



# Staff Report to Council

Financial Services

FILE: 05-1700-01/22

**REPORT DATE:** November 10, 2022      **MEETING DATE:** November 28, 2022  
**TO:** Mayor and Council  
**FROM:** Cheryl Harding, Director of Financial Services  
**SUBJECT:** **2023 Financial Plan Overview**

**CHIEF ADMINISTRATIVE OFFICER REVIEW/APPROVAL:**

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**RECOMMENDATION(S):**

THAT Council:

- A. Receive for information the 2023 Financial Plan Overview and Staff Report as presented at the November 28, 2022 meeting of Council; OR
- B. Other.

**PURPOSE**

To present the proposed 2023 budget which looks to balance competing priorities while continuing to provide high-quality services our citizens have come to expect.

Information Report       Decision Report       Direction Report

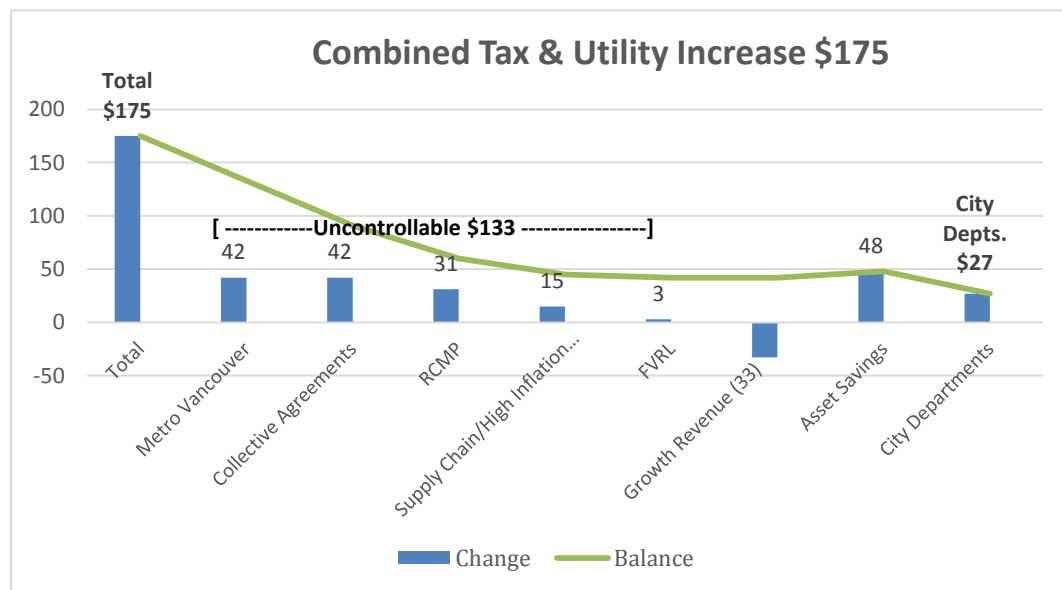
**BUDGET HIGHLIGHTS**

The 2023 budget focuses on the City’s key strategic priorities regarding safety and essential services. It includes a combined property tax and utilities increase of 4.71 percent or \$175 for the average single-family home with an assessed value of \$1,034,819.

The \$175 increase is broken down as follows :

	\$	%
<b>Combined Tax &amp; Utility Increase</b>	<b>175</b>	<b>4.71</b>
<b>Less Uncontrollable Costs</b>		
Metro Vancouver	42	1.13
Collective agreements	42	1.14
RCMP	31	0.82
Supply chain & high inflationary pressures	15	0.41
Fraser Valley Regional Library (FVRL)	3	0.08
<b>Subtotal</b>	<b>42</b>	<b>1.13</b>
Less Asset Management Savings	48	1.30
Less Growth Revenue	(33)	(0.89)
<b>Balance for all City departments</b>	<b>27</b>	<b>0.72</b>

After addressing uncontrollable costs, asset management savings and incorporating taxation growth revenue the balance of the \$175 combined tax & utility increase remaining for City departments is \$27.



## **CONTINUED CONTRIBUTIONS TO RESERVE SAVINGS TO MEET FUTURE ASSET REPLACEMENT NEEDS**

The 2023 budget also includes \$13 million in annual reserves savings, which provides necessary funding mechanisms for future asset replacement needs and longterm sustainability. This helps to address the City's aging infrastructure, which continues to age at a faster rate than replacement funding. That said, the City continues to follow the asset management consultant recommendations for increasing annual reserve savings and in all asset groups the City will meet funding targets in the coming years.

## **2023 CAPITAL PROJECTS**

Each year, the City's budget plans for capital projects such as: improvements to outdoor spaces, buildings, active transportation networks, utilities, roads and bridges. The budget includes a 2023 Capital Plan valued at \$14.2 million. Some of the significant projects include start of construction of the new RCMP detachment building, replacement of the recreation center roof, upgrading Baynes Pump Station, replacing various water mains, paving projects, repairing bridge deck joints, replacement of a tractor mower, and upgrades to parks infrastructure and playgrounds. With the exception of the RCMP building, which is funded by debt, funding for the capital program will come primarily from reserve funds.

## **BUDGET OVERVIEW**

In 2023, the City will see continued support from senior levels of government. Provincial traffic fine revenues are forecasted at the annual average of \$216,000. Gas Tax revenue from the federal government Canada Community Building Fund is expected to continue in the amount of \$121,500 for infrastructure funding.

As always, the challenge facing Pitt Meadows Council is to balance current financial resources to meet the needs of the community and its capacity and willingness for increased taxes as well as considering the following factors:

- As the City is a service provider, one of the main cost drivers is related to labour costs, the increase for which has been included in the budget in accordance with the collective agreements. Planned union wage increases are based on recent but, limited settlements in the region and without full context of the current inflationary environment.
- Labour shortages, equipment availability and the ripple effect of global bottlenecks have created supply chain and higher than normal inflationary pressures.
- A combined 1.3% increase in property tax and utility fees towards asset replacement has been included in the budget to continue to narrow the asset replacement funding gap.
- Population growth creates increased demand for services and translates into the requirement for new roads, streetlights, parks, sidewalks, water mains, sewers, community facilities, and recreation programs. Taxation from growth is allocated to

fund operational costs of servicing growth and funding growth related projects, with any remainder new taxation growth allocated to long-term strategies as well as increased service levels.

- After the industrial park is completed in 2024 taxation from growth decreases significantly until other developments are prioritized by Council. In order to avoid over-reliance on annual tax increases in the coming years, staff recommend Council strategize replacement growth opportunities in 2023 and implement steps to mitigate this budget pressure.
- Sustainable development revenues are anticipated to decrease to \$100,000 commencing in 2029 which is the estimated sustainable revenue target. Surplus revenues forecasted up to 2028 are set aside in the Development Revenue Stabilization Reserve which are planned to be used in the years revenues drop off in order to smooth out the taxation impact.
- Taxes continue to be favourable compared to other municipalities in the region. Using the average assessed value approach the City had the lowest property taxes for the average single family property in 2022. This statistic is important in that it demonstrates an opportunity to increase taxation to deliver services relative to other municipalities in the Metro Vancouver region.

The City’s financial plan includes three parts:

- The General Operating Plan which includes funding for ongoing municipal services and activities;
- The Utilities Operating Plan which funds the City’s drainage, sanitary sewer, solid waste and water services; and
- The Capital Plan which funds the cost of new and replacement infrastructure and assets.

**Highlights of the 2023 budget include the following:**

The first year of the 2023-2027 Financial Plan incorporates an overall increase in taxes and utilities of 4.71% which is allocated in the budget as follows (values for the average single family home):

	\$	%
<b><i>Taxation</i></b>		
<i>Asset Management Savings</i>	33	1.39
<i>Contracted Services – RCMP, FVRL</i>	34	1.39
<i>Contractual Costs – Collective Agreements</i>	42	1.74
<i>Municipal Costs</i>	4	0.14
<i>Supply Chain &amp; High Inflationary Pressures</i>	15	0.63
<i>Taxation Growth</i>	(33)	(1.36)
<b><i>Property Tax Increase</i></b>	<b>95</b>	<b>3.93</b>

	\$	%
<b>Utilities</b>		
<i>Asset Management Savings</i>	15	1.13
<i>Metro Vancouver Sewer &amp; Water</i>	42	3.22
<i>Municipal Costs</i>	23	1.80
<b>Utility Fee Increase</b>	<b>80</b>	<b>6.15</b>
<b>Total Collection for City Services</b>	<b>175</b>	<b>4.71</b>

Tax %'s based on \$/1% tax increase; Utitlites %'s based on rate % increases, Total % increase represents combined increase.

### Average Property Tax Impact

Single family and multi-family homes that receive centralized green waste collection services represent 80% of the total residential properties. Based on the budget, they will receive a combined property tax and utility increase of \$175 per single family dwelling (or \$116 multi-family).

### Average Single Family Dwelling Assessed at \$1,034,819

<i>Description</i>	<b>2022 Budget</b>	<b>2023 Budget</b>	<b>Variance \$</b>	<b>User Fee/Tax Impact</b>
<i>RCMP Police Services</i>	537	568	31	1.26%
<i>Corporate Finance Reserve Savings*</i>	483	475	-8	-0.34%
<i>General Government*</i>	395	420	25	1.02%
<i>Engineering &amp; Operations</i>	306	317	11	0.46%
<i>Parks, Recreation, Culture</i>	257	268	11	0.49%
<i>Fire Services</i>	251	267	16	0.67%
<i>Library - FVRL</i>	96	99	3	0.13%
<i>Planning &amp; Development</i>	92	98	6	0.24%
<i>Property Tax Subtotal</i>	<b>2,417</b>	<b>2,512</b>	<b>95</b>	<b>3.93%</b>
<i>Diking</i>	20	20	-	-
<i>Drainage</i>	52	54	2	4.21%
<i>Sanitary Sewer</i>	356	372	16	4.49%
<i>Solid Waste</i>	220	223	3	1.36%
<i>Water</i>	559	614	55	9.84%
<i>Drainage (mill rate)</i>	90	94	4	2.38%
<i>Utilities Subtotal</i>	<b>1,297</b>	<b>1,377</b>	<b>80</b>	<b>6.15%</b>
<i>Total Property Charges</i>	<b>3,714</b>	<b>3,889</b>	<b>175</b>	<b>4.71%</b>

Tax %'s based on \$/1% tax increase; Utilities %'s based on rate % increases, Total % increase represents combined increase.

\*2023 reflects the shift of servicing the Police building debt temporarily held in reserve savings to City Departments.

## Average Multi- Family Dwelling Assessed at \$596,778

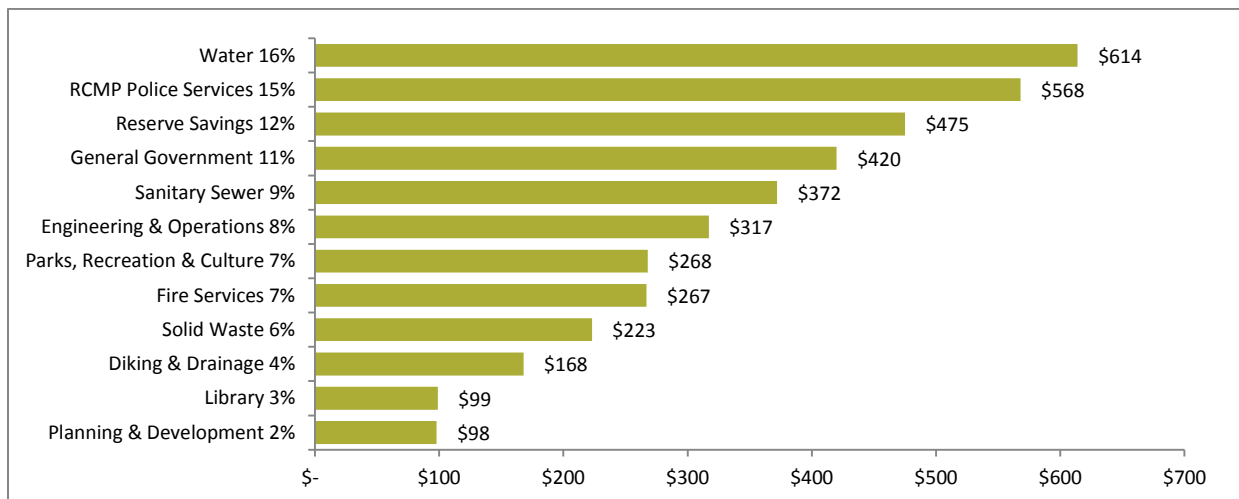
Description	2022 Budget	2023 Budget	Variance \$	User Fee/Tax Impact
<b>RCMP Police Services</b>	310	328	18	1.26%
<b>Corporate Finance Reserve Savings*</b>	279	274	-5	-0.34%
<b>General Government*</b>	228	242	14	1.02%
<b>Engineering &amp; Operations</b>	176	183	7	0.46%
<b>Parks, Recreation, Culture</b>	148	155	7	0.49%
<b>Fire Services</b>	145	154	9	0.67%
<b>Library - FVRL</b>	55	57	2	0.13%
<b>Planning &amp; Development</b>	53	56	3	0.24%
<i>Property Tax Subtotal</i>	<b>1,394</b>	<b>1,449</b>	<b>55</b>	<b>3.93%</b>
<b>Diking</b>	20	20	-	-
<b>Drainage</b>	22	23	1	4.55%
<b>Sanitary Sewer</b>	356	372	16	4.49%
<b>Solid Waste</b>	23	23	-	-
<b>Water</b>	425	467	42	9.84%
<b>Drainage (mill rate)</b>	52	54	2	3.85%
<i>Utilities Subtotal</i>	<b>898</b>	<b>959</b>	<b>61</b>	<b>6.79%</b>
<i>Total Property Charges</i>	<b>2,292</b>	<b>2,408</b>	<b>116</b>	<b>5.05%</b>

Tax %'s based on \$/1% tax increase; Utilities %'s based on rate % increases, Total % increase represents combined increase.

\*2023 reflects the shift of servicing the Police building debt temporarily held in reserve savings to City Departments.

## How Your Tax Dollars Work

Annual costs of \$3,889 per average single family household in 2022 are based on the average 2022 assessment of approximately \$1,034,819.



**OPERATING BUDGET**

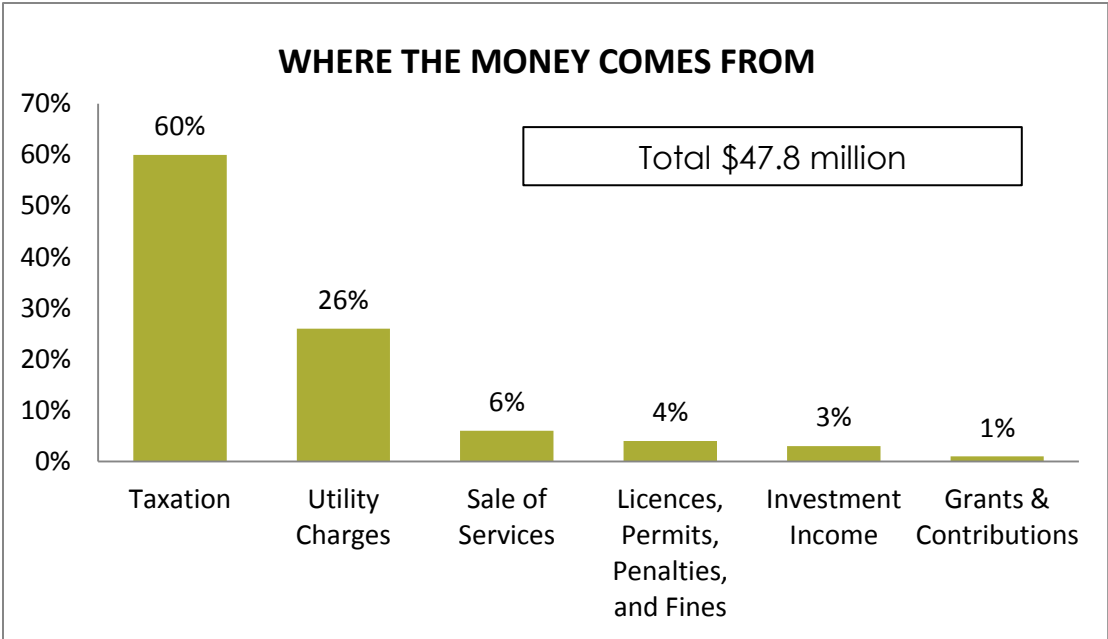
**Revenues**

The City receives its revenues from a variety of sources with taxation being the largest. Property owners must pay property taxes based on the value of their property, unless the property is specifically exempted by provincial legislation. The remaining revenue is collected from other revenue sources such as fees, rates and service charges, developers’ contributions, development capital asset contributions, grants, investment income and cost recoveries.

The primary funding source for City services in the 2023-2027 Financial Plan is taxation, at \$28.9 million or 60% of the total revenues. This includes a 2023 property tax levy increase of \$1,065,400, after including a conservative estimate of approximately \$368,000 from new assessment growth, for an average property tax increase of \$95 per household.

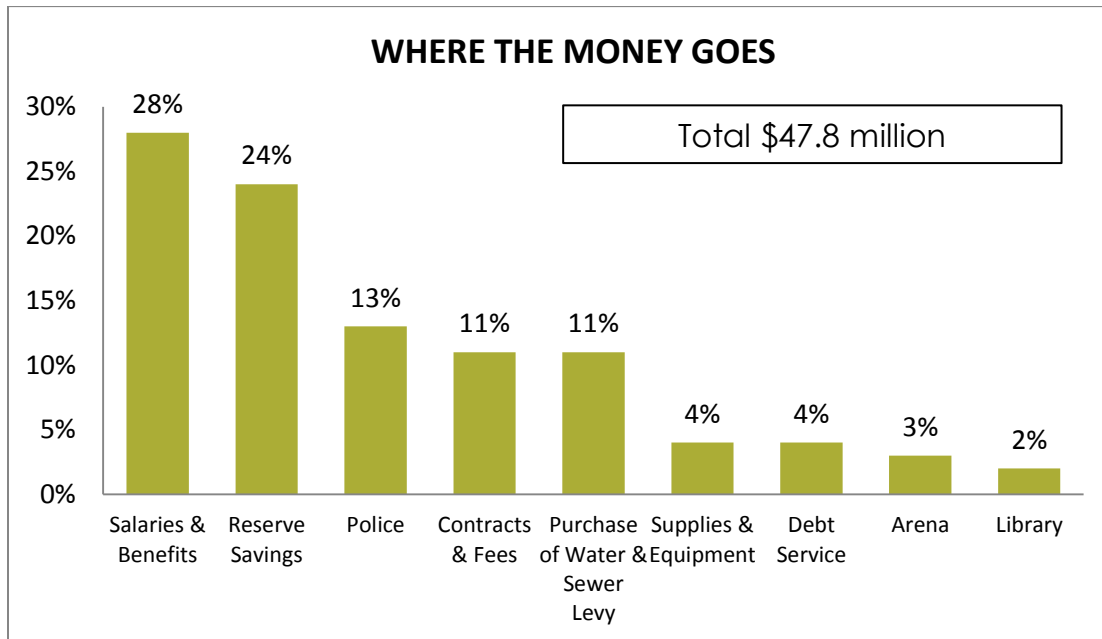
Utility charges are the second significant source of revenue consisting of water, sewer, drainage diking, and solid waste user rates. Utility rates are set for each utility based on a combination of the blending of the Metro Vancouver Regional District rate increases and the City’s inflationary costs and result in a \$80 increase per single family home.

Property Taxation and Utility Charges continue to be the most stable sources of revenue for the City. The budget will be balanced through a \$175 combined property tax and utility increase to the average single family home.



## Expenses & Reserve Savings

Municipal tax dollars pay for a wide variety of projects and services to help create an active, inclusive and safe community and resilient, well-managed infrastructure. As a service provider a significant City cost, is the people cost to deliver those services at 28% of the budget or \$13.5 million. Saving for the future accounts for 24% in reserve savings.



### General Fund Operating Budget Highlights:

The Executive Summary schedule in Attachment D provides further information on the budget adjustments by department for the General Operating Fund with further details being included in each department's section of the business plan. Key budget drivers of the \$1,065,400 additional tax revenue needed to balance the budget are represented by the following items:

#### **Operating Revenues**

- \$368,000 increase in property tax new construction revenues
- \$32,900 increase in volume and other revenue adjustments

#### **Operating Expenditures**

- \$472,700 increase in contractual agreement labour costs
- \$375,700 increase in asset replacement savings
- \$341,500 increase in RCMP contract
- \$170,900 increase in supply chain & high inflationary pressures
- \$71,300 net increase in other municipal costs
- \$34,200 increase in FVRL levy



### Utility Budget Highlights:

The City operates four self-balancing utility services, three of which are funded entirely by user fees (sanitary sewer, solid waste, water) and one by a combination of taxation on assessed property values and user fee (drainage). The revenues collected pay for the City's operating and capital infrastructure costs as well as Metro Vancouver Regional District (MVRD) cost for the supply of regional services. The budget equates to a \$80 increase to the average single family home in order to generate the \$711,100 needed to balance the budget. Key budget drivers are:

- \$120,500 increase in asset replacement savings
- \$204,900 increase in maintenance, collection and other net costs
- \$374,900 increase in MVRD Sewer and Drainage District levy and Water Purchase costs

Drainage - The rate increase for 2023 is \$6 for the user fee and taxation mill rate. The rate increase is driven particularly by the \$40,000 increase in reserve savings needed for aging infrastructure, \$106,900 for maintenance costs resulting from stricter environmental regulations as well as increased quantity of invasive plant species in waterways and \$13,700 in administrative and other costs net of revenues. This results in a \$6 increase to the average single family taxpayer and \$3 to the average multi-family home.

Sanitary Sewer – The Greater Vancouver Sewage and Drainage District (GVS&DD) costs comprise 62% of the City's sanitary sewer utility budget. The GVS&DD budget increase is coming in at \$124,400 (or 7.5%) with the greatest portion of the increase attributed to increased debt servicing costs due to an accelerating capital program along with increased capital contributions supporting infrastructure investments required to meet service requirements and growth demands. Increased City capital reserve savings of \$20,000 for infrastructure replacement and \$21,500 for administration, maintenance, other costs and revenues round out the \$165,900 increase to the sewer utility resulting in a change from \$356 to \$372 for the sewer service fee. For the future, Metro Vancouver's five year plan forecasts average annual increases of approximately 15.8% which is primarily related to the expanding capital program (debt servicing and contribution to capital) and operating program expenditure increases to address core operating and facility commissioning requirements. Metro Vancouver's budgets will be reviewed annually for adjustments as conditions change based on market changes and other factors.

Solid Waste - The garbage and green waste collection contract with Waste Management is estimated to increase \$19,200 related to adjustments in the CPI and the number of service units. Metro Vancouver's rate for waste disposal (tipping fee) is increasing 5% creating a budget increase of \$6,400. Net remaining operating costs increased by \$2,900 for administration, reserve savings and other costs. The sum total of these budget adjustments result in an increase of \$3 to \$223 for single family homes. Multi-family homes remain unchanged at \$23.

Water Utility - The GVWD provides safe, reliable, high-quality drinking water to Pitt Meadows and is responsible for acquiring and maintaining the water supply which makes up 58% of the water utility budget with a net consumption and rate increase budget adjustment of \$244,100. The GVWD's blended rate rose by 4% to 87 cents per cubic meter with key cost drivers being attributed to increasing capital costs, debt service and capital savings to support infrastructure

investments needed to meet service requirements, growth demands and resilience upgrades. An increase of \$60,000 in annual asset replacement savings and \$52,000 in maintenance, administration and other costs make up the balance of the increase to the water utility. The 2023 budget reflects an increase of \$55 to \$614 for the single family flat fee, \$42 to \$467 for the multi-family flat fee, and for the metered volume based customers \$10 to \$322 for the connection charge and \$.03 to 87 cents per cubic meter of water volume purchased.

Recognizing the impacts of climate change, available supply of fresh water and rising costs, staff will be presenting a decision package with options in promoting water conservation for Council consideration.

### Consolidated Financial Schedule – All Funds

	2023 Proposed Budget	2024 Proposed Budget	2025 Proposed Budget	2026 Proposed Budget	2027 Proposed Budget
<b>Revenues</b>					
<b>Municipal Property Taxes</b>	\$28,898,700	\$30,442,500	\$31,829,400	\$33,046,000	\$34,323,500
<b>Utility Charges</b>	12,269,900	13,285,300	14,348,200	15,536,100	17,082,200
<b>Sale of Services</b>	2,370,600	2,428,800	2,488,600	2,545,000	2,603,100
<b>Licenses, Permits, Penalties, Fines</b>	1,820,300	1,798,000	1,554,700	1,624,000	1,624,800
<b>Investment Income</b>	1,331,700	986,600	728,500	664,100	776,200
<b>Other Revenue</b>	626,200	646,900	616,000	621,300	607,500
<b>Government Transfers</b>	740,800	698,200	704,300	1,738,800	718,300
<b>Contributions</b>	776,400	1,545,100	681,100	114,800	114,800
<b>Total Revenues</b>	<b>48,834,600</b>	<b>51,831,400</b>	<b>52,950,800</b>	<b>55,890,100</b>	<b>57,850,400</b>
<b>Expenses</b>					
<b>Operating Expenditures</b>	35,646,300	37,425,900	39,364,400	41,461,800	43,687,400
<b>Debt Interest</b>	961,300	959,200	957,000	927,100	924,400
<b>Amortization</b>	5,389,500	5,389,500	5,389,500	5,389,500	5,389,500
<b>Total Operating Expenses</b>	<b>41,997,100</b>	<b>43,774,600</b>	<b>45,710,900</b>	<b>47,778,400</b>	<b>50,001,300</b>
<b>Net Revenues</b>	<b>6,837,500</b>	<b>8,056,800</b>	<b>7,239,900</b>	<b>8,111,700</b>	<b>7,849,100</b>
<b>Allocations</b>					
<b>Net Reserve Transfers</b>	(2,790,100)	(10,707,200)	(2,773,600)	4,861,300	7,061,200
<b>Capital Expenditures</b>	14,195,900	23,309,000	14,534,500	7,939,400	5,457,800
<b>Unfunded Amortization</b>	(5,389,500)	(5,389,500)	(5,389,500)	(5,389,500)	(5,389,500)
<b>External Debt Principle Repayment</b>	821,200	844,500	868,500	700,500	719,600
<b>Total Allocations</b>	<b>6,837,500</b>	<b>8,056,800</b>	<b>7,239,900</b>	<b>8,111,700</b>	<b>7,849,100</b>
Balanced Budget	-	-	-	-	-

**Future Years – Average Single Family Dwelling Assessed at \$1,034,819**

The next table provides the 2023 tax and utility increase for the average single-family home as well as estimates for the years 2024 to 2027.

Year	TAXATION				USER FEES					
	Capital Reserves*	City Depts.	Service Delivery Partners	Tax Subtotal	Drainage	Sewer ***	Solid Waste	Water ***	Utilities Subtotal	Total Change
2023 **	(\$8)	\$69	\$34	\$95	\$6	\$16	\$3	\$55	\$80	\$175
2024	\$32	\$41	\$39	\$112	\$4	\$69	\$4	\$43	\$120	\$232
2025	\$33	\$47	\$27	\$107	\$4	\$55	\$4	\$60	\$123	\$230
2026	\$35	\$33	\$23	\$91	\$4	\$71	\$4	\$60	\$139	\$230
2027	\$35	\$38	\$23	\$96	\$4	\$98	\$4	\$76	\$182	\$278
Avg.	\$25	\$46	\$29	\$100	\$4	\$62	\$4	\$59	\$129	\$229

\* Corporate Finance Reserve Savings

\*\*2023 reflects the shift of servicing the Police building debt temporarily held in reserve savings to City Departments.

\*\*\* The Sewer and Water values are primarily driven by the forecasted Metro Vancouver increases in sewer treatment and water supply costs. Metro Vancouver sewer forecasts are funding a capital program necessary to meet the needs of a growing population and maintenance of aging infrastructure.

**CAPITAL PLAN**

**Definition of Capital Assets**

Capital assets provide a benefit to the community beyond one year. Such items typically require operating and maintenance expenditures, and may need to be replaced in the future. Examples include infrastructure such as buildings, roads, bridges, water, sewer and drainage facilities, vehicles, computer equipment and furniture. The City’s policy is to plan for major capital expenditures in five-year cycles with annual reviews and updates. The 2023-2027 Capital Plan includes projects that are consistent with corporate objectives and long-range plans.

**Operating Cost Impact of Capital Projects**

The business plan guidelines require that adequate provision be made for the incremental increases to the operating expenses for changes in the capital base. This approach is in line with GFOA best practices which contribute to the long-term financial sustainability of City services. Some of the Capital Project Decision Packages submitted for Council consideration contain operating budget impacts which would be added to the budget if approved by Council after budget deliberations.

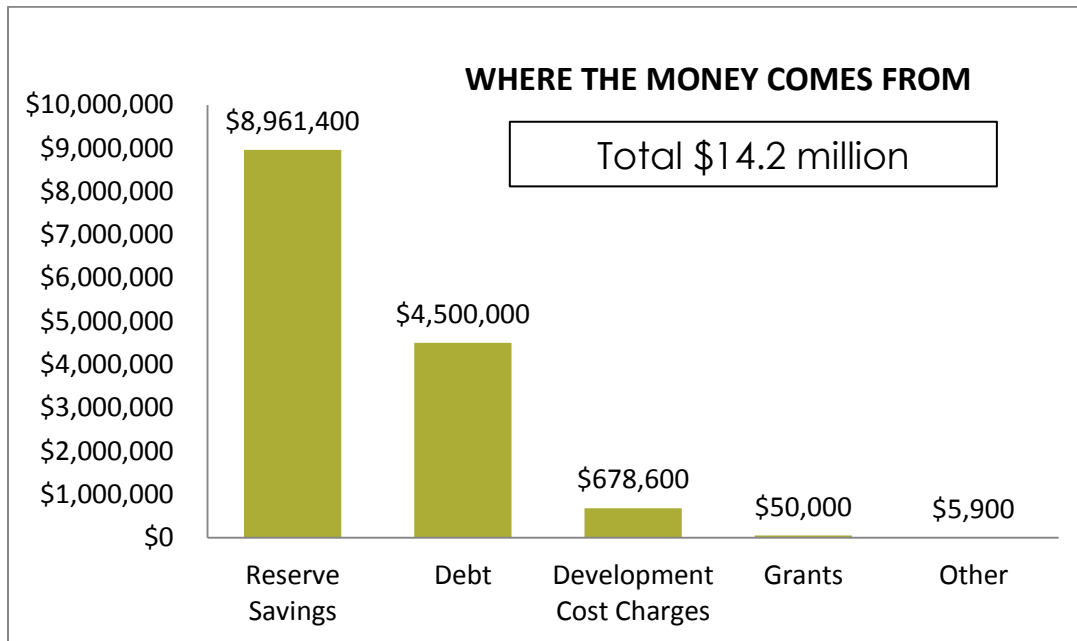
**What We are Saving**

Consistent with the Strategic Plan goal of proactively planning for replacement of our infrastructure, the general fund is increasing reserve savings by \$375,700 (\$15,000 + \$310,700 + \$50,000) and the utilities are increasing savings by \$120,500 for a total increase of \$496,200. Development Cost Charge reserve contributions are held for new or expanded infrastructure.

<i>Reserve/Funding</i>	<b>2023 Proposed Budget</b>	<b>2023 Tax Increase</b>
<b><i>General Capital: Maintenance</i></b>		
<i>Arena</i>	\$247,500	\$ -
<i>Diking</i>	170,000	-
<i>Lifecycle - General</i>	810,000	15,000
<i>South Bonson Amenity</i>	14,500	-
	<b>1,242,000</b>	<b>15,000</b>
<b><i>General Capital: Replacement</i></b>		
<i>Equipment Replacement</i>	609,000	50,000
<i>Vehicle Replacement</i>	510,000	25,700
<i>Lifecycle - Major Buildings</i>	3,097,600	215,000
<i>Minor Capital (Turf User Fee)</i>	62,900	-
<i>Road Use Levies (Estimate)</i>	1,029,200	-
<i>Translink Major Road Network Transportation</i>	227,400	-
	1,289,200	20,000
	<b>6,825,300</b>	<b>310,700</b>
<b><i>Utility Capital: Replacement</i></b>		
<i>Drainage</i>	1,115,500	40,000
<i>Sewer</i>	585,200	20,000
<i>Solid Waste</i>	2,300	500
<i>Water</i>	1,525,000	60,000
	<b>3,228,000</b>	<b>120,500</b>
<b><i>Strategic Assets</i></b>		
<i>Canada Community Building Fund</i>	138,300	-
<i>Carbon Neutral Sustainability</i>	150,300	-
<i>Development Cost Charges (DCCs - Estimate)</i>	1,228,600	-
<i>Public Art</i>	54,300	50,000
	<b>1,571,500</b>	<b>50,000</b>
<b><i>Developer Contributions</i></b>		
<i>Community Amenity</i>	107,300	-
<i>Parkland</i>	5,100	-
<i>Street Tree Replacement</i>	13,000	-
	<b>125,400</b>	<b>-</b>
<b><i>Operating and Other</i></b>	<b>213,600</b>	<b>-</b>
<b><i>Total</i></b>	<b>\$13,205,800</b>	<b>\$496,200</b>

### Where the Money Comes From

Funding for capital expenditures comes from a number of sources including general tax revenues, reserves, grants, contributions from developers, and borrowed funds. The capital portion of the 2023-2027 Financial Plan is funded from the following sources in the graphic below.

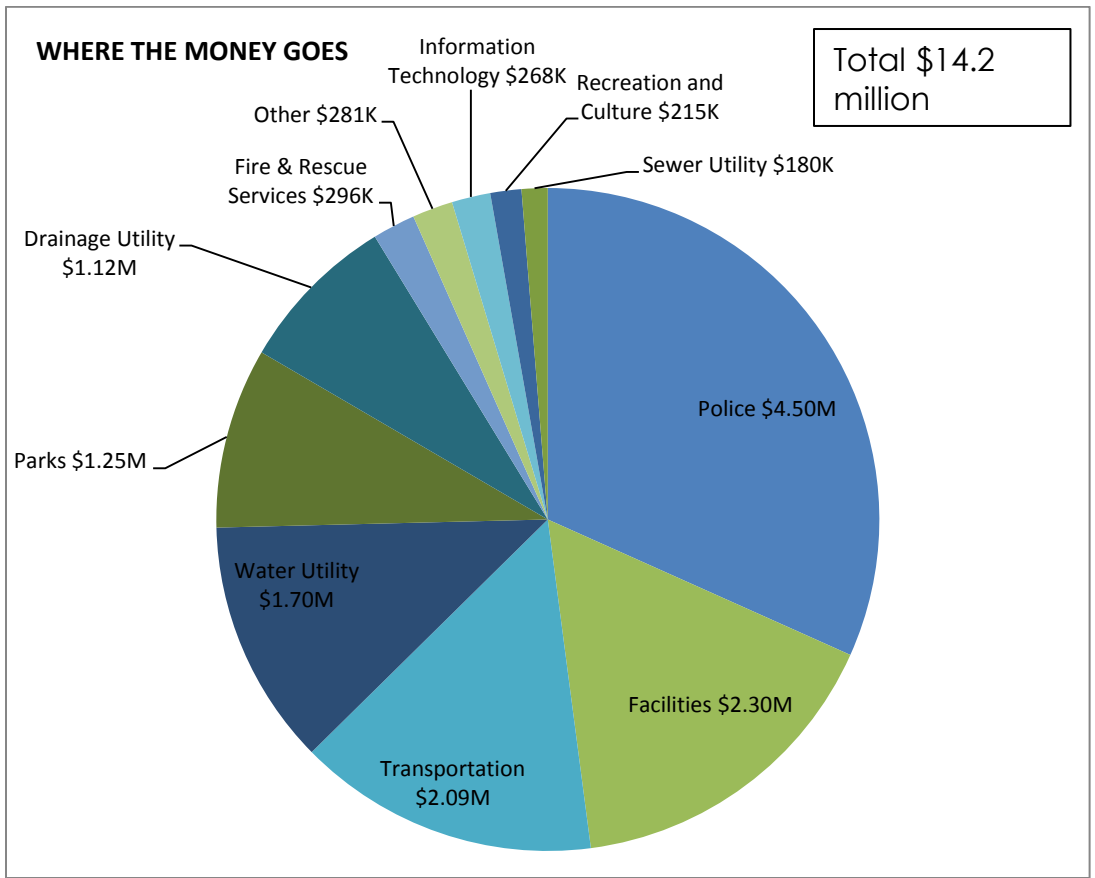


### Where the Money Goes

The 2023-2027 capital expenditure program presented to Council for approval includes approximately \$65 million to be expended on a number of projects.

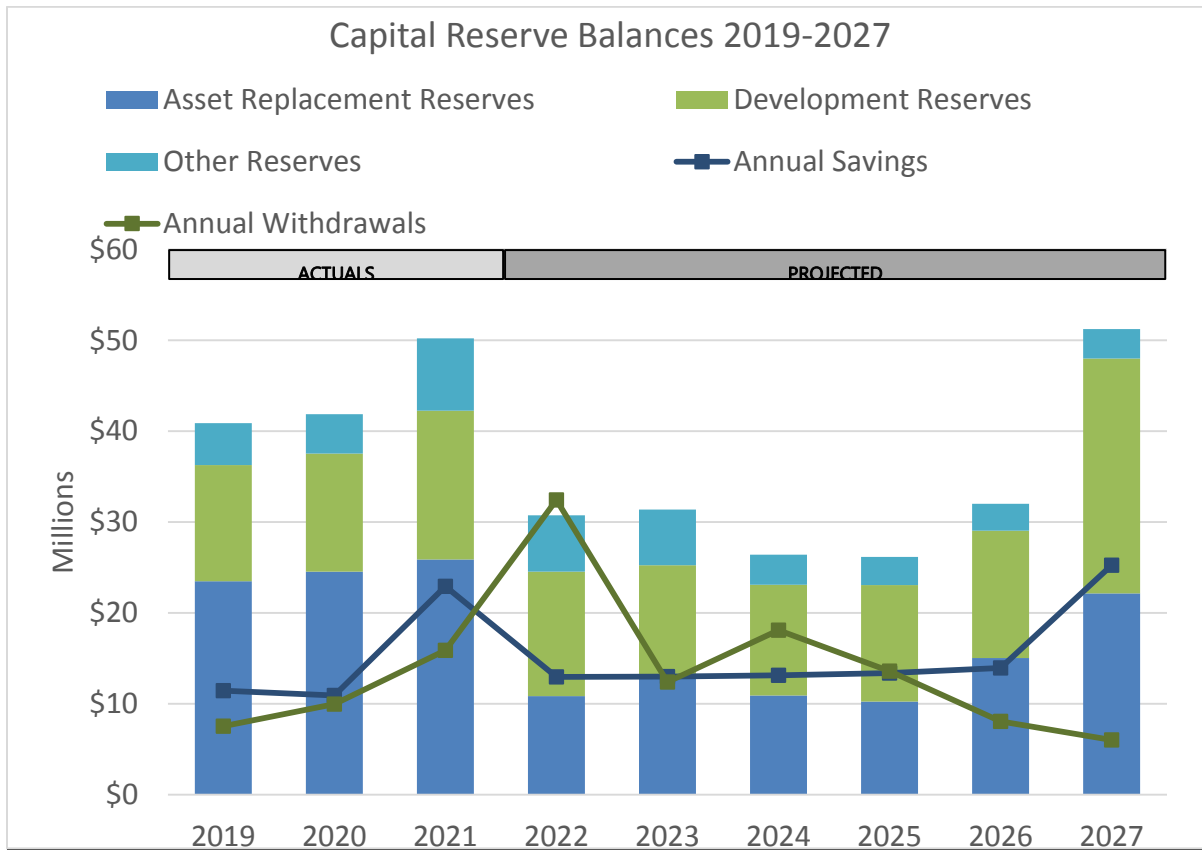
Some of the more significant projects proposed for the \$14.2 million expenditure in the 2023 year include:

- New RCMP Detachment – Year 2 of 4 - \$4.5 million
- Recreation Centre Roof Replacement – \$1.1 million
- Baynes Pump Station Upgrade – \$860,000
- Water Main Replacements 195B, 119A, 119B, 120B, 115A, 197A, 197B, 196B - \$1.6 million
- Paving & Roadwork Hammond Rd, Airport Way, 188St \$791,000
- Bridge Deck Joint Repairs \$390,000
- Tractor Mower Replacement \$360,000



**Capital Reserve Funding 2019-2027**

The following chart summarizes the capital reserve activity and indicates stable growth in capital reserve balance totals displaying the City’s commitment to saving for asset replacement.



Excludes Operating Surplus Reserves which are set aside for unexpected events.  
 2020 annual reserve savings were reduced to cover the COVID Financial Relief Grant provided to residential taxpayers.  
 2021 annual reserve savings reflect temporary increases in developer contributions.  
 2027 reserve savings include the potential increase in developer contributions should future development potential be realized.  
 Annual reserve savings continue the trend of stable increases.

### How Much Money is in Savings: Reserve Balances

The City maintains various reserves (including deferred revenue). Generally capital projects are funded by these reserves to reduce volatility in taxation levels. Following is a further breakdown of the above chart for the asset management reserve and deferred revenue balance projections from the 2023 – 2027 financial plan. Additionally, the Accumulated Surplus reserve and other surplus reserves are held outside of the Asset Replacement Reserves in the Operating Reserve Fund to stabilize tax rates, provide working capital and to fund one-time extraordinary expenditures, efficiency initiatives and emergency expenditures.

	2023	2024	2025	2026	2027
<b>Asset Replacement Reserves</b>					
<i>Arena</i>	\$1,130,000	\$1,152,000	\$1,175,000	\$1,197,000	\$1,219,000
<i>Canada Community Building Fund</i>	-	72,000	149,000	233,000	324,000
<i>Diking</i>	563,000	659,000	757,000	855,000	955,000
<i>Drainage</i>	1,028,000	199,000	177,000	434,000	1,506,000
<i>Equipment Replacement</i>	249,000	-	292,000	805,000	1,636,000
<i>Lifecycle Buildings</i>	363,000	945,000	2,508,000	5,200,000	9,113,000
<i>Lifecycle General</i>	155,000	221,000	-	-	-
<i>Minor Capital</i>	710,000	759,000	808,000	368,000	410,000

	2023	2024	2025	2026	2027
<i>Sanitary Sewer</i>	3,650,000	2,841,000	3,233,000	4,227,000	4,619,000
<i>Translink Major Road Network Grant</i>	178,000	333,000	489,000	-	111,000
<i>Transportation</i>	314,000	-	-	-	-
<i>Transportation Road Use Levies</i>	4,462,000	3,368,000	662,000	1,254,000	2,252,000
<i>Water</i>	-	358,000	-	483,000	-
	<b>12,802,000</b>	<b>10,907,000</b>	<b>10,250,000</b>	<b>15,056,000</b>	<b>22,145,000</b>
<b><i>Development Reserves</i></b>					
<i>Development Cost Charges</i>	<b>12,436,000</b>	<b>12,197,000</b>	<b>12,818,000</b>	<b>14,015,000</b>	<b>25,869,000</b>
<b><i>Other Reserves</i></b>					
<i>Accumulated Surplus Reserve</i>	1,064,000	1,072,000	1,120,000	1,176,000	1,237,000
<i>Art In Public Spaces</i>	317,000	372,000	428,000	485,000	543,000
<i>Carbon Neutral &amp; Sustainability</i>	213,000	250,000	388,000	544,000	702,000
<i>Community Amenity</i>	5,259,000	2,371,000	2,005,000	1,653,000	1,705,000
<i>Future Capital</i>	66,000	42,000	18,000	18,000	18,000
<i>Other Surplus Reserves</i>	5,128,000	5,239,000	5,112,000	4,944,000	4,878,000
<i>Parkland Acquisition</i>	14,000	14,000	14,000	14,000	14,000
<i>South Bonson Amenity</i>	241,000	214,000	190,000	168,000	149,000
<i>Street Tree Replacement</i>	26,000	39,000	52,000	66,000	80,000
	<b>12,328,000</b>	<b>9,613,000</b>	<b>9,327,000</b>	<b>9,068,000</b>	<b>9,326,000</b>
<b><i>Total Reserve Balances</i></b>	<b>\$37,566,000</b>	<b>\$32,717,000</b>	<b>\$32,395,000</b>	<b>\$38,139,000</b>	<b>\$57,340,000</b>

## INFRASTRUCTURE SUSTAINABILITY – ASSET MANAGEMENT

The City owns infrastructure with a historic cost of \$292 million which in today's dollars, is estimated at \$445.1 million. The performance of these assets is vital to the health, safety and quality of life of residents which require monitoring, maintenance and replacement to support the community. Asset management plans for the City's assets were developed between 2016 and 2018 which provide information on the optimal savings targets needed to ensure sufficient funds exist to sustain existing infrastructure in the long-term. A periodic update of the asset management plans to reflect best practices is currently in the planning stages with estimated completion in 2023. Optimal savings targets are refreshed annually reflecting annual updates to the replacement values as well as updates to the asset condition ratings by incorporating condition assessment results as they are completed.

Fortunately, Council has made investments in the continued improvement of asset replacement information and endorsed sound financial policies that provide funding mechanisms for future asset replacement needs and long-term sustainability.



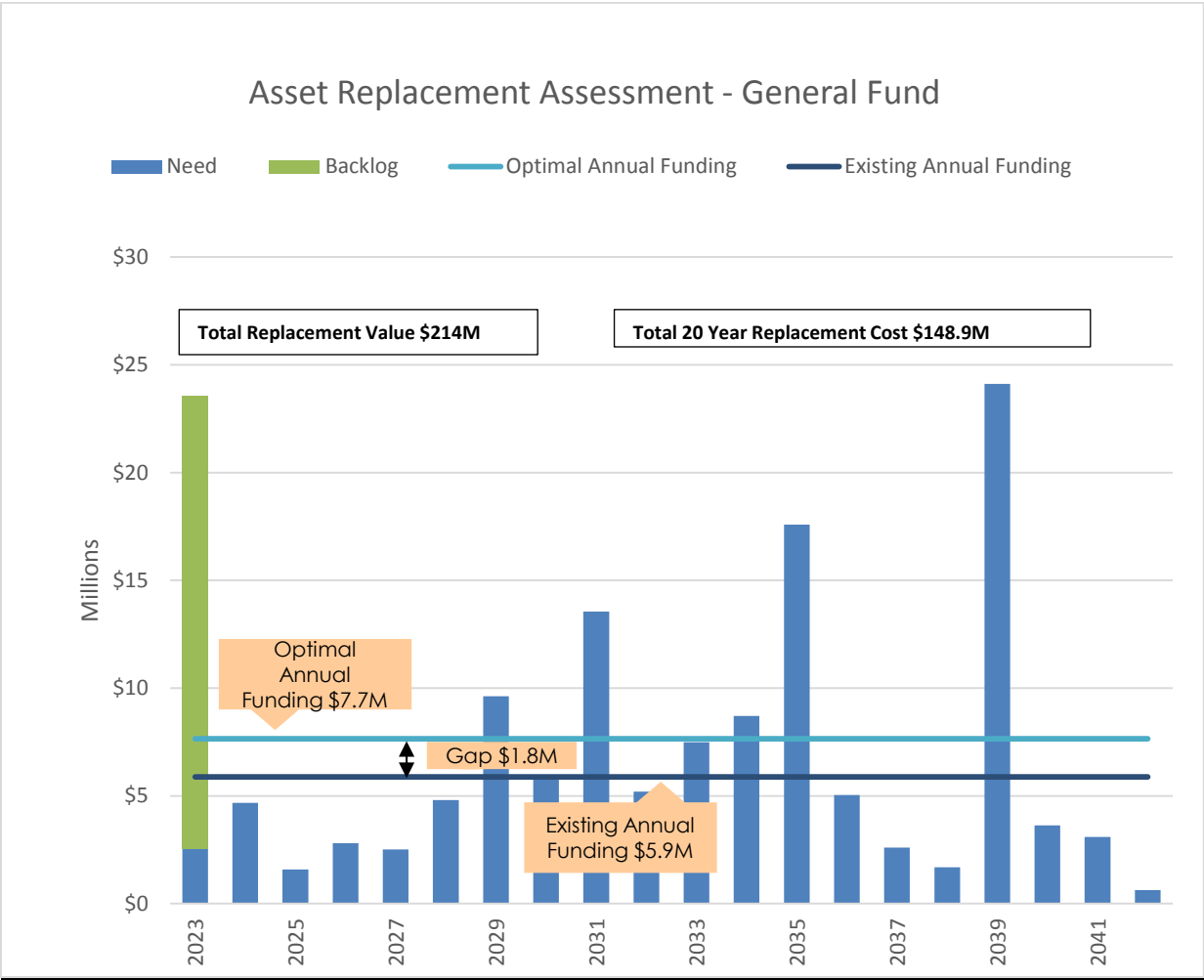
## **Asset Replacement – General Fund**

Based on the overall asset replacement assessment for the next 20 years, the gap between the average annual asset replacement optimal funding level and existing annual funding for the assets housed in the General Fund is calculated at \$1.8 million and is mainly attributed to Roads (\$1.4M) and Vehicles and Equipment. Continuing along the path of increasing annual reserve savings will narrow the funding gap. Although targeted savings levels vary by asset group, redistribution between asset groups is permitted upon Council approval provided the City adheres to the Debt Policy and legislative restrictions. Targeted savings levels will be achieved as follows:

- Vehicles: 2028
- Equipment: 2032
- Transportation: 2045
- Buildings: 2023 however, continued savings increases are necessary to address the Buildings funding backlog.

The General Fund funding backlog is estimated at \$21 million which is essentially those assets that are beyond their initially estimated useful lives. This is determined from a combination of age-based and condition-based data. As conditions are updated and remaining useful life is adjusted to match condition ratings this backlog becomes better quantified. The funding backlog is addressed through a combination of postponing asset replacement, attaining grants or incurring debt.

Formulated by the Asset Management Plan, it is anticipated that a total of \$148.9 million will be required over the next 20 years for the replacement and renewal of the existing capital assets to ensure that the city can rely on these assets well into the future. The replacement cost is mainly attributed to transportation infrastructure, civic buildings, fire equipment, parks and recreation infrastructure and equipment.

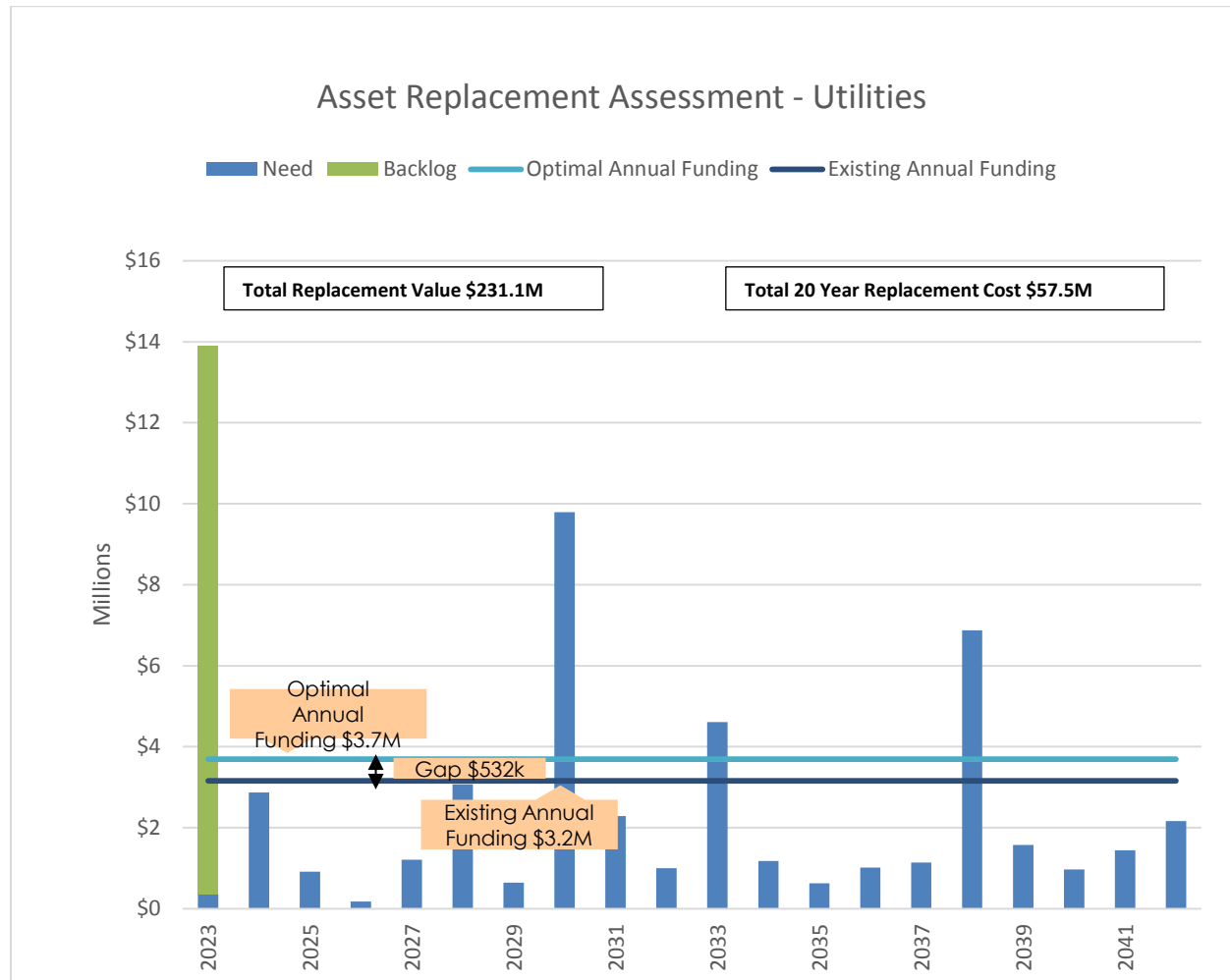


**Asset Replacement – Utility Funds**

Based on the overall asset replacement assessment for the utility funds, the gap between the average annual asset replacement optimal funding level and existing annual funding is calculated at \$532K and is attributed to Drainage. Continuing along the path of increasing annual reserve savings will narrow this funding gap seeing achievement of reaching targeted savings levels in 2035 (Drainage). The Sewer and Water Reserves have reached their savings targets, however, continued savings increases are necessary to address the funding backlog.

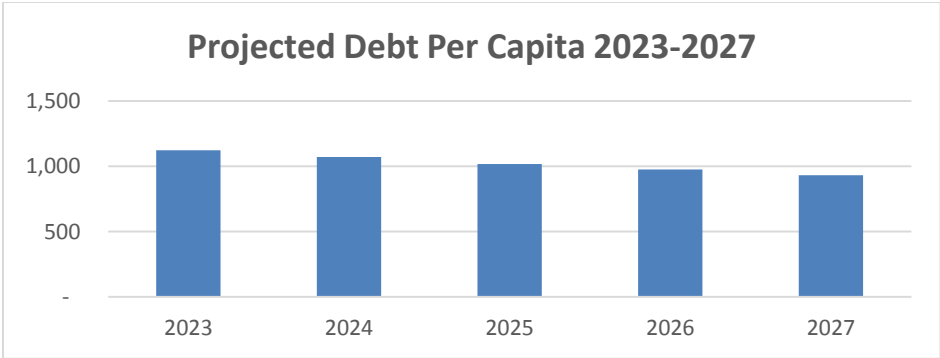
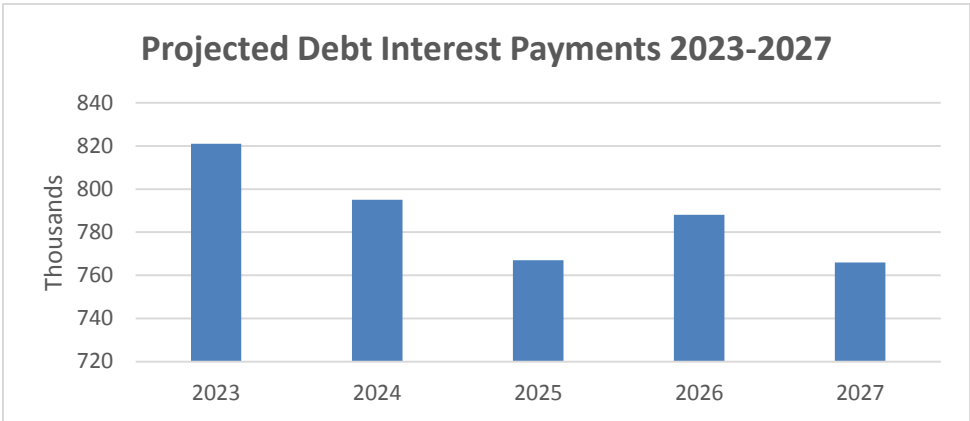
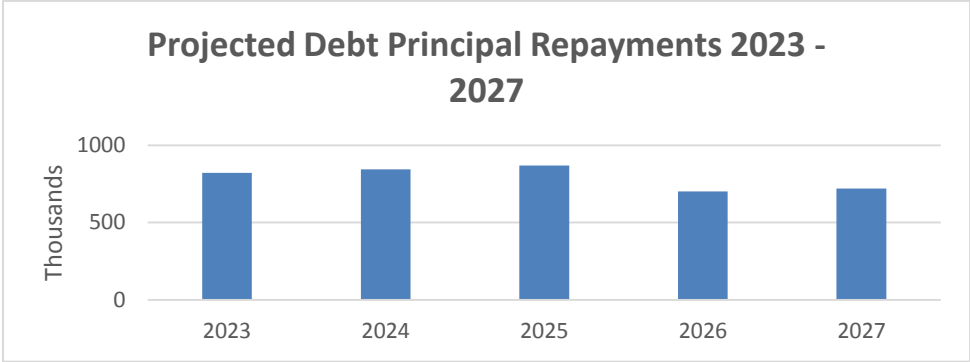
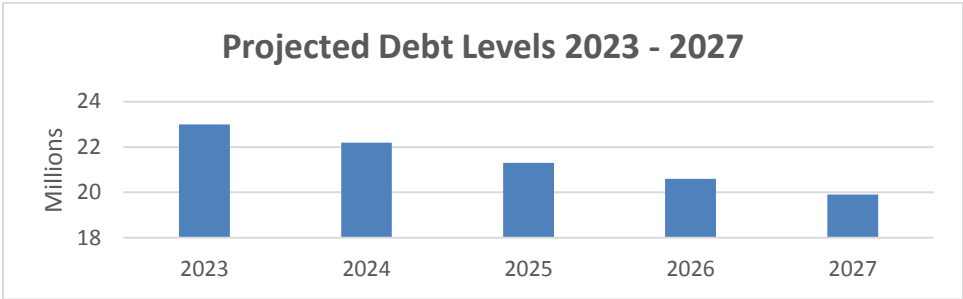
The Utility Funds funding backlog is estimated at \$13.6 million and is essentially those assets that are beyond their initially estimated useful lives which is determined from a combination of age-based and condition-based data. As conditions are updated and remaining useful life is adjusted to match condition ratings this backlog becomes better quantified. The funding backlog is addressed through a combination of postponing asset replacement, attaining grants or incurring debt. Drainage condition assessment ratings will be developed as grant funding is received.

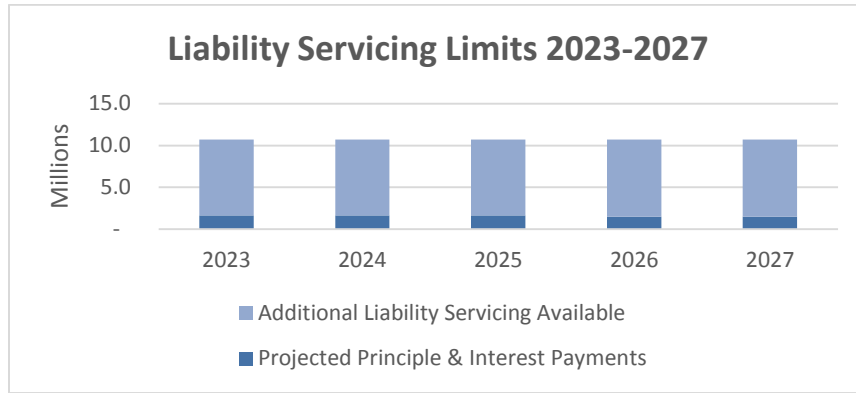
Formulated by the Asset Management Plan, it is anticipated that a total of \$57.5 million will be required over the next 20 years for the replacement and renewal of the existing drainage, sewer and water capital assets to ensure that the city can rely on these assets well into the future. The bulk of the \$9.8 million replacement cost in 2030 is attributed to water assets comprised primarily of service connections and fire hydrants. Condition Assessment data has been incorporated for water mains.



## **DEBT**

There is no additional external debt within the 2023-2027 Five Year Financial Plan. The following charts provide the projected debt levels, principal & debt interest payments on the City’s existing and projected debt. Existing debt was incurred to fund infrastructure projects being the Police Building, Civic Centre Parkade, Arena Renovation and Community Centre. All debt is related to the General Fund. There is no debt in the other funds.

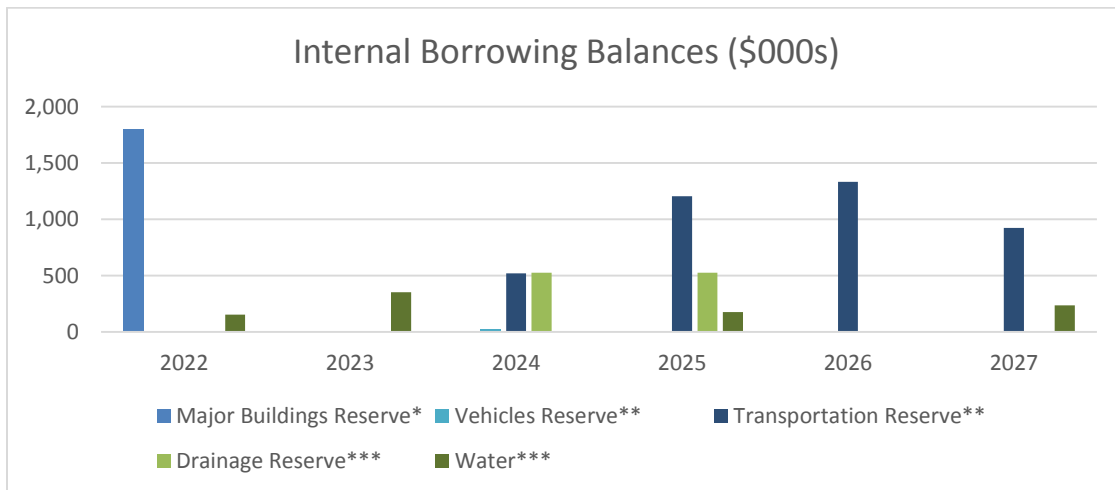




The liability servicing (also known as debt principle and interest payments) limit is set by the Community Charter and is defined as 25% of a municipality’s controllable and sustainable revenues for the previous year. For the City of Pitt Meadows, the liability servicing limit was \$10.7 million in 2022. The budgeted cost of principle and interest debt payments range from \$440,000 to \$1.6 million in the 2023-2027 financial planning period, which is well below the allowable limit.

### Internal Borrowing 2022-2027

The Community Charter and the Debt Management Policy provide the option of borrowing internally from reserves. This is permitted if the funds being borrowed are not needed by the lending reserve and must be repaid with interest. The City uses the internal investment rate of return which is estimated at 1.65% for 2022. Due to the gap in annual reserve savings values compared to the reserve savings targets established by the City’s Asset Management Plan, as well as the historic funding backlog, there is a need for internal borrowing as displayed in the following table. Until we reach our target savings values and reduce the funding backlog there will continue to be a need for internal borrowing.



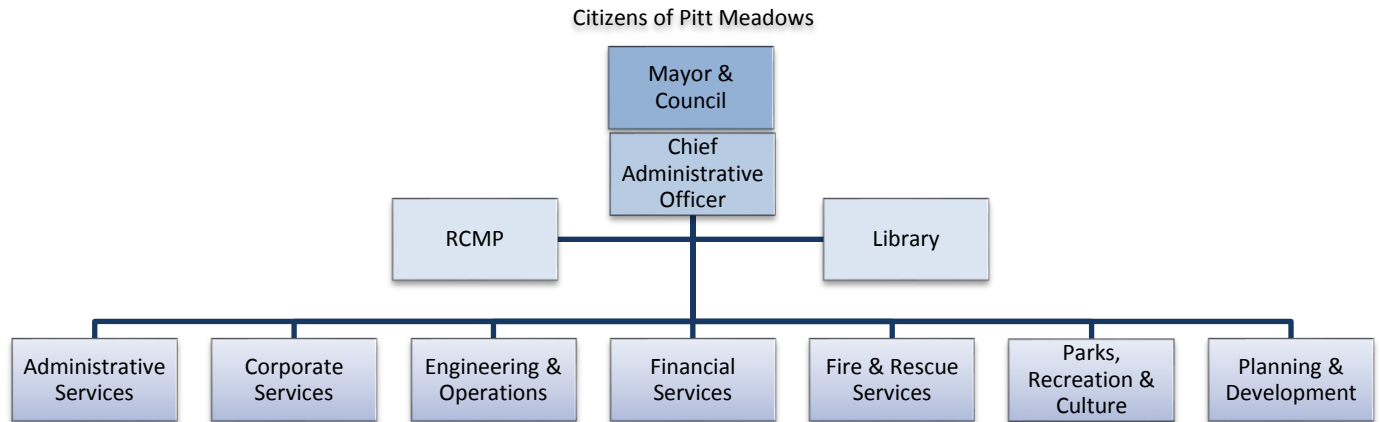
\*Major Buildings Reserve debt owed to Road Use Levies Reserve - fully repaid in 2023

\*\*Vehicles Reserve, Transportation Reserve debt owed to Major Buildings Reserve - fully repaid in 2025, 2035 respectively

\*\*\*Drainage Reserve, Water Reserve Debt owed to Sewer Reserve – fully repaid in 2026, 2029 respectively.

## FINANCIAL STRUCTURE, POLICY & PROCESS

### Organization Chart



### **Employee Base – Full-Time Equivalent (FTE) Analysis**

The City’s staff complement is calculated by full-time equivalents (FTEs). Included in the City’s 2023 Financial Plan is 122.57 FTEs that represent full-time and part-time staff.

Number of FTEs	2023 Budget
<b>Office of the CAO</b>	1
<b>Administrative Services</b>	6
<b>Corporate Services - Communications</b>	3.5
<b>Corporate Services – Human Resources</b>	5.47
<b>Corporate Services - IT</b>	6
<b>Engineering &amp; Operations - Engineering</b>	7.96
<b>Engineering &amp; Operations - Facilities</b>	2.7
<b>Engineering &amp; Operations – Operations*</b>	20.07
<b>Financial Services</b>	8
<b>Fire &amp; Rescue Services**</b>	14
<b>Library Services</b>	7.1
<b>PRC - Parks</b>	8.6
<b>PRC – Recreation &amp; Culture</b>	18.2
<b>Planning &amp; Development</b>	13.97
	122.57

\* Excludes seasonal labourers (approx. 0.12)

\*\* Excludes Volunteers (approx. 25)/Paid on Call Firefighters (approx. 33)

## **FUND DESCRIPTIONS AND FUND STRUCTURE**

The resources and operations of the City are segregated into five separate funds: a General Fund and four Utility Funds (Water, Sewer, Solid Waste and Storm Drainage). Each fund consists of operating and capital budgets needed to deliver various services to the community.

### **General Fund**

The General Fund is the primary fund for most municipal services and departments. This fund has a number of revenue sources – the largest of which is property taxation. This fund includes all of the operating departments that provide a number of services to the community.

### **Sanitary Sewer Fund**

The sanitary sewer utility is debt free and financially self-sustained. The sanitary sewer utility provides for infrastructure replacement and enhancement, sanitary treatment provided by Metro Vancouver and ongoing operation and maintenance of the City's sewer system. The services in this fund are provided by the Engineering and Operations Services department.

### **Solid Waste**

The Solid Waste Utility is a self-funded entity that supports the garbage and green waste collection services provided to the residents of the City of Pitt Meadows. Garbage rates include the cost of transfer and waste disposal of solid waste and composting of the material collected. The services in this utility are provided by the Engineering and Operations Services department as well as collection services contracted with Waste Management.

### **Storm Drainage Fund**

The Storm Drainage utility is debt-free and self-funded by a variety of sources, but primarily from a levy established by bylaw and a separate charge (mill rate) based on assessed value. This utility collects and conveys storm water to reduce the risk of property damage due to flooding. Key costs in the utility include ditch cleaning, maintenance of culverts, storm sewers and pumps, hydro costs, and capital reserve provisions for replacement of infrastructure, in particular pumps and pump stations. The services in this fund are provided by the Engineering and Operations Services department.

### **Water Fund**

The Water Utility is debt-free and a self-funded entity that delivers water to residential, commercial and industrial premises in Pitt Meadows for domestic use, irrigation, and cooling and fire suppression. This Utility is a member of the Metro Vancouver Water District (MVWD) which operates and maintains regional systems of supply works, transmission mains, reservoirs and treatment facilities.

The key issues facing the water utility are the volume of water used and the equity in the rate mix between flat rate and volume based charges. To create equity within the system, the City has adopted the approach of charging metered users:

- A basic per connection fee which covers costs of billing, maintenance of meters, waterlines, pressure reducing value (PRV) stations and saving for the future capital replacement (these costs exist even if the customer uses no water); and
- A consumption charge for the amount of water used at the blended rate the City pays the Greater Vancouver Water District.

Currently the City relies solely on Metro Vancouver's transmission water meters and is charged based on volume-in versus volume-out of Pitt Meadows. Water conservation, incentives and associated enforcement is an important initiative to help reduce water consumption. The flat fee incorporates the components of both the connection fee and the estimated consumption charge. However, the flat fee model is challenged during unusual events such as the dry, hot weather conditions experienced in 2021 and 2022 where the City was unable to recover the excess water usage. The City may wish to consider transitioning to metered water for all properties to encourage water conservation. However, there is a significant capital cost related to the installation of the metered infrastructure as well as ongoing administrative costs to also be considered in a move to a metered billing model.

The services in this fund are provided by the Engineering and Operations Services department.

### **Reserve Funds**

Reserves are established pursuant to section 188 of the Community Charter allowing funds to be set aside for a specific purpose. Reserves protect against unanticipated events that can trigger budget deficits; balance programs and activities that tend to fluctuate from year-to-year; and finance long-term capital needs or contingent liabilities.

The City's Operating Reserve Funds will be used to fund ongoing projects and potential liabilities such as tax appeals and insurance claims. Capital reserves, along with Development Cost Charges, will be used to finance capital projects. In conformance with reporting standards of the Public Sector Accounting and Auditing board of the Canadian Institute of Chartered Accountants, reserve transactions are identified separately from expenditures and revenues in portions of the 2022 budget document.

## **FINANCIAL POLICIES**

### **Governing Policy and Regulatory Requirements**

The Community Charter requires that a Five-Year Financial Plan for both the operating and capital expenditures be adopted by May 15 of the first year of the plan. In addition, the Community Charter directs that the public must be consulted prior to adoption of the Financial Plan.



## **Balanced Budget**

In compliance with Section 165 of the Community Charter, the City's Five-Year Financial Plan must be balanced. The total of proposed expenditures and transfers to other funds for a year must not exceed the total of proposed funding sources and transfers from other funds for the year.

## **Financial Policies**

In support of Council's key strategic plan goals of Corporate Excellence through responsible financial management, the City has a series of financial policies ensuring municipal services and infrastructure continue to be provided for future generations. The financial policies adopted by City Council include:

- ***Asset Management Policy***

The City adopts and applies asset management practices in support of delivering quality, cost-effective services to the community. The City adopts a sustainable approach to asset management, ensuring that the asset base is not increased without considering the impact on the ability of the City to fund future maintenance and rehabilitation.

- ***Debt Management Policy***

The City's policy is to minimize external debt borrowings and, if required, use existing reserves as a means to internally finance required capital expenditures. As well, the City adheres to the Debt Limit and Liability Servicing Limit requirements as outlined in the *Community Charter*.

- ***Investment Policy***

The City invests funds in a manner that will provide the optimal blend of investment security and return while meeting the daily cash flow demands of the City and complying with the statutory requirements of the *Community Charter*.

- ***Permissive Tax Exemption Policy***

Under the Community Charter, Council considers requests for permissive property tax exemptions from qualifying organizations. The policy ensures that charitable and not-for-profit community organizations providing services for the benefits of the community are dealt with consistently and receive equal and fair treatment and consideration.

- ***Purchasing and Procurement Policy***

The City purchases goods and services on behalf of Pitt Meadows residents in accordance with evolving best practices in procurement for local governments to ensure receipt of best value and that processes are fair, consistent, efficient and effective.

- ***Revenue and Taxation Policy***

The City sets out the objectives and policies regarding the proportion of total revenue to come from each funding source, the distribution of property taxes among the property classes and the use of permissive tax exemptions. The City regularly reviews user fees, development cost charges and the property tax ratio in comparison with other municipalities in Metro Vancouver.

- ***Risk Management Policy***

The City strives to minimize the impact of losses upon City resources by eliminating or reducing where practicable the conditions that cause accidental losses. When risk cannot be eliminated or reduced to workable levels the City purchases commercial insurance or engages other risk financing mechanisms that will provide indemnity for catastrophic losses and either insure or retain remaining risks.

- ***Surplus Policy***

The City's General Fund Accumulated Surplus establishes a targeted minimum balance of 5% of regular general fund net operating expenditures to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The projected 2022 surplus will bring the General Fund Accumulated Surplus to the targeted minimum balance.

## **FINANCIAL PLANNING PROCESS**

The City develops its Five-Year Financial Plan consistent with generally accepted accounting principles. The City uses the accrual method of accounting in which revenues and expenses are recognized at the time they are incurred.

The budget is organized by type of operation (i.e. general fund and utility funds), with each operation considered a separate budgeting and accounting entity. Funds are budgeted and reported along departmental lines, with accountability and authority for budgetary approval and amendments resting with Council. Council delegates the authority for actual disbursement and implementation of the Five-Year Financial Plan to the Chief Administrative Officer.

Although the Community Charter imposes annual budget deadlines, the City's budget process is a continuous cycle. The budget is prepared, reviewed, debated, changed and approved by the department managers, senior leadership team, and City Council.

Each year City staff put forward a preliminary budget. The Mayor and City Council, with input from Pitt Meadows residents and businesses, then make decisions about the City's services, programs and infrastructure and approve the City's final budget. All budget workshops, presentations and deliberations are open to the public.

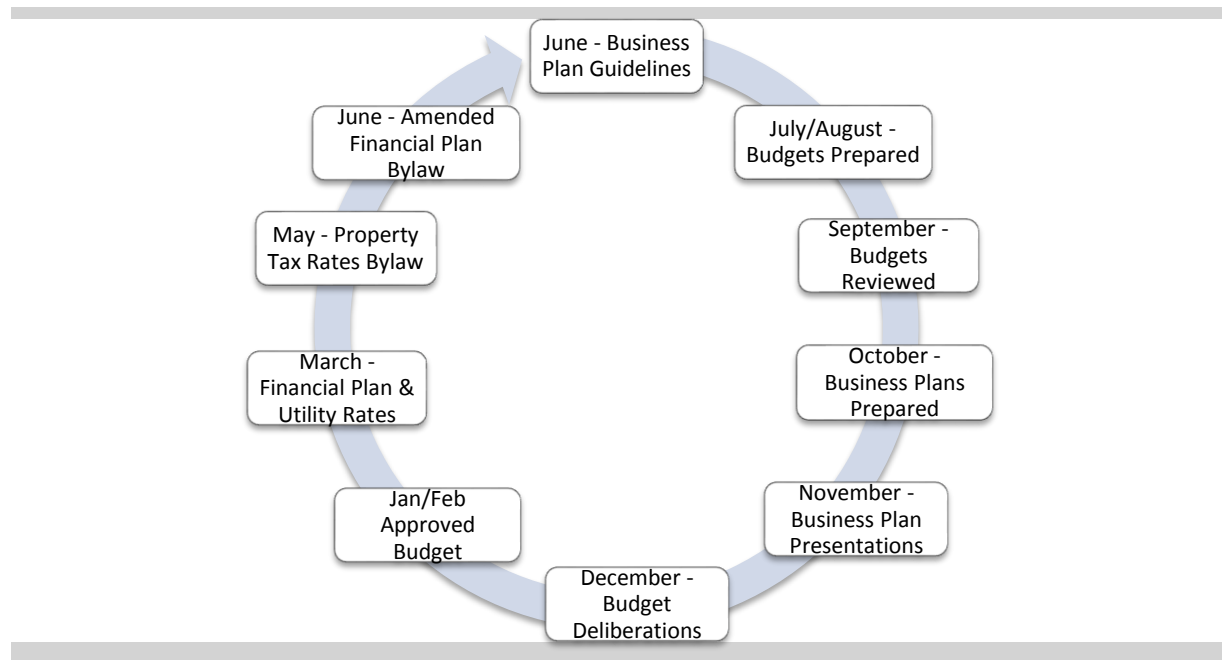
As outlined in the Community Charter, the Five-Year Financial Plan is to be adopted by May 15 of the first year of the plan. At any time, subsequent to the original adoption, an amended financial plan bylaw can be adopted by Council for that year. Amendments to the financial plan which result from unplanned financial activities identified during financial reviews and the yearend process are incorporated into an amended financial plan bylaw each spring after the completion of the yearend audit.

The Corporate Strategic Plan 2019-2022 serves as a guiding framework for policies, budgets and decision making over the 4 year period. The Corporate Strategic Plan sets the high level goals and objectives for the community which, in turn, sets desired service levels. Departmental business plans and budgets are developed to ensure programs and services align with and aim to achieve the goals outlined in the Corporate Strategic Plan.

Business Plan Guidelines are developed and approved by Council outlining budget objectives, principles, approach, and service levels. Taxation from population growth is used to fund related operational costs, projects and long-term strategies including increased service levels.

The Tax Rate Bylaw is to be adopted by May 15 as outlined in the Community Charter.

### Timelines for the 2023 Budget



### SERVICE LEVEL CHANGES

Each year the Corporate Leadership Team undertakes an internal review process to ensure services are in alignment with staff’s interpretation of Council’s strategic goals and objectives. As a result of this review, a number of incremental changes in service delivery or new capital

infrastructure are provided for Council consideration as decision packages for the first year of the financial plan and are presented in the tables below. Decision Package details are included within each department’s business plan.

**Pitt Meadows Council Consideration:**

**Fire and Rescue Services Department**

**Option 1** – 9 positions as of January 1, 2023 funded by taxation at an Average Single Family cost of \$94.75

<i>Department - Fire Services</i>	Description	Capital Budget - Operating Reserve	Operating Budget	Single Family %	Single Family \$
<b>2023</b>					
	Lieutenants (2)	\$9,000	\$334,000	1.23	\$29.73
	Firefighters (6)	27,000	711,000	2.62	63.32
	Training Officer (1)	-	167,000	0.62	14.99
	POC Attendance	-	(150,000)	(0.55)	(13.29)
	<b>GRAND TOTAL OPTION 1 - 2023</b>	<b>\$36,000</b>	<b>\$1,062,000</b>	<b>3.92%</b>	<b>\$94.75</b>

**Option 2** – Postponement of hiring 4 Firefighters to January 1, 2024 would delay half of the tax increase by one year and utilizes \$307,100 of reserves.

<i>Department - Fire Services</i>	Description	Capital Budget - Operating Reserve	Operating Budget	Single Family %	Single Family \$
<b>2023</b>					
	Lieutenants (2)	\$9,000	\$334,000	1.23	\$29.73
	Firefighters (2)	9,000	231,600	0.85	20.54
	Training Officer (1)	-	167,000	0.62	14.99
	POC Attendance	-	(150,000)	(0.55)	(13.29)
	Backfill (one-time)	-	255,500	0.94	22.72
	Reserve Funding (one-time)	-	(307,100)	(1.13)	(27.31)
	<b>2023 TOTAL</b>	<b>\$18,000</b>	<b>\$531,000</b>	<b>1.96%</b>	<b>\$47.37</b>
<b>2024</b>					
	Firefighters (4)	\$18,000	\$479,400	1.77	\$42.78
	Remove 2023 Backfill	-	(255,500)	(0.94)	(22.72)
	Remove 2023 Reserve funding	-	307,100	1.13	27.31
	<b>2024 TOTAL</b>	<b>\$18,000</b>	<b>\$531,000</b>	<b>1.96%</b>	<b>\$47.37</b>
	<b>GRAND TOTAL OPTION 2 – 2023 and 2024</b>	<b>\$36,000</b>	<b>\$1,062,000</b>	<b>3.92%</b>	<b>\$94.75</b>

## Other City Departments

<i>Department</i>	<i>Description</i>	<i>Capital Budget</i>	<i>Operating Budget</i>	<i>Single Family %</i>	<i>Single Family \$</i>
<i>Eng&amp;Ops - Engineering</i>	Park Road Traffic Calming Update	-	-	-	-
<i>Eng&amp;Ops - Engineering</i>	Water Conservation - Water Reserve	22,000	5,000	-	Water fee - \$1
<i>Eng&amp;Ops - Facilities</i>	Heritage Hall Accessibility - General Facilities Reserve \$511.3K - Other Government Grant \$50K	561,300	3,000	0.01	0.27
<i>Eng&amp;Ops - Operations</i>	Labourer II - Operating Reserve	1,000	81,400	0.30	7.26
<i>PRC – Culture</i>	Public Art Funding - Major Building Reserve	\$50,000	-	-	-
<i>PRC – Culture</i>	Annual National Day for Truth & Reconciliation Initiative	-	\$5,000	0.02	0.45
<i>PRC – Parks</i>	Grabenhorst Garden Improvements & Upgrades - Place of Remembrance - \$300K DCCs & - \$150K Community Amenity Reserve	\$450,000	\$40,000 year 1; \$120,000 year 2+	0.15 0.44	3.57 10.70
<i>PRC – Parks</i>	- Park Maintenance Equipment - Future Capital Reserve	\$50,000	\$5,000	0.02	0.45
<i>PRC – Parks</i>	PMAP Space Planning - General Operating Reserve	\$75,000	-	-	-
<i>PRC - Parks</i>	Harris Rd Park Space Planning - General Operating Reserve	\$75,000	-	-	-
<i>PRC - Recreation</i>	PMFRC Space Planning - General Operating Reserve	\$75,000	-	-	-
<i>PRC - Recreation</i>	Aquatics Feasibility Study - General Operating Reserve	\$75,000	-	-	-
<i>Planning &amp; Development</i>	Agricultural Plan - General Operating Reserve	\$80,000	-	-	-
<i>Planning &amp; Development</i>	Civic Centre Scoping Project - General Operating Reserve	\$20,000	-	-	-

## Maple Ridge Council Consideration – Joint RCMP Services:

<i>Department</i>	<i>Description</i>	<i>Capital Budget</i>	<i>Operating Budget</i>	<i>Single Family %</i>	<i>Single Family \$</i>
<i>RCMP Housing &amp; Support</i>	Municipal Training Co-ordinator - \$85,000 before Pitt Meadows' allocation	-	15,600	0.06	1.39
<i>RCMP Housing &amp; Support</i>	Electronic Disclosure Co-ordinator - \$86,500 before Pitt Meadows' allocation	-	15,900	0.06	1.42

## PUBLIC PARTICIPATION

Inform     Consult     Involve     Collaborate     Empower

**KATZIE FIRST NATION CONSIDERATIONS**

Referral     Yes     No

Collaboration and coordination will occur on a variety of City initiatives that are determined to be of significance and interest to Katzie First Nation as part of the regular work plan.

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**SIGN-OFFS**

**Written by:**

Cheryl Harding,  
Director of Financial Services

**Reviewed by:**

Mark Roberts,  
Chief Administrative Officer

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**ATTACHMENT(S):**

- A. Operating and Capital Budget Tables
- B. Statistics
- C. Executive Summary – Utilities
- D. Executive Summary – General Fund