009 - 2017	2018	2019	2020	2021	2022	2023 +
Total DCCs	\$ 87,284,408	\$ 34,494,413	\$ 1,934,342	\$ 3,831,058	\$ 1,050,000	\$ 411,500	\$ 336,500	\$ 45,226,595
Total City & Other Contributions	34,985,065	4,365,282	4,099,009	6,695,363	2,984,250	1,139,250	778,500	14,923,411
	\$ 122,269,473	\$ 38,859,695	\$ 6,033,351	\$ 10,526,421	\$ 4,034,250	\$ 1,550,750	\$ 1,115,000	\$ 60,150,006

CORPORATION OF THE CITY OF NEW WESTMINSTER
CONSOLIDATED STATEMENT OF RESERVES AND DEVELOPMENT COST CHARGES

Schedule 'C' to Amendment Bylaw No. 8136, 2019

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)

	2018 Budget	Budget Projections			
		2019	2020	2021	2022
Revenues:					
Contributions	\$ 6,743,533	\$ 7,453,452	\$ 7,480,149	\$ 6,600,759	\$ 6,603,580
Land Sale Proceeds	4,830,530	-	-	-	-
	11,574,063	7,453,452	7,480,149	6,600,759	6,603,580
Transfers (to) from:					
Operating Budget	26,246,351	29,792,082	29,594,860	29,305,563	30,855,824
Capital Budget	(32,092,818)	(99,080,500)	(34,619,100)	(33,317,100)	(22,991,600)
	(5,846,467)	(69,288,418)	(5,024,240)	(4,011,537)	7,864,224
Change in Financial Equity (Reserves)	5,727,596	(61,834,966)	2,455,909	2,589,222	14,467,804
Financial Equity, Beginning of Year	101,833,787	107,561,383	45,726,417	48,182,326	50,771,548
Financial Equity, End of Year	107,561,383	45,726,417	48,182,326	50,771,548	65,239,352

CHANGE IN RESERVES

Non-Statutory Reserves	\$ 2,303,138	\$ (47,343,265)	\$ 3,152,812	\$ 2,499,305	\$ 14,376,930
Statutory Reserves					
Cemetery	31,810	35,350	35,350	35,350	35,350
Construction of Municipal Works	3,302,081	(12,861,118)	(769,965)	16,176	16,467
Parking Cash In Lieu	12,702	21,160	21,541	21,928	22,323
Park Land Acquisition	59,336	15,886	16,171	16,463	16,734
Tax Sale Land	18,529	(1,702,979)	-	-	-
Change in Reserves	\$ 5,727,596	\$ (61,834,966)	\$ 2,455,909	\$ 2,589,222	\$ 14,467,804

Statutory DCC Reserves

Drainage DCC	\$ (1,561,374)	\$ (696,443)	\$ (658,979)	\$ 79,159	\$ 80,585
Parkland DCC	869,390	958,623	1,360,777	1,369,471	1,377,922
Sewer DCC	154,660	392,472	399,536	406,728	489,050
Transportation DCC	857,366	(2,150,787)	560,338	458,924	467,185
Water DCC	44,103	190,365	193,792	197,280	200,831
Change in DCCs	\$ 364,145	\$ (1,305,770)	\$ 1,855,464	\$ 2,511,562	\$ 2,615,573

RESERVE BALANCES

Non-Statutory Reserves	\$ 88,401,951	\$ 41,058,686	\$ 44,211,498	\$ 46,710,803	\$ 61,087,733
Statutory Reserves					
Cemetery	706,916	742,266	777,616	812,966	848,316
Construction of Municipal Works	14,655,819	1,794,701	1,024,736	1,040,912	1,057,379
Parking Cash In Lieu	1,167,457	1,188,617	1,210,158	1,232,086	1,254,409
Park Land Acquisition	926,261	942,147	958,318	974,781	991,515
Tax Sale Land	1,702,979	-	-	-	-
Total Reserves	\$ 107,561,383	\$ 45,726,417	\$ 48,182,326	\$ 50,771,548	\$ 65,239,352

Statutory DCC Reserves

Drainage DCC	\$ 633,323	\$ (63,120)	\$ (722,099)	\$ (642,940)	\$ (562,355)
Parkland DCC	6,893,457	7,852,080	9,212,857	10,582,328	11,960,250
Sewer DCC	944,657	1,337,129	1,736,665	2,143,393	2,632,443
Transportation DCC	(1,033,015)	(3,183,802)	(2,623,464)	(2,164,540)	(1,697,355)
Water DCC	1,770,172	1,960,537	2,154,329	2,351,609	2,552,440
Total DCC Reserves	\$ 9,208,594	\$ 7,902,824	\$ 9,758,288	\$ 12,269,850	\$ 14,885,423