

NO: **F001**

COUNCIL DATE: **February 10, 2016**

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **January 29, 2016**

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

FILE: **1705-05**

SUBJECT: **2016 Five-Year (2016-2020) 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 2016 Five-Year (2016–2020) General Operating and Roads and Traffic Safety Utility Financial Plans incorporating these recommendations.

2.0 BACKGROUND

Five-Year (2015–2019) Financial Plan

Council approved the 2015 Five-Year (2015–2019) Financial Plan in December 2014, which included direction for 2016 to 2019. The proposed 2016 Five-Year (2016–2020) has incorporated that direction, along with additional priorities Council has identified during 2015. 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 2016 Five-Year (2016–2020) Financial Plan has been developed based on direction provided by Council over the course of time and builds on the adopted 2015 Five-Year (2015–2019) 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 2016 proposed Financial Plan. Each Public Safety Service is discussed in further detail in the following pages.

i) ***Police Services***

The 2015 adopted Financial Plan incorporated an increase of 100 RCMP members to the Surrey detachment and a related increase in civilian support staff, bringing the total current authorized RCMP complement to 803 members (inclusive of Surrey's prorated share of members on the Integrated Services Team), and 292 civilian support staff. The 2016 proposed Financial Plan includes the annual impact of these 100 RCMP members and related civilian support staff.

As recommended by the Police Committee, the 2016 proposed Financial Plan includes an additional 16 RCMP members to be added in 2016, bringing the total to 819 members, and a further 16 RCMP members to be added per year for the years 2017, 2018, 2019 and 2020. The addition of RCMP members in each year is accompanied by a relative increase in civilian support staff. The proposed 2016 Financial Plan includes funding for the new RCMP positions to be effective October 1st of each year.

In April 2015, the City awarded a three-year contract to a qualified medical service provider for the supply of medical goods and services to those held in custody within the Surrey Detachment. This is a pilot project, so funding for the full three-year term of the contract has already been set aside and is therefore not included as part of the detachment's on-going funding. During the term of the contract, staff will implement appropriate metrics to monitor the impact of this service and will report back to the Police Committee at the end of the term. At that time, on-going funding will be considered based on the assessment of the pilot project.

The 2016 proposed Financial Plan also includes DNA analysis costs that the Province of BC has passed onto to Municipalities, for 2016 this expenditure is budgeted at \$310,000.

Additional details on the financial requirements related to the RCMP for the proposed 2016-2020 Financial Plan are provided in Section 4 of this report.

ii) ***Fire Services***

Fire Services added an Assistant Chief at the end of 2015; full year funding for this position has been included in the proposed 2016 Financial Plan.

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

In July 2015, Police Committee recommended that Council approve the transition plan outlined in CR – P006 (Community Safety Patrols Update). The transition plan includes the hiring of 4 community officers who will focus in the Newton Town Centre. Funding for these officers has been included in the proposed 2016 Financial Plan. Depending upon the results of this initiative, the scope may be broadened in future years.

iv) ***Other***

In late 2015, the newly created position of Director of Public Safety Strategies was filled. Funding for this position has been included in the proposed 2016 Financial Plan. In addition, staff is proposing to add an analyst to assist the Director position.

3.2 Staffing Capacity

In addition to previously discussed staffing level increases related to Public Safety, the 2016 Financial Plan also incorporates funding for staffing costs directly related to the operations of new City facilities opening in 2016. These staffing costs are in part offset by revenues generated by the respective new facility.

Furthermore, additional staffing adjustments may be required in 2016 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.)

The City of Surrey like many other organizations, face significant potential workforce challenges driven by the baby boomer retirements expected to occur over the next several years. The City, led by the Human Resources Department is proactively mitigating this risk by implementing several initiatives to ensure work force planning is appropriately applied, an excellent example of this is the Emerging Leadership Program (ELP) that was introduced last year and designed to facilitate career growth for employees identified as exhibiting the desire, skills and aptitude to take on senior positions within the organization. The first year of the ELP Program was a success and the program will be continuing into 2016.

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 100 RCMP Member positions added in Oct/15	\$ 5.660M
Addition of 16 RCMP member positions effective Oct/16	0.305M
Provision for a 2.5% member salary increase effective Jan/16 (as required by the Federal Gov't)	1.246M
Increase to the employer portion of the RCMP Pension Plan	2.219M
Other RCMP contract increases	3.774M
Less: Required Target Savings	(1.150M)

Other Policing Increases:

Annualization of new civilian staff added in 2015	\$ 1.500M
Addition of civilian staff effective July/16	0.323M
Civilian staff labour increases	0.377M
Other operating increases	0.330M
Less: Required Targeted Savings	<u>(0.224M)</u>

Total RCMP Policing Service Funding Requirements \$14.360M

ii) Fire Services

Addition of an Assistant Fire Chief	\$ 0.146M
Other labour increases	0.896M
Less: Required Target Savings	<u>(0.684M)</u>
Total Fire Service Funding Requirements	\$ 0.358M

iii) Other Public Safety Initiatives

Addition of 4 Community Officers – approved in 2015	\$ 0.265M
Addition of 2 new Public Safety positions	0.262M
Annualization of 3 new By-Law officers added in 2015	0.105M
Other salary and contract increases	0.488M
Policing Costs for Community Events	0.055M
Less: Required Target Savings	<u>(0.092M)</u>
Total Other Funding Requirements	\$ 1.083M

Total additional funding required for Public Safety: \$15.801M

4.2 Corporate Funding Requirements:

Labour increases excluding Public Safety	1.734M
3 rd Party contract & other increases	1.944M
Provision for City inventory increases	0.900M
Less: Required Target Savings	<u>(2.132M)</u>

Total Additional Funding required for Corporate Initiatives: \$ 2.446M

Total Required Funding for 2016: \$18.247M

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 2016:

Property Tax Increase	\$11.634M
Estimated new property tax revenue resulting in new growth	5.494M
Net Cross the Board and Other Revenue Changes	<u>4.989M</u>

Total Funding Available for 2016: \$22.117M

6.0 SUMMARY OF PROPOSED 2016 GENERAL OPERATING FINANCIAL PLAN

Expenditure Increases Outlined Above	\$18.247M	
Elimination of the 2015 Transfer From Surplus	<u>3.870M</u>	\$22.117M
Less Available Funding		<u>22.117M</u>

Proposed Budgeted Transfer from Surplus: NIL

In previous years, the Financial Plan included a budgeted transfer from surplus. In 2016 this required transfer has been replaced with individual departmental target reductions that total \$4.3 million.

7.0 ASSUMPTIONS APPLIED FOR THE 2016 GENERAL OPERATING FINANCIAL PLAN

The proposed 2016-2020 Financial Plan has been drafted by applying assumptions that were utilized in the adopted 2015-2019 Financial Plan as follows:

1. A general property tax rate increase of approximately \$70 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. Fee increases of 3.9% across the board (or equivalent).
4. Maintain the Capital Parcel Tax at \$100.

8.0 2016 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 measure 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 2016 such that, the average single-family dwelling will pay approximately \$18.00 additional per year, this increase is in line with the projections that were included in the 2015-2019 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 2016-2020 Financial Plans incorporating the recommendations in this report for the General Operating Fund and the Roads and Traffic Safety Utility.

Vincent Lalonde, P. Eng
City Manager

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

Appendix I: Proposed Five Year Financial Plan – General Operating

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

**2016 - 2020 FINANCIAL PLAN
GENERAL OPERATING - FINANCIAL SUMMARY**

(in thousands)

REVENUE SUMMARY	2016 BUDGET	2017 PLAN	2018 PLAN	2019 PLAN	2020 PLAN
Taxation	\$309,642	\$ 328,610	\$ 348,846	\$ 370,431	\$ 393,462
Departmental Revenues	79,404	81,172	82,994	85,773	88,953
Investment Income	13,769	12,648	12,271	11,981	11,822
Secondary Suite Infrastructure Fees	17,117	18,318	19,603	20,979	22,451
Corporate Lease Revenue	5,930	6,014	6,100	6,189	6,279
Contribution from SCDC	4,500	4,500	4,500	4,500	4,500
Penalties & Interest	4,100	4,300	4,500	4,700	4,700
Provincial Revenue Sharing re: Gaming	3,200	3,300	3,400	3,500	3,600
Other Revenue	1,975	2,125	2,276	2,429	2,483
	<u>\$439,637</u>	<u>\$460,987</u>	<u>\$484,490</u>	<u>\$510,482</u>	<u>\$538,250</u>
EXPENDITURE SUMMARY					
Departmental Expenditures	\$393,571	\$ 406,792	\$ 418,955	\$ 434,889	\$ 453,330
Council Initiative Fund	250	250	250	250	250
Fiscal Services	19,577	22,627	29,995	34,562	39,117
Contribution to Capital	13,500	15,100	16,800	18,600	20,500
Contributions to Road & Transp. Fund	16,592	16,592	16,592	16,592	16,592
Net Tsf.To/(From) Surplus & Other Funds	(3,853)	(374)	1,898	5,589	8,461
	<u>\$439,637</u>	<u>\$460,987</u>	<u>\$484,490</u>	<u>\$510,482</u>	<u>\$538,250</u>

2016 - 2020 FINANCIAL PLAN
GENERAL OPERATING - REVENUE SUMMARY
(in thousands)

REVENUE SUMMARY	2016 BUDGET	2017 PLAN	2018 PLAN	2019 PLAN	2020 PLAN
Taxation					
Base Levy	\$258,985	\$ 276,058	\$ 294,028	\$ 313,231	\$ 333,752
Assessment Growth (City's Portion)	5,439	5,521	5,881	6,265	6,675
Property Tax Rate Increase	11,684	12,499	13,372	14,306	15,305
Provision for Adjustments	(50)	(50)	(50)	(50)	(50)
	276,058	294,028	313,231	333,752	355,682
Capital Parcel Tax	16,374	16,701	17,036	17,376	17,724
Grants in Lieu	17,210	17,881	18,579	19,303	20,056
Net Taxation	309,642	328,610	348,846	370,431	393,462
General Government					
City Manager's Department	4	4	4	4	4
Finance & Technology	1,291	1,324	1,358	1,382	1,406
Human Resources	-	-	-	-	-
	1,295	1,328	1,362	1,386	1,410
Public Safety					
Bylaws	8,615	8,873	9,139	9,322	9,508
Public Safety Office	-	-	-	-	-
Fire	1,663	1,713	1,764	1,799	1,834
RCMP	8,081	8,323	8,573	8,814	9,064
	18,359	18,909	19,476	19,935	20,406
Other					
Engineering Services	6,222	6,408	6,600	6,814	7,034
Parks, Recreation & Culture	31,945	32,767	33,615	35,082	36,914
Planning & Development	20,070	20,247	20,428	21,043	21,676
Surrey Public Library	1,513	1,513	1,513	1,513	1,513
	59,750	60,935	62,156	64,452	67,137
Departmental Revenues	79,404	81,172	82,994	85,773	88,953
Investment Income	13,769	12,648	12,271	11,981	11,822
Secondary Suite Infrastructure Fee	17,117	18,318	19,603	20,979	22,451
Contribution from SCDC	4,500	4,500	4,500	4,500	4,500
Provincial Casino Revenue Sharing	3,200	3,300	3,400	3,500	3,600
Corporate Lease Revenue	5,930	6,014	6,100	6,189	6,279
Penalties & Interest	4,100	4,300	4,500	4,700	4,700
Carbon Tax Rebates	400	400	400	400	400
Other	1,575	1,725	1,876	2,029	2,083
	12,005	12,439	12,876	13,318	13,462
	\$439,637	\$460,987	\$484,490	\$510,482	\$538,250

2016 - 2020 FINANCIAL PLAN
GENERAL OPERATING - EXPENDITURE SUMMARY
(in thousands)

EXPENDITURE SUMMARY	2016 BUDGET	2017 PLAN	2018 PLAN	2019 PLAN	2020 PLAN
General Government					
Mayor, Council & Grants	\$ 3,023	\$ 3,042	\$ 3,060	\$ 3,107	\$ 3,155
City Manager's Department	6,832	7,027	7,823	7,408	7,695
Finance & Technology	26,933	27,458	28,089	28,918	29,766
Human Resources	3,711	3,764	3,817	3,999	4,190
	<u>40,499</u>	<u>41,291</u>	<u>42,789</u>	<u>43,432</u>	<u>44,806</u>
Public Safety					
Bylaws	6,821	7,179	7,538	7,911	8,290
Public Safety Office	1,090	1,101	1,112	1,154	1,198
Fire	57,996	59,669	61,433	63,191	64,992
RCMP	146,850	154,186	160,279	167,195	174,508
	<u>212,757</u>	<u>222,135</u>	<u>230,362</u>	<u>239,451</u>	<u>248,988</u>
Other					
Engineering Services	5,329	5,685	5,913	6,340	6,784
Parks, Recreation & Culture	88,606	90,773	92,623	97,093	102,829
Planning & Development	29,315	29,564	29,749	30,480	31,236
Surrey Public Library	16,322	16,601	16,776	17,350	17,944
Operating Contingency	743	743	743	743	743
	<u>140,315</u>	<u>143,366</u>	<u>145,804</u>	<u>152,006</u>	<u>159,536</u>
Total Departmental Expenditures	393,571	406,792	418,955	434,889	453,330
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	436	453	471	489	509
Interest Paid on Prepaid Taxes	353	360	367	374	381
External Borrowing	12,779	12,779	12,779	12,779	12,779
Internal Borrowing	6,009	9,035	16,378	20,920	25,448
	<u>19,577</u>	<u>22,627</u>	<u>29,995</u>	<u>34,562</u>	<u>39,117</u>
Carbon Emission Offsets	400	400	400	400	400
Contributions to Capital					
General Contribution	5,800	7,300	8,900	10,600	12,400
SCDC Dividend Contribution	4,500	4,500	4,500	4,500	4,500
Gaming Contribution	3,200	3,300	3,400	3,500	3,600
	<u>13,500</u>	<u>15,100</u>	<u>16,800</u>	<u>18,600</u>	<u>20,500</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	1,075	1,200	1,325	1,450	1,475
Transfers to/(from) Other Sources	(5,328)	(1,974)	173	3,739	6,586
	<u>(4,253)</u>	<u>(774)</u>	<u>1,498</u>	<u>5,189</u>	<u>8,061</u>
	<u>\$439,637</u>	<u>\$460,987</u>	<u>\$484,490</u>	<u>\$510,482</u>	<u>\$538,250</u>

5 YEAR ROADS & TRAFFIC OPERATING FINANCIAL PLAN
2016 - 2020
(in thousands)

REVENUE SUMMARY	2016 BUDGET	2017 PLAN	2018 PLAN	2019 PLAN	2020 PLAN
Taxation	\$ 22,615	\$ 26,326	\$ 30,333	\$ 34,658	\$ 39,324
Departmental Revenues	219	222	227	231	236
	<u>\$ 22,834</u>	<u>\$ 26,548</u>	<u>\$ 30,560</u>	<u>\$ 34,889</u>	<u>\$ 39,560</u>
 EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 33,762	\$ 34,300	\$ 34,848	\$ 36,387	\$ 36,958
	<u>\$ 33,762</u>	<u>\$ 34,300</u>	<u>\$ 34,848</u>	<u>\$ 36,387</u>	<u>\$ 36,958</u>
Contribution to Capital	\$ 23,031	\$ 16,882	\$ 16,564	\$ 25,063	\$ 24,795
Contribution from General Operating	(9,449)	(8,599)	(7,533)	(6,507)	(5,343)
Transfer to/from Own Source	(24,510)	(16,035)	(13,319)	(20,054)	(16,850)
	<u>\$ (10,928)</u>	<u>\$ (7,752)</u>	<u>\$ (4,288)</u>	<u>\$ (1,498)</u>	<u>\$ 2,602</u>