

NO: F001

COUNCIL DATE: December 11, 2018

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **November 30, 2018**

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

FILE: **1705-05**

SUBJECT: **2019 Five-Year (2019-2023) Financial Plan – General Operating**

1.0 RECOMMENDATION

It is recommended that the Finance Committee recommend Council:

1. Approve the recommendations outlined in Section 4.0 - New Funding Requirements and Section 8.0 - 2019 Road and Traffic Safety Utility Levy of this report; and
2. Direct staff to prepare the 2019 Five-Year (2019-2023) General Operating and Roads and Traffic Safety Utility Financial Plan incorporating these recommendations and consistent with Appendix “I” and “II” of this report.

2.0 BACKGROUND

Five-Year (2018-2022) Financial Plan

Council approved the 2018 Five-Year (2018-2022) Financial Plan in December 2017, which included direction for the years 2018 to 2022. The proposed 2019 Five-Year (2019-2023) Financial Plan has been formulated based on direction from the new Mayor and Council, incorporating their priorities. Full details of the assumptions, directions and priorities are discussed in the following sections of this report.

3.0 DISCUSSION

The proposed 2019 Five-Year (2019-2023) General Operating Financial Plan has been developed based on direction provided by Council, and incorporates two key drivers as follows:

1. General Property Tax rate increase, inclusive of the Roads and Traffic Levy for the budget to be no greater than the Consumer Price Index for the Greater Vancouver Region (2.9%); and
2. The minimization, as much as possible, the level of corporate debt and associated debt payments.

Furthermore, 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 key priority for Mayor and Council and is accordingly reflected in the proposed 2019-2023 General Operating Financial Plan.

The delivery of 'Public Safety', is comprised of the Policing Transition Office, Fire Services, Bylaw Services and the RCMP contract. Each Public Safety Service is discussed in further detail in the following pages.

i) Policing Transition

Following unanimous endorsement of the motion from Mayor and Council to establish an independent municipal police service, a Policing Transition Office has been established. This office will liaise with government and police partners to implement the police service. The transition requires a dedicated team of staff from most City departments to ensure all aspects of the transition are addressed.

Additional details on the financial requirements related to the Policing Transition Office for the proposed 2019-2023 Financial Plan are provided in Section 4.0 of this report.

ii) RCMP Contract

The 2018 adopted Financial Plan incorporated an increase of 12 police officers to the Surrey detachment and a related increase of 2 civilian support staff, bringing the total current authorized RCMP complement to 843 members (inclusive of Surrey's 58 prorated share of members on the Integrated Services Team), and 289 civilian support staff. The 2019 proposed Financial Plan includes the annualized impact of these 12 RCMP members.

Given that the transition to an independent municipal police service has commenced, it is proposed that no further RCMP members will be added in the 2019-2023 Financial Plan or future Financial Plans until the formation of a Police Board and the determination of resourcing needs. Additional details on the financial requirements related to the RCMP Contract for the proposed 2019-2023 Financial Plan is provided in Section 4.0 of this report.

iii) Fire

To ensure the continued effective delivery of Fire Services, the 2018 adopted Financial Plan incorporated an increase of 8 fire fighters: 4 fire fighters were completely funded in 2018 and an additional 4 fire fighters were partially funded since they were to be added mid to late 2018. The 2019 proposed Financial Plan includes an annualized impact of these 4 partially funded fire fighters.

Surrey Fire provides dispatch services to Surrey and 40 other municipalities. In 2018, Fire Services was also able to obtain six new clients for their dispatch services, resulting in a budgeted increase in 2019 net revenues from dispatch services by \$100,000.

Additional details on the financial requirements related to the Fire Services for the proposed 2019-2023 Financial Plan are provided in Section 4.0 of this report.

iv) ByLaws

The City of Surrey Bylaws team works with Surrey communities to achieve compliance with various bylaws to improve the quality of life for citizens of, and visitors to the City of Surrey. There are five main areas of focus within the Bylaws: Animal Control, Business Licensing, Parking & Commercial Vehicle Enforcement, Property Use, and Corporate Security. The City's Community Patrol Officer Program has now been in place for over four years and based on feedback from citizens, local businesses, and staff, it has been considered a success. Such programs play a key role in engaging with the community and early identification of local safety concerns. This model will be further reviewed once more details on Surrey's police department emerges.

In 2019, Bylaws Services expenditure budget will be increased by \$330,000 to reflect increases in labour and other operating costs. The 2019 proposed Financial Plan includes costs related to upgrades of Bylaws radio system to Next Generation Radio Program ("NGRP").

Additional details on the financial requirements related to the Fire Services for the proposed 2019-2023 Financial Plan are provided in Section 4.0 of this report.

3.2 Staffing Capacity

The 2019 Proposed Financial Plan incorporates funding for continued staffing costs directly related to increased demands and continuous service delivery related to various new or enhanced Parks, Recreation & Culture programs and facilities in 2019. These staffing costs are, in part, offset by revenues generated by the respective programs and facilities.

The proposed General Operating Financial Plan also incorporates the new 1.95% Employer Health Tax, recently introduced by the BC Government, which will be effective January 1, 2019. The impact of the Employer Health Tax to the City in 2019 will be approximately \$4.7M.

The impact of the aforementioned changes related to the proposed 2019-2023 General Operating Financial Plan are provided in Section 4.0 of this report.

Further staffing adjustments may be made during the course of 2019 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) City RCMP Support Services

Labour costs associated with administrative support at detachments	\$ 0.65M
Employer Health Tax associated with City RCMP Support Services	0.40M
Operating costs associated with civilian police services support staff	0.29M
Public Safety Office labour cost increases	0.04M
Total City RCMP Support Services Requirements	\$ 1.38M

ii) RCMP Contract

Annualization of 12 RCMP Member positions added in 2018	\$ 0.51M
Provision for a 2.5% member salary increase effective Jan 1, 2019 (as required by the Federal Gov't)	1.19M
Mandatory increased funding for RCMP Division Administration	1.38M
Operations and Maintenance cost increases	0.79M
Increase funding for Integrated Teams	0.30M
Other RCMP contract changes	0.64M
Total RCMP Contract Funding Requirements	\$ 4.81M

iii) Fire

Annualization of four Fire Fighter positions added in 2018	\$ 0.26M
Increased costs associated with Fire Dispatch Service's new clients	0.20M
Other labour increases	1.23M
Employer Health Tax associated with Fire	0.87M
Operating and other third party cost increases	0.19M
Total Fire Service Funding Requirements	\$ 2.75M

iv) Bylaws

Labour increases	\$ 0.16M
Employer Health Tax associated with Bylaws	0.09M
Radio system upgrades to NGRP	0.06M
Operating and other third party cost increases	0.02M
Total Bylaws Funding Requirements	\$ 0.33M

Total additional funding required for Public Safety: \$ 9.27M

4.2 Corporate Funding Requirements:

Employer Health Tax excluding Public Safety	\$ 3.32M
Other labour increases excluding Public Safety	3.51M
Third Party contract & other operating cost increases	0.62M
Contribution to Capital from General Operating	2.60M
Other Changes	(0.52M)

Total Additional Funding required for Corporate Initiatives: **\$ 9.53M**

Total Required Funding for 2019: **\$ 18.80M**

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 2019:

Property tax revenue due to anticipated tax rate increase	10.14M
Property tax revenue due to anticipated growth	3.35M
Additional revenue from Fire Dispatch Service's new clients	0.30M
Net departmental revenue increases and other revenue changes	<u>5.01M</u>

Total Funding Available for 2019: **\$ 18.80M**

6.0 SUMMARY OF PROPOSED 2019 GENERAL OPERATING FINANCIAL PLAN

Expenditure Increases Outlined Above	\$ 18.80M
Less Available Funding	<u>\$ 18.80M</u>
Surplus/ (Deficit)	nil

The 2019 proposed Financial Plan represents a balanced budget.

7.0 ASSUMPTIONS APPLIED FOR THE 2019 GENERAL OPERATING FINANCIAL PLAN

The proposed 2019-2023 Financial Plan has been drafted by applying the following assumptions:

1. A general property tax rate increase of approximately \$59 for the average single family dwelling that will predominately be used to offset increased public safety resourcing and expenditures;
2. No increase to the Road and Traffic Levy for the average single family dwelling; and
3. Fee increases netting 2.9% of additional revenue.

8.0 2019 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, as well as traffic calming measures, crosswalks, sidewalks, and measures to reduce congestion throughout the City. This utility is partly supported by a levy that is based on the assessed value of individual properties in each Property Class.

There has been no proposed increase to the Roads and Traffic Safety Levy for the years 2019-2023 and as reflected in Appendix II.

The elimination of the 1% increase to the Roads and Traffic Safety Levy for the 2019-2023 period will reduce the City's repaving program, bike and sidewalk program, and land acquisition program by approximately \$60M over five years.

It is expected that over the next five years, the lost revenue from the elimination of the 1% increase will be approximately \$60M.

9.0 CONCLUSION

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

1. Approve the recommendations made in Section 4.0 – New Funding Requirements and Section 8.0 – 2019 Road and Traffic Safety Utility Levy and generally outlined in this report; and
2. Direct staff to prepare the 2019 Five-Year (2019-2023) General Operating and Roads and Traffic Safety Utility Financial Plan incorporating these recommendations and consistent with Appendix “I” and “II” of this report.

Kam Grewal, CPA, CMA
General Manager, Finance

Vincent Lalonde, P. Eng
City Manager

Attachments:

Appendix “I”: Proposed 2019-2023 Financial Plan – General Operating

Appendix “II”: Proposed 2019-2023 Financial Plan – Roads & Traffic Operating

APPENDIX “I – 1”

2019 - 2023 FINANCIAL PLAN GENERAL OPERATING - FINANCIAL SUMMARY

(in thousands)

<u>REVENUE SUMMARY</u>	2019 BUDGET	2020 PLAN	2021 PLAN	2022 PLAN	2023 PLAN
Taxation	\$364,480	\$ 378,557	\$ 393,187	\$ 408,391	\$ 424,192
Investment Income	17,623	17,623	17,623	17,623	17,623
Secondary Suite Infrastructure Fees	19,083	19,826	20,599	21,401	22,234
Other Revenues	25,336	25,203	25,071	24,941	24,812
Departmental Revenues	87,715	91,231	93,991	96,379	98,942
	<u>\$514,237</u>	<u>\$532,440</u>	<u>\$550,471</u>	<u>\$568,735</u>	<u>\$587,803</u>
 <u>EXPENDITURE SUMMARY</u>					
Departmental Expenditures	\$458,206	\$ 477,800	\$ 494,973	\$ 510,646	\$ 524,602
Council Initiative Fund	260	260	260	260	260
Fiscal Services	13,343	13,363	14,013	15,233	16,891
	<u>\$471,809</u>	<u>\$491,423</u>	<u>\$509,246</u>	<u>\$526,139</u>	<u>\$541,753</u>
 <u>TRANSFERS SUMMARY</u>					
Transfers To/(From) Capital Sources	43,776	44,156	46,213	48,312	52,292
Transfers To/(From) Operating Sources	(1,348)	(3,139)	(4,988)	(5,716)	(6,242)
Transfers To/(From) Unapp. Surplus	-	-	-	-	-
	<u>\$ 42,428</u>	<u>\$ 41,017</u>	<u>\$ 41,225</u>	<u>\$ 42,596</u>	<u>\$ 46,050</u>
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
Trsf (To)/From Equity & Unapp. Surplus	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

APPENDIX "I – 2"

2019 - 2023 FINANCIAL PLAN GENERAL OPERATING - REVENUE SUMMARY

(in thousands)

REVENUE SUMMARY	2019 BUDGET	2020 PLAN	2021 PLAN	2022 PLAN	2023 PLAN
Base Levy	\$317,526	\$ 330,787	\$ 344,578	\$ 358,919	\$ 373,832
Assessment Growth (City's Portion)	3,175	3,308	3,446	3,589	3,738
Property Tax Rate Increase	10,136	10,533	10,945	11,374	11,819
Provision for Adjustments	(50)	(50)	(50)	(50)	(50)
	330,787	344,578	358,919	373,832	389,339
Capital Parcel Tax	16,908	17,077	17,248	17,420	17,594
Grants in Lieu	16,785	16,902	17,020	17,139	17,259
Taxation	364,480	378,557	393,187	408,391	424,192
Investment Income	17,623	17,623	17,623	17,623	17,623
Secondary Suite Infrastructure Fee	19,083	19,826	20,599	21,401	22,234
SCDC Dividends	4,500	4,500	4,500	4,500	4,500
Provincial Casino Revenue Sharing	4,200	4,242	4,284	4,327	4,370
Corporate Lease Revenue	7,571	7,636	7,702	7,768	7,835
Penalties & Interest	3,640	3,640	3,640	3,640	3,640
Carbon Tax Rebates	650	650	650	650	650
Corporate Government Transfers	1,525	1,525	1,525	1,525	1,525
Other	3,250	3,010	2,770	2,531	2,292
Other Revenues	25,336	25,203	25,071	24,941	24,812
<i>General Government</i>					
City Manager's Department	2	2	2	2	2
Corporate Services	2	2	2	2	2
Finance	1,429	1,465	1,502	1,540	1,579
Investments & Intergov. Relations	-	-	-	-	-
	1,433	1,469	1,506	1,544	1,583
<i>Public Safety</i>					
Bylaws	9,373	9,645	9,925	10,212	10,508
Fire	2,095	2,155	2,217	2,280	2,345
Policing Transition	8,135	8,078	8,019	7,957	8,007
RCMP Contract	-	-	-	-	-
	19,603	19,878	20,161	20,449	20,860
<i>Other</i>					
Engineering Services	7,830	8,091	8,366	8,648	8,937
Parks, Recreation & Culture	34,956	37,201	38,701	39,797	40,916
Planning & Development	22,298	22,945	23,610	24,294	24,999
Surrey Public Library	1,595	1,647	1,647	1,647	1,647
	66,679	69,884	72,324	74,386	76,499
Departmental Revenues	87,715	91,231	93,991	96,379	98,942
	\$514,237	\$532,440	\$550,471	\$568,735	\$587,803

APPENDIX "I – 3"

2019 - 2023 FINANCIAL PLAN GENERAL OPERATING - EXPENDITURE AND TRANSFERS SUMMARY (in thousands)

EXPENDITURE SUMMARY	2019 BUDGET	2020 PLAN	2021 PLAN	2022 PLAN	2023 PLAN
<i>General Government</i>					
Mayor, Council & Grants	\$ 3,495	\$ 3,568	\$ 3,651	\$ 3,740	\$ 3,834
City Manager's Department	1,295	1,369	1,453	1,543	1,640
Corporate Services	30,363	31,386	32,550	34,475	34,913
Finance	13,170	13,666	14,215	14,784	15,148
Investments & Intergov. Relations	1,598	1,676	1,764	1,859	1,960
	49,921	51,665	53,633	56,401	57,495
<i>Public Safety</i>					
Bylaws	8,690	8,931	9,199	9,470	9,789
Fire	66,019	67,861	69,988	71,764	73,580
Policing Transition	33,308	34,098	35,054	36,017	36,994
RCMP Contract	138,827	143,235	147,041	150,776	154,644
	246,844	254,125	261,282	268,027	275,007
<i>Other</i>					
Engineering Services	7,717	8,315	8,963	9,640	10,344
Parks, Recreation & Culture	102,081	109,797	114,699	118,377	121,679
Planning & Development	31,540	32,292	33,169	34,077	35,017
Surrey Public Library	18,777	20,280	21,901	22,798	23,734
Operating Contingency	1,326	1,326	1,326	1,326	1,326
	161,441	172,010	180,058	186,218	192,100
Departmental Expenditures	458,206	477,800	494,973	510,646	524,602
Council Initiative Fund	260	260	260	260	260
Fiscal Charges	189	194	200	206	212
Interest Paid on Prepaid Taxes	375	379	383	387	391
External Borrowing	12,779	12,790	13,430	14,640	16,288
Fiscal Services	13,343	13,363	14,013	15,233	16,891
	\$471,809	\$491,423	\$509,246	\$526,139	\$541,753
TRANSFERS SUMMARY					
General Capital Contribution	12,400	13,443	13,244	15,978	19,190
SCDC Dividends Contribution	4,500	4,500	4,500	4,500	4,500
Provincial Casino Revenue Sharing	4,200	4,242	4,284	4,327	4,370
Tree Replacement Contribution	3,000	2,750	2,500	2,250	2,000
Internal Borrowing	12,455	11,985	14,449	14,721	14,996
Other Transfers To/(From) Capital	7,221	7,236	7,236	6,536	7,236
Transfers To/(From) Capital Sources	43,776	44,156	46,213	48,312	52,292
Roads & Traffic Safety Contribution	16,592	12,922	10,635	9,370	8,581
Carbon Emission Offsets	650	650	650	650	650
Other Transfers To/(From) Operating	(18,590)	(16,711)	(16,273)	(15,736)	(15,473)
Transfers To/(From) Operating Sources	(1,348)	(3,139)	(4,988)	(5,716)	(6,242)
General To/(From) Unapp Surplus	-	-	-	-	-
Transfers To/(From) Unapp. Surplus	-	-	-	-	-
	\$ 42,428	\$ 41,017	\$ 41,225	\$ 42,596	\$ 46,050

APPENDIX "II"

5 YEAR ROADS & TRAFFIC OPERATING FINANCIAL PLAN 2019 - 2023 *(in thousands)*

REVENUE SUMMARY	2019 BUDGET	2020 PLAN	2021 PLAN	2022 PLAN	2023 PLAN
Taxation	\$ 29,857	\$ 30,135	\$ 30,415	\$ 30,698	\$ 30,983
Departmental Revenues	1,330	1,343	1,356	1,369	1,382
	\$ 31,187	\$ 31,478	\$ 31,771	\$ 32,067	\$ 32,365
EXPENDITURE SUMMARY					
Departmental Expenditures	\$ 30,527	\$ 31,133	\$ 31,750	\$ 32,378	\$ 33,021
	\$ 30,527	\$ 31,133	\$ 31,750	\$ 32,378	\$ 33,021
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 21,406	\$ 23,330	\$ 20,717	\$ 21,515	\$ 20,043
Transfers To/(From) Operating Sources	(20,746)	(22,985)	(20,696)	(21,826)	(20,699)
	\$ 660	\$ 345	\$ 21	\$ (311)	\$ (656)
Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -