

NO: F001

COUNCIL DATE: November 27, 2017

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **November 9, 2017**

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

FILE: **1705-05**

SUBJECT: **2018 Five-Year (2018-2022) Financial Plan – General Operating**

1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend that Council:

1. Approve the recommendations outlined in Section 4.0 - New Funding Requirements and Section 8.0 - 2018 Road and Traffic Safety Utility Levy of this report; and
2. Direct staff to prepare the 2018 Five-Year (2018-2022) General Operating and Roads and Traffic Safety Utility Financial Plans incorporating these recommendations and consistent with Appendix “I” and “II” of this report.

2.0 BACKGROUND

Five-Year (2017-2021) Financial Plan

Council approved the 2017 Five-Year (2017-2021) Financial Plan in December 2016, which included direction for 2018 to 2021. The proposed 2018 Five-Year (2018-2022) Financial Plan has incorporated that direction, along with additional priorities Council has identified during 2017. 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 2018 Five-Year (2018-2022) Financial Plan has been developed based on direction provided by Council over the course of time and builds on the adopted 2017 Five-Year (2017-2021) Financial Plan. Council has identified several key priority areas for the City as discussed in the following sections and new funding requirements needed to meet these priority areas are discussed in Section 4.0 in this report.

3.1 Public Safety

Public Safety continues to be a critical priority for the City and is reflected accordingly in the 2018 proposed Financial Plan. Each Public Safety Service is discussed in further detail in the following pages.

i) Police Services

The 2017 adopted Financial Plan incorporated an increase of 12 RCMP members to the Surrey detachment and a related increase in civilian support staff, bringing the total current authorized RCMP complement to 831 members (inclusive of Surrey's prorated share of members on the Integrated Services Team), and 287 civilian support staff. The 2018 proposed Financial Plan includes the annualized impact of these 12 RCMP members and related civilian support staff added in 2017.

The 2018 proposed Financial Plan also includes an additional 12 RCMP members to be added in 2018, bringing the total to 843 members, and a further 12 RCMP members to be added per year for the years 2019, 2020, 2021 and 2022 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 related increase in civilian support staff.

Additional details on the financial requirements related to the RCMP for the proposed 2018-2022 Financial Plan are provided in Section 4 of this report.

ii) Fire Services

To ensure the continued effective delivery of Fire Services, the 2018 budget includes the full year funding of 4 additional fire fighters as well as the partial year funding for an additional 4 fire fighters to be added mid-late 2018. These fire fighters will allow for the continued efficient provision of fire operations across the City. The 2018 proposed Financial Plan also includes the funding for a full time stock room clerk that will provide relief for firefighters that were providing stock room management services.

iii) By-Law Enforcement

In July 2015, the Police Committee recommended that Council approve the transition plan outlined in Corporate Report P006; 2015 (Community Safety Patrols Update). An integral component of the recommendation included the hiring of 4 community officers that focused in the Newton Town Centre. The Community Officer Program has now been in place for over three years and based on feedback from citizens, local businesses and staff, it has been considered a success. The 2017 adopted Financial Plan provided permanent funding for the 4 Community Patrol Officers and further partial year funding for 3 By-Law service officers to support this program. The 2018 proposed Financial Plan includes the remaining funding for the 3 By-Law service officers added in 2017 and full funding for the addition of 2 new By-law Officers, 2 new Community Patrol Officers and 2 Public Safety support manager positions.

3.2 Staffing Capacity

In addition to previously discussed staffing level increases related to Public Safety, the 2018 Proposed Financial Plan also incorporates funding for additional staffing costs directly related to anticipated increased demands related to various new or enhanced Parks, Recreation & Culture programs and facilities in 2018. These staffing costs are in part offset by revenues generated by the respective programs and facilities.

Additional staffing adjustments were also budgeted for 2018 in response to increased service delivery demands related to City growth and Human Resource management. Further staffing adjustments may be made during the course of 2018 if service delivery demands increase beyond what has been anticipated. Typically, new demands for service are correlated to increased unanticipated revenues which offset the increased staffing costs (i.e. development activity/inspection services, recreational program offerings, etc.).

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 12 RCMP Member positions added in 2017 | \$ 0.735M |
| Addition of 12 RCMP member positions effective July, 2018 | 0.501M |
| Provision for a 2.5% member salary increase effective Jan 1, 2018 (as required by the Federal Gov't) | 1.099M |
| Increase funding for Integrated Teams | 0.592M |
| Increase funding for E Division Administration | 0.546M |
| Other RCMP contract changes | 0.954M |

Other Policing Increases:

| | |
|---------------------------------------------------|---------------|
| Annualization of new civilian staff added in 2017 | \$ 0.183M |
| Addition of civilian staff added in 2018 | 0.172M |
| Civilian staff labour increases | 0.975M |
| Other operating increases | <u>0.341M</u> |

Total RCMP Policing Service Funding Requirements **\$ 6.098M**

ii) Fire Services

| | |
|-------------------------------------------------------------|-----------|
| Addition of 4 Fire Fighter positions | \$ 0.428M |
| Addition of 4 Fire Fighter positions effective August, 2018 | 0.167M |
| Other labour increases | 1.944M |
| Operating and other cost increases | 0.211M |

Total Fire Service Funding Requirements **\$ 2.750M**

iii) Other Public Safety Initiatives

| | |
|-------------------------------------------------------------|------------------|
| Annualization of 3 By-law Officers added in 2017 | \$ 0.241M |
| 2 new By-law Officers | 0.188M |
| 2 new Community Officers | 0.146M |
| 1 Public Safety Program manager and 1 Research manager | 0.219M |
| Other salary adjustments and increases | 0.242M |
| Other operational and contract increases | 0.512M |
| Total Other Funding Requirements | \$ 1.548M |
| Total additional funding required for Public Safety: | \$10.396M |

4.2 Corporate Funding Requirements:

| | |
|-----------------------------------------------------------|-----------|
| Labour increases excluding Public Safety | \$ 7.355M |
| 3rd Party contract & other increases | 1.627M |
| New Operating costs (Parks inventory & Cultural programs) | 1.620M |
| Cultural Grant increase | 0.100M |
| Fiscal Services | 2.661M |
| Contribution to Capital from General | 3.100M |

| | |
|---------------------------------------------------------------------|-------------------------|
| Total Additional Funding required for Corporate Initiatives: | \$16.463M |
| Total Required Funding for 2018: | <u>\$26.859M</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 2018:

| | |
|------------------------------------------------------------|---------------|
| Property Tax Increase (General) | \$15.096M |
| Estimated new property tax revenue resulting in new growth | 6.274M |
| Net across the Board and Other Revenue Changes | <u>5.489M</u> |

| | |
|------------------------------------------|-------------------------|
| Total Funding Available for 2018: | <u>\$26.859M</u> |
|------------------------------------------|-------------------------|

6.0 SUMMARY OF PROPOSED 2018 GENERAL OPERATING FINANCIAL PLAN

| | |
|--------------------------------------|----------------|
| Expenditure Increases Outlined Above | \$26.859M |
| Less Available Funding | <u>26.859M</u> |
| Surplus/(Deficit) | nil |

The 2018 proposed Financial Plan represents a balanced budget.

7.0 ASSUMPTIONS APPLIED FOR THE 2018 GENERAL OPERATING FINANCIAL PLAN

The proposed 2018-2022 Financial Plan has been drafted by applying the following assumptions

1. A general property tax rate increase of approximately **\$93** 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 **\$19** for the average single family dwelling.
3. Fee increases netting **3.9%** of additional revenue.

8.0 2018 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, it is recommended that the Road and Traffic Safety Levy be increased in 2018 such that, the average single-family dwelling will pay an additional approximate amount of **\$19** per year. This increase is in line with the projections that were included in the 2017-2021 Five Year adopted Financial Plan.

Similar adjustments to the Road and Traffic Safety Levy are incorporated for each remaining year in the proposed Roads and Traffic Operating Five Year Plan Financial Plan, as shown in Appendix II, 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 and Section 8.0 of this report; and
2. Direct staff to prepare the 2018-2022 Financial Plans incorporating the recommendations in this report for the General Operating Fund and the Roads and Traffic Safety Utility as documented in Appendix "I" and "II" of this report.

Kam Grewal, CPA, CMA
General Manager, Finance

Vincent Lalonde, P. Eng
City Manager

Attachments:

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

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

APPENDIX “I – 1”

2018 - 2022 FINANCIAL PLAN GENERAL OPERATING - FINANCIAL SUMMARY *(in thousands)*

| REVENUE SUMMARY | 2018 BUDGET | 2019 PLAN | 2020 PLAN | 2021 PLAN | 2022 PLAN |
|-----------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxation | \$ 351,521 | \$ 373,262 | \$ 399,559 | \$ 424,494 | \$ 451,103 |
| Departmental Revenues | 85,432 | 88,903 | 91,505 | 94,090 | 96,304 |
| Investment Income | 17,316 | 17,324 | 17,292 | 17,354 | 17,308 |
| Secondary Suite Infrastructure Fees | 17,513 | 18,560 | 19,812 | 20,996 | 22,251 |
| Corporate Lease Revenue | 7,074 | 7,194 | 7,316 | 7,442 | 7,570 |
| Contribution from SCDC | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Penalties & Interest | 3,869 | 4,020 | 4,207 | 4,371 | 4,541 |
| Provincial Revenue Sharing re: Gaming | 4,500 | 4,600 | 4,700 | 4,800 | 4,900 |
| Other Revenue | 3,715 | 3,818 | 3,922 | 4,027 | 4,132 |
| | <u>\$ 495,440</u> | <u>\$ 522,181</u> | <u>\$ 552,813</u> | <u>\$ 582,074</u> | <u>\$ 612,609</u> |
| EXPENDITURE SUMMARY | | | | | |
| Departmental Expenditures | \$ 441,490 | \$ 459,973 | \$ 480,724 | \$ 501,042 | \$ 520,552 |
| Council Initiative Fund | 260 | 260 | 260 | 260 | 260 |
| Fiscal Services | 25,019 | 25,574 | 29,556 | 30,846 | 39,442 |
| Contribution to Capital | 18,800 | 21,500 | 24,400 | 27,500 | 30,600 |
| Contributions to Road & Transp. Fund | 16,592 | 16,592 | 16,592 | 15,592 | 14,592 |
| Net Tsf.To/(From) Surplus & Other Funds | (6,721) | (1,718) | 1,281 | 6,834 | 7,163 |
| | <u>\$ 495,440</u> | <u>\$ 522,181</u> | <u>\$ 552,813</u> | <u>\$ 582,074</u> | <u>\$ 612,609</u> |
| Surplus/(Deficit) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transfers (To)/From Surplus | - | - | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

2018 - 2022 FINANCIAL PLAN
GENERAL OPERATING - REVENUE SUMMARY
(in thousands)

| REVENUE SUMMARY | 2018 BUDGET | 2019 PLAN | 2020 PLAN | 2021 PLAN | 2022 PLAN |
|-------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxation | | | | | |
| Base Levy | \$ 296,206 | \$ 317,526 | \$ 338,259 | \$ 363,380 | \$ 387,235 |
| Assessment Growth (City's Portion) | 6,274 | 6,351 | 6,765 | 7,268 | 7,745 |
| Property Tax Rate Increase | 15,096 | 14,432 | 18,406 | 16,637 | 17,799 |
| Provision for Adjustments | (50) | (50) | (50) | (50) | (50) |
| | <u>317,526</u> | <u>338,259</u> | <u>363,380</u> | <u>387,235</u> | <u>412,729</u> |
| Capital Parcel Tax | 16,741 | 17,076 | 17,418 | 17,766 | 18,121 |
| Grants in Lieu | 17,254 | 17,927 | 18,761 | 19,493 | 20,253 |
| Net Taxation | 351,521 | 373,262 | 399,559 | 424,494 | 451,103 |
| General Government | | | | | |
| City Manager's Department | 2 | 2 | 2 | 2 | 2 |
| Corporate Services | 2 | 2 | 2 | 2 | 2 |
| Finance | 1,392 | 1,428 | 1,465 | 1,504 | 1,544 |
| Investments & Intergov. Relations | - | - | - | - | - |
| | <u>1,396</u> | <u>1,432</u> | <u>1,469</u> | <u>1,508</u> | <u>1,548</u> |
| Public Safety | | | | | |
| Bylaws | 9,200 | 9,476 | 9,761 | 10,054 | 10,355 |
| Public Safety Office | - | - | - | - | - |
| Fire | 1,752 | 1,804 | 1,857 | 1,912 | 1,969 |
| RCMP | 8,088 | 8,034 | 7,978 | 7,921 | 7,862 |
| | <u>19,040</u> | <u>19,314</u> | <u>19,596</u> | <u>19,887</u> | <u>20,186</u> |
| Other | | | | | |
| Engineering Services | 7,559 | 7,820 | 8,089 | 8,367 | 8,652 |
| Parks, Recreation & Culture | 34,196 | 36,445 | 37,737 | 39,024 | 39,903 |
| Planning & Development | 21,668 | 22,319 | 22,989 | 23,679 | 24,390 |
| Surrey Public Library | 1,573 | 1,573 | 1,625 | 1,625 | 1,625 |
| | <u>64,996</u> | <u>68,157</u> | <u>70,440</u> | <u>72,695</u> | <u>74,570</u> |
| Departmental Revenues | 85,432 | 88,903 | 91,505 | 94,090 | 96,304 |
| Investment Income | 17,316 | 17,324 | 17,292 | 17,354 | 17,308 |
| Secondary Suite Infrastructure Fee | 17,513 | 18,560 | 19,812 | 20,996 | 22,251 |
| Contribution from SCDC | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Provincial Casino Revenue Sharing | 4,500 | 4,600 | 4,700 | 4,800 | 4,900 |
| Corporate Lease Revenue | 7,074 | 7,194 | 7,316 | 7,442 | 7,570 |
| Penalties & Interest | 3,869 | 4,020 | 4,207 | 4,371 | 4,541 |
| Carbon Tax Rebates | 500 | 500 | 500 | 500 | 500 |
| Other | 3,215 | 3,318 | 3,422 | 3,527 | 3,632 |
| | <u>14,658</u> | <u>15,032</u> | <u>15,445</u> | <u>15,840</u> | <u>16,243</u> |
| | \$ 495,440 | \$ 522,181 | \$ 552,813 | \$ 582,074 | \$ 612,609 |

APPENDIX “I – 3”

2018 - 2022 FINANCIAL PLAN GENERAL OPERATING - EXPENDITURE SUMMARY (in thousands)

| EXPENDITURE SUMMARY | 2018 BUDGET | 2019 PLAN | 2020 PLAN | 2021 PLAN | 2022 PLAN |
|--------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Government | | | | | |
| Mayor, Council & Grants | \$ 3,441 | \$ 3,517 | \$ 3,598 | \$ 3,684 | \$ 3,775 |
| City Manager's Department | 1,242 | 1,316 | 1,395 | 1,481 | 1,573 |
| Corporate Services | 29,140 | 29,499 | 30,611 | 31,780 | 33,559 |
| Finance | 12,740 | 13,251 | 13,779 | 14,324 | 14,678 |
| Investments & Intergov. Relations | 1,531 | 1,609 | 1,692 | 1,780 | 1,875 |
| | <u>48,094</u> | <u>49,192</u> | <u>51,075</u> | <u>53,049</u> | <u>55,460</u> |
| Public Safety | | | | | |
| Bylaws | 8,356 | 8,615 | 8,876 | 9,140 | 9,450 |
| Public Safety Office | 1,506 | 1,592 | 1,684 | 1,782 | 1,887 |
| Fire | 63,274 | 64,895 | 66,952 | 69,057 | 70,810 |
| RCMP | 164,437 | 170,153 | 177,137 | 184,492 | 191,777 |
| | <u>237,573</u> | <u>245,255</u> | <u>254,649</u> | <u>264,471</u> | <u>273,924</u> |
| Other | | | | | |
| Engineering Services | 6,885 | 7,484 | 8,110 | 8,765 | 9,448 |
| Parks, Recreation & Culture | 99,160 | 106,705 | 113,167 | 118,556 | 123,736 |
| Planning & Development | 30,392 | 31,184 | 32,004 | 32,854 | 33,734 |
| Surrey Public Library | 18,060 | 18,803 | 20,369 | 21,997 | 22,900 |
| Operating Contingency | 1,326 | 1,350 | 1,350 | 1,350 | 1,350 |
| | <u>155,823</u> | <u>165,526</u> | <u>175,000</u> | <u>183,522</u> | <u>191,168</u> |
| Total Departmental Expenditures | 441,490 | 459,973 | 480,724 | 501,042 | 520,552 |
| Council Initiative Fund | 260 | 260 | 260 | 260 | 260 |
| | <u>260</u> | <u>260</u> | <u>260</u> | <u>260</u> | <u>260</u> |
| Fiscal Services | | | | | |
| Fiscal Charges | 189 | 193 | 197 | 201 | 205 |
| Interest Paid on Prepaid Taxes | 375 | 390 | 408 | 424 | 441 |
| External Borrowing | 12,779 | 12,779 | 12,779 | 10,679 | 5,526 |
| Internal Borrowing | 11,676 | 12,212 | 16,172 | 19,542 | 33,270 |
| | <u>25,019</u> | <u>25,574</u> | <u>29,556</u> | <u>30,846</u> | <u>39,442</u> |
| Carbon Emission Offsets | 500 | 500 | 500 | 500 | 500 |
| Contributions to Capital | | | | | |
| General Contribution | 9,800 | 12,400 | 15,200 | 18,200 | 21,200 |
| SCDC Dividend Contribution | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Gaming Contribution | 4,500 | 4,600 | 4,700 | 4,800 | 4,900 |
| | <u>18,800</u> | <u>21,500</u> | <u>24,400</u> | <u>27,500</u> | <u>30,600</u> |
| Contributions to Road & Transportation Fund | | | | | |
| Roads & Transportation Fund | 16,592 | 16,592 | 16,592 | 15,592 | 14,592 |
| | <u>16,592</u> | <u>16,592</u> | <u>16,592</u> | <u>15,592</u> | <u>14,592</u> |
| Net Tsf. To/(From) Surplus & Other | | | | | |
| Tree Replacement Fee | 3,000 | 3,100 | 3,200 | 3,300 | 3,400 |
| Transfers to/(from) Other Sources | (10,221) | (5,318) | (2,419) | 3,034 | 3,263 |
| | <u>(7,221)</u> | <u>(2,218)</u> | <u>781</u> | <u>6,334</u> | <u>6,663</u> |
| | <u>\$ 495,440</u> | <u>\$ 522,181</u> | <u>\$ 552,813</u> | <u>\$ 582,074</u> | <u>\$ 612,609</u> |

APPENDIX "II"

5 YEAR ROADS & TRAFFIC OPERATING FINANCIAL PLAN 2018 - 2022 (in thousands)

| <u>REVENUE SUMMARY</u> | 2018 BUDGET | 2019 PLAN | 2020 PLAN | 2021 PLAN | 2022 PLAN |
|-------------------------------------|-------------------|------------------|------------------|------------------|------------------|
| Taxation | \$ 29,552 | \$ 33,899 | \$ 38,596 | \$ 43,662 | \$ 49,123 |
| Departmental Revenues | 1,151 | 951 | 951 | 951 | 951 |
| | <u>\$ 30,703</u> | <u>\$ 34,850</u> | <u>\$ 39,547</u> | <u>\$ 44,613</u> | <u>\$ 50,074</u> |
| <u>EXPENDITURE SUMMARY</u> | | | | | |
| Departmental Expenditures | \$ 34,492 | \$ 34,767 | \$ 35,046 | \$ 35,327 | \$ 35,612 |
| | <u>\$ 34,492</u> | <u>\$ 34,767</u> | <u>\$ 35,046</u> | <u>\$ 35,327</u> | <u>\$ 35,612</u> |
| Contribution to Capital | \$ 21,220 | \$ 20,868 | \$ 20,552 | \$ 23,001 | \$ 22,726 |
| Contribution from General Operating | (9,891) | (9,282) | (8,629) | (6,932) | (5,272) |
| Transfer to/from Own Source | (15,118) | (11,503) | (7,422) | (6,783) | (2,992) |
| | <u>\$ (3,789)</u> | <u>\$ 83</u> | <u>\$ 4,501</u> | <u>\$ 9,286</u> | <u>\$ 14,462</u> |
| Surplus/(Deficit) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transfers (To)/From Surplus | - | - | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |