

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **December 5, 2016**

FROM: **City Manager and
General Manager, Finance & Technology**

FILE: **1705-05**

SUBJECT: **2017 Five-Year (2017-2021) Financial Plan – General Operating**

1.0 **RECOMMENDATION**

It is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 4.0 - New Funding Requirements of this report; and
- b) Direct staff to prepare the 2017 Five-Year (2017-2021) General Operating and Roads and Traffic Safety Utility Financial Plans incorporating these recommendations.

2.0 **BACKGROUND**

Five-Year (2016-2020) Financial Plan

Council approved the 2016 Five-Year (2016-2020) Financial Plan in January 2016, which included direction for 2017 to 2020. The proposed 2017 Five-Year (2017-2021) has incorporated that direction, along with additional priorities Council has identified during 2016. Full details of the assumptions, directions and priorities are discussed in the following sections of this report.

3.0 **DISCUSSION OF GENERAL OPERATING**

The proposed 2017 Five-Year (2017-2021) Financial Plan has been developed based on direction provided by Council over the course of time and builds on the adopted 2016 Five-Year (2016-2020) Financial Plan. Council has identified several key priority areas for the City as discussed in the following sections, new funding requirements needed to meet these priority areas are discussed later in this report.

3.1 Public Safety

Public Safety continues to be a critical priority for the City and is reflected accordingly in the 2017 proposed Financial Plan. Each Public Safety Service is discussed in further detail in the following pages.

i) ***Police Services***

The 2016 adopted Financial Plan incorporated an increase of 16 RCMP members to the Surrey detachment and a related increase in civilian support staff, bringing the total current authorized RCMP complement to 819 members (inclusive of Surrey's prorated share of members on the Integrated Services Team), and 298 civilian support staff. The 2017 proposed Financial Plan includes the annualized impact of these 16 RCMP members and related civilian support staff.

The 2017 proposed Financial Plan includes an additional 12 RCMP members to be added in 2017, bringing the total to 831 members, and a further 16 RCMP members to be added per year for the years 2018, 2019, 2020 and 2021 or alternatively Council can support an equivalent allocation of resources to meet the diverse needs of the Public Safety Strategy. The addition of RCMP members in each year is accompanied by a relative increase in civilian support staff. The proposed 2017 Financial Plan includes funding for the new positions to be effective October 1st of each year.

The 2017 proposed Financial Plan also includes DNA analysis costs that the Province of BC has passed onto to Municipalities; for 2017 this expenditure is budgeted at \$469,000-which represents an increase of \$159K from the 2016 adopted Financial Plan.

Additional details on the financial requirements related to the RCMP for the proposed 2017-2021 Financial Plan are provided in Section 4 of this report.

ii) ***Fire Services***

Fire Services added an Executive Assistant in 2016; full year funding for this position has been included in the proposed 2017 Financial Plan.

iii) ***By-Law Enforcement***

In July 2015, the Police Committee recommended that Council approve the transition plan outlined in CR – P006 (Community Safety Patrols Update). An integral component of the recommendation included the hiring of 4 community officers that focused in the Newton Town Centre. This community officer program has now been in place for over one year and based on feedback from citizens, local businesses and staff, it has been considered a success. The 2017 Financial Plan incorporates ongoing funding to support the community officer program on a go forward basis. The 2017 Financial Plan also includes the addition of 3 new By-law officers with an effective date of June 2017 and a Bylaw support Clerk with an effective date of January 2017.

iv) The proposed 2017 Financial Plan incorporates ongoing funding in the amount of \$25,000 for a new Public Safety dashboard that will be used to rebrand and relaunch the current Sustainability Dashboard as a City Dashboard that publishes performance data beyond those measures represented in the Sustainability Charter. This project will enhance the City's communication to stakeholders and citizens and provide a consistent and compelling way to share performance data. City of Surrey will benefit from enhanced public engagement around its sustainability charter, public safety strategy and ISO certification through the promotion of measures in the City Dashboard.

3.2 Staffing Capacity

In addition to previously discussed staffing level increases related to Public Safety, the 2017 Financial Plan also incorporates funding for staffing costs directly related to the operations of new City facilities opening in 2017. These staffing costs are in part offset by revenues generated by the respective new facility.

Furthermore, additional staffing adjustments may be required in 2017 in response to increased service delivery demands. Typically, these staffing adjustments are correlated to increased unanticipated revenues which directly offset the increased staffing costs (i.e. development activity/inspection services, recreational program offerings, etc.).

3.3 Capital Program

The 2017-2021 Five-Year Capital Financial Plan, corporate report Foo5, was presented to Finance Committee on November 21, 2016. Finance Committee was presented with options of either increasing the Capital Parcel Tax by \$10.00 or approving a 0.54% property tax increase, with either option generating sufficient revenue to support the capital initiatives that were presented. At that time Finance Committee approved a 0.54% property tax increase, which has been incorporated into the new funding requirements in section 4.0.

4.0 NEW FUNDING REQUIREMENTS

This section of the report summarizes new funding requirements needed based on Council direction in relation to City priorities. The section is segregated into Public Safety Requirements and Other corporate requirements.

4.1 Public Safety Funding Requirements:

i) RCMP Policing Services

RCMP Contract Increases:

Annualization of 16 RCMP Member positions added in Oct/16	\$ 1.013M
Addition of 12 RCMP member positions effective Oct/17	0.327M
Provision for a 2.5% member salary increase effective Jan/16 (as required by the Federal Gov't)	1.092M
Increase to the employer portion of the RCMP Pension Plan	0.561M
Increased funding for Integrated Teams	0.907M
Increased funding for E Division Administration	1.942M
Other RCMP contract increases	2.340M

Other Policing Increases:

Annualization of new civilian staff added in 2016	\$ 0.283M
Addition of 3 civilian staff effective Oct/17	0.058M
Civilian staff labour increases	0.962M
Increased DNA costs	0.159M
Other operating increases	<u>0.440M</u>

Total RCMP Policing Service Funding Requirements **\$ 10.084M**

ii) Fire Services

Addition of an Executive Assistant	\$ 0.078M
Other labour increases	<u>2.407M</u>
Total Fire Service Funding Requirements	\$ 2.485M

iii) Other Public Safety Initiatives

3 new By-law Officers (June/2017)	\$ 0.095M
1 new By-law support Clerk (Jan/2017)	0.060M
Permanent funding for Community Patrol (Jan/2017)	0.286M
Annualization of By-law Clerical position	0.033M
Other salary and contract increases	0.311M
Public Safety Dashboard	.025M
Total Other Funding Requirements	\$ 0.810M
Total additional funding required for Public Safety:	\$13.379M

4.2 Corporate Funding Requirements:

Labour increases excluding Public Safety	2.700M
3rd Party contract & other increases	1.757M
Provision for City inventory increases	0.900M
Operating (Museum /Newton Wave Pool Expansion)	0.800M
Old City Hall maintenance/additional funding	0.290M
Cultural Grant increase	0.100M
Contribution to Capital from General	1.600M
Fiscal Services	1.387M
Elimination of the Budgeted Transfer from Surplus	4.300M
Capital Program Funding Support	1.730M
Total Additional Funding required for Corporate Initiatives:	\$ 15.564M
Total Required Funding for 2017:	<u>\$28.944M</u>

5.0 NEW FUNDING AVAILABLE

The following are projected revenue increases that are expected to be available to offset the anticipated new funding required in 2017:

Property Tax Increase (General)	\$12.757M
Property Tax Increase (Capital Support)	1.730M
Estimated new property tax revenue resulting in new growth	6.057M
Net Cross the Board and Other Revenue Changes	<u>8.400M</u>
Total Funding Available for 2017:	\$28.944M

6.0 SUMMARY OF PROPOSED 2017 GENERAL OPERATING FINANCIAL PLAN

Expenditure Increases Outlined Above	\$28.944M
Less Available Funding	<u>28.944M</u>
Surplus/(Deficit)	nil

The 2017 proposed Financial Plan represents a balanced budget.

7.0 ASSUMPTIONS APPLIED FOR THE 2017 GENERAL OPERATING FINANCIAL PLAN

The proposed 2017-2021 Financial Plan has been drafted by applying assumptions that were utilized in the adopted 2016-2020 Financial Plan as follows:

1. A general property tax rate increase of approximately \$72 for the average single family dwelling that will predominately be used to offset increased public safety resourcing and expenditures.
2. An increase to the Road and Traffic Levy that is equivalent to approximately \$18 for the average single family dwelling.
3. A general property tax rate increase of approximately \$10 for the average single family dwelling that will be used to support the capital plan that was presented to Finance Committee on November 21, 2016.
4. Fee increases of 3.9% across the board (or equivalent).

8.0 2017 ROAD AND TRAFFIC SAFETY UTILITY LEVY

A Road and Traffic Safety Levy was established in 2008 to ensure that a stable, sustainable funding source was available to meet the growing traffic and safety needs of the City. This levy addresses the maintenance of roads throughout the City as well as traffic calming measures, crosswalks, sidewalks and measures to reduce congestion throughout the City. This utility is supported by a levy that is based on the assessed value of individual properties in each Property Class.

To meet the on-going needs of the utility, the Road and Traffic Safety Levy is proposed to be increased in 2017 such that, the average single-family dwelling will pay an additional approximate amount of \$18.00 per year. This increase is in line with the projections that were included in the 2016-2020 Five Year adopted Financial Plan.

Similar adjustments to the Road and Traffic Safety Levy are incorporated for each remaining year in the proposed Five Year Plan to ensure adequate funding is available to meet the City's transportation needs over time.

9.0 **SUMMARY**

Based on the discussion and information provided in this report, it is recommended that the Finance Committee recommend that Council:

1. Approve the recommendations made in Section 4.0 of this report;
2. Direct staff to prepare the 2017-2021 Financial Plans incorporating the recommendations in this report for the General Operating Fund and the Roads and Traffic Safety Utility.

Vivienne Wilke, CPA, CGA
General Manager, Finance & Technology

Vincent Lalonde, P. Eng
City Manager

Appendix "I": Proposed Five Year Financial Plan – General Operating

Appendix "II": Proposed Five Year Financial Plan – Roads & Traffic Operating

2017 - 2021 FINANCIAL PLAN
GENERAL OPERATING - FINANCIAL SUMMARY
(In thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Taxation	\$328,802	\$ 349,531	\$ 370,672	\$ 393,566	\$ 416,033
Departmental Revenues	82,642	84,447	87,074	90,364	92,432
Investment Income	16,518	17,340	17,311	17,277	17,338
Secondary Suite Infrastructure Fees	17,784	19,032	20,368	21,797	22,647
Corporate Lease Revenue	6,710	6,819	6,918	7,024	7,128
Contribution from SCDC	4,500	4,500	4,500	4,500	4,500
Penalties & Interest	4,400	4,600	4,800	5,000	5,000
Provincial Revenue Sharing re: Gaming	3,800	3,800	3,800	3,800	3,800
Other Revenue	3,425	2,245	2,386	2,521	2,557
	<u>\$468,581</u>	<u>\$492,314</u>	<u>\$517,829</u>	<u>\$545,849</u>	<u>\$571,435</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$422,265	\$ 437,776	\$ 453,083	\$ 473,831	\$ 493,537
Council Initiative Fund	250	250	250	250	250
Fiscal Services	22,358	29,910	34,532	38,883	36,926
Contribution to Capital	15,700	18,100	20,700	23,500	26,500
Contributions to Road & Transp. Fund	16,592	16,592	16,592	16,592	16,592
Net Tsf.To/(From) Surplus & Other Funds	(8,584)	(10,314)	(7,328)	(7,207)	(2,370)
	<u>\$468,581</u>	<u>\$492,314</u>	<u>\$517,829</u>	<u>\$545,849</u>	<u>\$571,435</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2017 - 2021 FINANCIAL PLAN
GENERAL OPERATING - REVENUE SUMMARY
(In thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Taxation					
Base Levy	\$275,934	\$ 296,074	\$ 315,704	\$ 335,876	\$ 357,754
Assessment Growth (City's Portion)	6,037	6,218	5,841	6,550	6,797
Property Tax Rate Increase	14,153	13,462	14,381	15,378	14,750
Provision for Adjustments	(50)	(50)	(50)	(50)	(50)
	296,074	315,704	335,876	357,754	379,251
Capital Parcel Tax	16,636	17,096	17,412	17,752	18,089
Grants in Lieu	16,092	16,731	17,384	18,060	18,693
Net Taxation	328,802	349,531	370,672	393,566	416,033
General Government					
City Manager's Department	4	4	4	4	4
Investments & Intergov. Relations	-	-	-	-	-
Finance & Technology	1,341	1,376	1,412	1,436	1,461
Human Resources	-	-	-	-	-
	1,345	1,380	1,416	1,440	1,465
Public Safety					
Bylaws	8,903	9,170	9,353	9,540	9,731
Public Safety Office	-	-	-	-	-
Fire	1,706	1,757	1,809	1,845	1,881
RCMP	8,121	8,364	8,615	8,857	9,108
	18,730	19,291	19,777	20,242	20,720
Other					
Engineering Services	6,651	6,864	7,083	7,310	7,542
Parks, Recreation & Culture	33,542	34,337	36,017	37,890	38,573
Planning & Development	20,854	21,055	21,261	21,892	22,542
Surrey Public Library	1,520	1,520	1,520	1,590	1,590
	62,567	63,776	65,881	68,682	70,247
Departmental Revenues	82,642	84,447	87,074	90,364	92,432
Investment Income	16,518	17,340	17,311	17,277	17,338
Secondary Suite Infrastructure Fee	17,784	19,032	20,368	21,797	22,647
Contribution from SCDC	4,500	4,500	4,500	4,500	4,500
Provincial Casino Revenue Sharing	3,800	3,800	3,800	3,800	3,800
Corporate Lease Revenue	6,710	6,819	6,918	7,024	7,128
Penalties & Interest	4,400	4,600	4,800	5,000	5,000
Carbon Tax Rebates	400	400	400	400	400
Other	3,025	1,845	1,986	2,121	2,157
	14,535	13,664	14,104	14,545	14,685
	\$468,581	\$492,314	\$517,829	\$545,849	\$571,435

2017 - 2021 FINANCIAL PLAN
GENERAL OPERATING - EXPENDITURE SUMMARY
(In thousands)

EXPENDITURE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
General Government					
Mayor, Council & Grants	\$ 3,115	\$ 3,153	\$ 3,190	\$ 3,240	\$ 3,290
City Manager's Department	6,460	7,427	6,915	7,159	7,439
Investments & Intergov. Relations	1,484	1,518	1,553	1,606	1,661
Finance & Technology	28,674	29,405	30,150	31,037	32,946
Human Resources	4,176	4,305	4,439	4,651	4,873
	<u>43,909</u>	<u>45,808</u>	<u>46,247</u>	<u>47,693</u>	<u>50,209</u>
Public Safety					
Bylaws	7,096	7,548	7,811	8,076	8,364
Public Safety Office	1,218	1,249	1,281	1,331	1,383
Fire	60,524	62,271	64,010	65,793	67,623
RCMP	158,339	165,154	171,975	179,695	187,956
	<u>227,177</u>	<u>236,222</u>	<u>245,077</u>	<u>254,895</u>	<u>265,326</u>
Other					
Engineering Services	6,261	6,589	7,003	7,463	7,941
Parks, Recreation & Culture	95,375	98,340	102,834	108,752	111,954
Planning & Development	30,946	31,649	32,301	33,073	33,872
Surrey Public Library	17,278	17,842	18,316	20,596	21,276
Operating Contingency	1,319	1,326	1,305	1,359	2,959
	<u>151,179</u>	<u>155,746</u>	<u>161,759</u>	<u>171,243</u>	<u>178,002</u>
Total Departmental Expenditures	422,265	437,776	453,083	473,831	493,537
Council Initiative Fund	250	250	250	250	250
	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Fiscal Services					
Fiscal Charges	456	473	492	511	529
Interest Paid on Prepaid Taxes	361	369	376	383	390
External Borrowing	12,779	12,779	12,779	12,779	12,779
Internal Borrowing	8,762	16,289	20,885	25,210	23,228
	<u>22,358</u>	<u>29,910</u>	<u>34,532</u>	<u>38,883</u>	<u>36,926</u>
Carbon Emission Offsets	400	400	400	400	400
Contributions to Capital					
General Contribution	7,400	9,800	12,400	15,200	18,200
SCDC Dividend Contribution	4,500	4,500	4,500	4,500	4,500
Gaming Contribution	3,800	3,800	3,800	3,800	3,800
	<u>15,700</u>	<u>18,100</u>	<u>20,700</u>	<u>23,500</u>	<u>26,500</u>
Contributions to Road & Transportation Fund					
Roads & Transportation Fund	16,592	16,592	16,592	16,592	16,592
	<u>16,592</u>	<u>16,592</u>	<u>16,592</u>	<u>16,592</u>	<u>16,592</u>
Net Tsf. To/(From) Surplus & Other					
Tree Replacement Fee	1,200	1,325	1,450	1,575	1,600
Transfers to/(from) Other Sources	(10,184)	(12,039)	(9,178)	(9,182)	(4,370)
	<u>(8,984)</u>	<u>(10,714)</u>	<u>(7,728)</u>	<u>(7,607)</u>	<u>(2,770)</u>
	<u>\$468,581</u>	<u>\$492,314</u>	<u>\$517,829</u>	<u>\$545,849</u>	<u>\$571,435</u>

5 YEAR ROADS & TRAFFIC OPERATING FINANCIAL PLAN
2017 - 2021
(in thousands)

REVENUE SUMMARY	2017 BUDGET	2018 PLAN	2019 PLAN	2020 PLAN	2021 PLAN
Taxation	\$ 26,601	\$ 30,668	\$ 34,979	\$ 39,657	\$ 44,674
Departmental Revenues	384	392	398	407	414
	<u>\$ 26,985</u>	<u>\$ 31,060</u>	<u>\$ 35,377</u>	<u>\$ 40,064</u>	<u>\$ 45,088</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 32,866	\$ 33,387	\$ 34,900	\$ 35,442	\$ 35,993
	<u>\$ 32,866</u>	<u>\$ 33,387</u>	<u>\$ 34,900</u>	<u>\$ 35,442</u>	<u>\$ 35,993</u>
Contribution to Capital	\$ 16,161	\$ 16,148	\$ 25,563	\$ 25,190	\$ 24,795
Contribution from General Operating	(10,402)	(9,830)	(9,222)	(8,571)	(6,877)
Transfer to/from Own Source	(11,640)	(8,645)	(15,864)	(11,997)	(8,823)
	<u>\$ (5,881)</u>	<u>\$ (2,327)</u>	<u>\$ 477</u>	<u>\$ 4,622</u>	<u>\$ 9,095</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (To)/From Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>