



City of Pitt Meadows

2023 Business Plan & Guidelines For City Staff

Prepared by: Cheryl Harding,
Director, Financial Services

City of Pitt Meadows
12007 Harris Road
Pitt Meadows, BC V3Y 2B5
604.465.2461
pittmeadows.ca

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Introduction

The Community Charter mandates Council to provide services, laws and other matters for the community's benefit, and also to provide financial stewardship over its finances, assets and resources. Strategically planning the delivery of City services and other matters of community benefit is essential to proper and sustainable allocation of scarce resources.

Council starts the strategic planning process by drafting their *Strategic Plan*, which sets the high level goals and objectives for the community which, in turn, sets desired service levels. City management develops Business Plans for each department, which is essentially a planning tool for staff to accomplish the goals and objectives of Council. The last part in the strategic planning process is the *Financial Plan*, or Budget, which allocates the funds and resources to complete the objectives of both the Strategic and Business Plan tasks.

Business Plans

Departments are asked to prepare Business Plans which have two primary purposes:

- A communication tool to solicit Council's feedback and direction so that we clearly understand and meet their expectations; and
- A planning tool to achieve the objectives of Council in an organized and efficient manner.

The topics in the 2023 Business Plans will include:

- A department overview
- Staff compliment
- Forecasted position adjustments
- Deferred projects
- 2022 achievements
- 2023 key challenges
- 2023 key work initiatives
- Proposed 2023 operating and capital budgets
- Decision Packages:
 - A Decision Package must accompany the Business Plan when it involves a service level increase that requires additional funding in the first year of the five-year financial plan.
 - Examples of situations that require a Decision Package include but are not limited to:
 - Operating Activities:
 - New services or increased service levels
 - New positions requiring an addition to the operating budget
 - Studies or special work to be completed by a consultant that may lead to a change in service or increase in budget
 - Back fill costs for special work to be completed by a staff person that may lead to a change in service or increase in budget
 - Capital Projects:
 - Expansion of holdings (e.g. fleet, land, buildings or new equipment of significance)
 - Studies which may result in future capital investment

- Prioritization: The Corporate Leadership Team will review and prioritize the decision packages for Council consideration.

Business Cases:

- The Chief Administrative Officer has discretion over incorporating properly supported business cases into the 5 year financial plan subject to funding availability. Approved Business Cases will not require a decision package. Examples of Business Case applications are:
 - Re-allocating resources within existing budget to manage emerging operational priorities
 - Operating activities and capital projects that will result in efficiency improvements and/or financial improvement.

Budget Objectives

Improve Financial Information

- Major Cost Focus: Gather additional budget information to help better understand costs.
- Performance Measurement: Use volume statistics and unit costs to support budget submissions.
- Integrated Plan: Incorporate impact of approved & pending capital projects into operating budget.

Focus on Long-Term Fiscal Responsibility

- Five Year Financial Plan: Submissions are required for the five-year period 2023-2027.
- Alternative Revenues and External Funding: Departments will make every effort to access external funding from non-City sources including other levels of government. All departments will endeavor to develop partnerships, strategic alliances and shared project funding to assist in the reduction of expenditure to the City.
 - Grants should be sought for known infrastructure needs or identified priorities in the City's Strategic Plan.
 - Grants support a wide range of activities to improve the quality of life for residents from adapting to climate change, reducing greenhouse gas emissions, investing in municipal infrastructure and recreational opportunities as well as improving the quality of air, water and soil.
 - Higher level government grant opportunities are monitored by staff for those items that would support the City's work plan. Consultant services are available for the larger infrastructure program applications which can involve a significant amount of time to complete per application.
- Cost Savings Initiatives: Departments are required to find new sources of revenues and seek efficiencies to reduce costs.

Improve the Understanding of the Financial Plan

- Employee Participation: Obtain input and feedback from department employees, including front-line staff to consider all ideas, wherever possible.
- Utilize Actual Expenditures: Do not simply inflate budget amounts; actual costs are often a better indicator of future costs, after adjusting for unusual transactions.
- Council Deliberation: Provide a timeline for Council to contemplate budget opportunities, constraints and issues.

Budget Principles

- Business Plans must be aligned with the Corporate Strategic Plan.
- Base budgets are to be prepared to maintain existing service levels. Rising costs of existing services at existing service levels must be recognized and the City will invest in employees and provide resources to maximize their productivity.
- Cost increases in excess of inflation are to be estimated and highlighted to Council.
- New services are to be identified separate from the base budget as Decision Packages with justification for Council consideration.
- Consideration of onetime expense costs related to new positions or increased service levels are to be included.
- Capital planning will balance the need for replacement against available funding and the reserve's long-term health.
- Increased annual provisions to reserves will continue to ensure stable and adequate infrastructure, facilities and equipment replacement.
- Only conservative & sustainable revenues will be incorporated into the budget. One-time revenues or non-renewable reserves are not to be used to fund on-going operating expenses.
- Population growth causes increased demand for services, and translates into a number of new requirements such as: new roads, new streetlights, parks, sidewalks, water mains, sewers, community facilities, recreation programs. Taxation from growth (assessment from new construction) will be allocated as follows:
 - To fund operational costs related to servicing growth within existing service levels (CAO responsibility);
 - To fund growth related projects (CAO responsibility) ; and
 - To fund long-term strategies and increased service levels (Council determination).
- The use of debt as a funding source will be used only with Council approval.

Budget Approach

To ensure the City is providing stewardship over the City's finances, assets and resources, departments should always consider the following:

- **Approach:** A combination of Zero-based budgeting and Activity-based budgeting is applied. Historical expenditures are adjusted for past financial patterns and inflationary impacts (incremental budgeting). Budgets are then adjusted using projected revenue estimates, identified savings opportunities, service growth impacts and any Council directed budget adjustments.
- **Review:** Contemplate what was spent versus what was budgeted for at least the last three years.
- **Involve:** Include staff at all levels to obtain suggestions and concerns.
- **Ask:**
 - Is this the best way of doing business? Is this process still required?
 - Would it be more economical to hire someone rather than pay a contract fee?
 - Would a multi-year contract be more economical than buying when needed?
 - Would two departments benefit from working together?
 - Would this service be shared with another municipality or agency at a lower cost?
 - Are fees competitive and/or reasonable?

- Are cost recovery fees high enough to recover all costs?
- Is this a new or enhanced service level? If so, do not include in base budget submission and prepare a Decision Package for Council consideration.

Maintaining Base Service Levels

Staff are required to submit departmental budgets based on normal pre-COVID service levels. In order to avoid an arbitrary budget process, discussions with respect to an acceptable tax increase will be contemplated by Council once they have received all of the budget information from staff. During the Business Plan presentations, the primary budget drivers will be identified to Council, at which time Council will have a complete understanding of management's request for financial resources that are needed to deliver the same service levels as last year.

For reference purposes, the 2022 5-Year Financial Plan approved property tax increases are shown in the following tables.

| Approved Tax Increase (%) | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|--------------|-------------|-------------|-------------|
| Taxation Growth Revenue | -0.11 | -0.23 | -0.23 | -0.22 |
| City Departments | 1.71 | 1.56 | 1.27 | 1.04 |
| Corporate Finance | 1.81 | 0.15 | 0.14 | (0.50) |
| Service Delivery Partners | 0.81 | 0.87 | 0.83 | 0.67 |
| Sub-Total: Operating | 4.22 | 2.35 | 2.01 | 0.99 |
| Capital Reserve Contributions | -1.35 | 0.29 | 0.28 | 0.90 |
| Building Replacement Reserve | 1.00 | 1.00 | 1.00 | 1.00 |
| Sub-Total: Capital | -0.35 | 1.29 | 1.28 | 1.90 |
| Total | 3.87 | 3.64 | 3.29 | 2.89 |

| Approved Tax Increase (\$) | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|------------------|------------------|----------------|----------------|
| Taxation Growth Revenue | (30,000) | (65,000) | (65,000) | (65,000) |
| City Departments | 453,600 | 433,400 | 365,400 | 308,200 |
| Corporate Finance | 481,300 | 41,100 | 39,600 | (149,800) |
| Service Delivery Partners | 216,700 | 240,200 | 239,500 | 199,000 |
| Sub-Total: Operating | 1,121,600 | 649,700 | 579,500 | 292,400 |
| Capital Reserve Contributions | (353,100) | 87,800 | 87,800 | 277,500 |
| Building Replacement Reserve | 260,000 | 270,000 | 280,000 | 290,000 |
| Sub-Total: Capital | (93,100) | 357,800 | 367,800 | 567,500 |
| Total | 1,028,500 | 1,007,500 | 947,300 | 859,900 |

Council Service Level Changes

During Business Planning, Council will deliberate any items that involve new services or service level changes. This can be accomplished during the November business plan presentations and budget deliberations. Any service changes contemplated by Council will be prioritized and, if approved, will be incorporated into the adopted financial plan. In order to ensure all items are properly considered,

prioritized and incorporated into the final budget, new items will not be permitted subsequent to Business Planning and will be deferred until the subsequent year Business Planning process. This will ensure a fair and consistent process is followed.

Council will continue to reserve the right to bring forward extra-ordinary items throughout the Business Plan process as deemed necessary.

Public Art

Staff will be presenting Council with a recommended Public Art Funding model during the 2023 business planning process in support of the Public Art Policy updated in December 2021.

2023 Budget Planning Process and Timeline

Wording for Council report:

Timeline Summary:

| Dates | Description |
|-----------------------|----------------------------------------------------------------------------------------|
| June to November 2022 | Council budget priorities set; budget & business plan development |
| November 2022 | Department business plans presented |
| December 2022 | Council budget deliberations |
| February 2023 | Capital project carry forwards incorporated into financial plan |
| March 2023 | Adoption of Financial Plan and Utility Fee Bylaws Approved budget document released |
| May 2023 | Adoption of Tax Rates |

Timeline Details:

| Date(s) | Responsibility | Description of Activity |
|-----------------|----------------|-----------------------------------------------------------------|
| Mon July 4 | Finance | Budget guidelines & Capital packages distributed |
| Mon July 4 | Finance | Salary sheets & Operating master distributed |
| July | Departments | Prepare 2023-2027 5-Year Capital Plan |
| July / August | Departments | Prepare 2023-2027 5-Year Operating Plan |
| Fri July 29 | Departments | Capital Plan (including utilities) due to Finance |
| Aug 2 - 19 | Finance | Capital plan reviewed and balanced to reserves |
| Fri Aug 26 | Departments | 2023 5-Year Operating Plan (including utilities) due to Finance |
| Aug 29 – Sept 2 | Departments | 2023 5-Year Operating Plan review with Finance |

| | | |
|------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sept 6 - 20 | Finance | Compile Operating Master and prepare Executive Summary |
| Fri Sept 16 | Departments | Decision Packages and Business Cases due to CAO's office |
| Sept 21 – 30 | Departments | <u>2022</u> 8-Month Budget Review prepared and submitted to Finance |
| Wed Sept 21 | CLT | Review 2023 Executive Summary, Decision Pkgs., Business Cases |
| Wed Sept 21 | Communications | Budget Presentation Templates distributed to departments |
| Oct 3 - 8 | Finance | Compile department 2023 8-Month Budget Review submissions |
| Wed Oct 12 | CLT | 2023 Departmental Key Initiatives review |
| Oct 21 - 28 | Finance | Completion of 5-Year Utilities Operating Plan |
| Mon Oct 31 | Departments | Budget reports to Legislative Services for CAO review/agenda production – Administrative Services, Corporate Services, Emergency Program, Financial Services, Fire Services, Library, RCMP |
| Mon Nov 7 | Departments | Budget reports to Legislative Services for CAO review/agenda production – CAO, Engineering & Operations, Parks/ Recreation/Culture, Planning & Development, Budget Overview |
| Tue Nov 8 | Council | 2022 8-Month Budget Review Received Business Planning Presentation Schedule Set |
| Tues Nov 15 | Departments | Department presentations due to Legislative Services |
| Mon. Nov 21 and 28 | Council | Presentations - Budget Overview & Department Operating & Capital Business Plans |
| Mon/Tues Dec 12/13 | Council | Budget deliberations including Parking Lot Items |
| January/February | Communications | Approved Business Plan produced |
| The following proposed dates are subject to the development and Council's approval of the 2023 Meeting Schedule: | | |
| Tue Mar 14 | Council | 1st three readings of 2023-2027 5-Year Financial Plan & Utility Rate Bylaws |
| Tue Mar 28 | Council | Adoption of 2023-2027 5-Year Financial Plan & Utility Rate Bylaws |
| Tue Apr 25 | Council | 1 st three readings of 2023 Tax Rate Bylaw |
| Tue May 2 | Council | Adoption of 2023 Tax Rate Bylaw - Prior to May 15 th |

Labour

Manager Responsibility: Financial Services & Payroll staff will prepare the initial "Salary Sheets". It is the manager's responsibility to review the sheets for accuracy by, for example, ensuring the hours count remain unchanged from previous years, and all employees and their positions are accounted for.

Salary Sheet: Totals in the Salary Sheet template must agree to the labour totals for each year as displayed by the salary and labour GL accounts.

- **Step Increases:** In order to avoid budgeting for salary surpluses, the budget system adjusts for step increases each year as the employee progresses through the salary grid. Once the employee reaches the top salary step, the budget remains at that level. When a position

becomes vacant, the Salary Sheets should reflect the anticipated starting step of the new employee and the expected progression through the salary grid.

- **New Positions:** New positions not tied to a Business Case will be approved by Council through the Business Planning process only. Ensure overhead costs such as furniture, computer, telephone equipment etc. are included in the new position budget. Note, the following guidance excludes furniture needs to be determined on a case-by-case basis:
 - Computer and Monitor
 - Desktop with Monitor - \$1,800 OR
 - Laptop with Docking Station and Monitor - \$3,000 (if required)
 - Phone:
 - Desk phone - \$250
 - Cellular Phone - \$250 (if required)
- **Cost of Living (COL):** Only include COL increases covered by Collective Agreements. For confidentiality reasons, Financial Services will budget for COL increases for years outside of collective agreements.

| Union Contract | Expiry Date |
|----------------|-------------------|
| CUPE (All) | March 31, 2022 |
| IAFF | December 31, 2021 |
| RCMP | March 31, 2023 |

- **Hours of Work:** Standard hours of work to be reflected in the Salary Sheet template are:

| Employee Group / Hours | |
|-------------------------------------------------|-----------|
| CUPE Outside (40-hour work week) | 2,087 hrs |
| CUPE Inside (35-hour work week) | 1,826 hrs |
| CUPE Parks & Recreation LOU (40-hour work week) | 2,087 hrs |
| Management/Exempt (37.5-hour work week) | 1,957 hrs |
| Fire (average 42-hour work week) | 2,190 hrs |

- **Benefit Rates:** The benefit rates to be applied to the 2023 budget year are as follows:

| Department | 2022 |
|--------------------------------------------------------------|-------|
| Council | 6.0% |
| CAO Office | 17.0% |
| Administrative Services | 23.0% |
| Corporate Services – Communications division | 23.5% |
| Corporate Services - Human Resources division | 23.5% |
| Corporate Services – Information Technology division | 22.0% |
| Development Services – Building & Bylaw Enforcement division | 23.0% |
| Development Services - Community Development division | 23.0% |

| Department | 2022 |
|--------------------------------------------------|-------|
| Emergency Program | 22.0% |
| Engineering & Operations – Engineering division | 21.5% |
| Engineering & Operations - Facilities division | 21.0% |
| Financial Services | 23.0% |
| Fire Services | 28.5% |
| Parks, Rec, Culture – Parks division | 23.0% |
| Parks, Rec, Culture – Recreation division | 23.0% |
| Parks, Rec, Culture – Cultural Services division | 23.0% |

- **Operating Reserve Funding:** Certain one-time unplanned payroll costs can be funded by the Operating Reserve including: Maternity leave top-ups (SEIB), salary continuance, and severances.
- **Reclassifications:** Unplanned reclassifications that occur subsequent to department budget submissions will need to be absorbed within the approved budget and incorporated into the following year during budget preparation.
- **Staff Redeployment:** In creating a flexible and transparent workplace the exploration of opportunities to match staff skill sets and reduce costs of recruitment will be considered through a process of staff redeployment.

General Guidelines – Operating

Budget Needs Re-analysis: Departments must undertake re-analysis of budget needs, endeavour to find economies, efficiencies and new revenues that are expected of a prudent budgeting process.

Organizational/Structural Change: Is the current organization adequate to deliver the service? Are there better options?

Vacant Position Review: all positions that become vacant are subject to detailed review prior to being refilled.

Succession Planning: review organization charts in relation to service delivery with a view to long-term planning. What positions do you see as potentially becoming vacant by retirement and what organization options may be available as a result?

Living Wage: Council adopted the C092 Living Wage policy on April 11, 2017 with an implementation date of September 1, 2017. The Living Wage looks at the amount that a family of four needs to meet their expenses. The latest published rate for the Metro Vancouver Living Wage rate of pay is 2021 at a rate of \$20.52 per hour including benefits. Budgets for employees and subcontractors will incorporate this minimum hourly rate plus a cost of living factor.

Corporate Leadership (CLT) Review: The CAO, in consultation with CLT and Financial Services, will review and may need to realign the department budget submissions to find the appropriate balance between available funds resulting from Council's strategic plan, corporate goals and expected service levels.

One Time Initiatives: It is important to submit any one time costs as a project. These costs should not be included in the base operating budget as they are not annual in nature and, if improperly included, will cause unnecessary tax increase fluctuations.

Grants and Partnerships: Departments are encouraged to explore available grants and partnerships to supplement tax increases.

Prior Year Information: The actual amounts for the previous three years, and the budgets related to the approved 2022 five-year financial plan are provided in the Questica Budget Entry Layout for Operating and Capital budgets.

Balancing to the Bottom Line: In order to achieve flexibility that is required for efficient operations, the City has a practice of managing annual operating budgets to the bottom line. Managers are responsible for ensuring actual expenditures in the year are coded correctly and charged to accounts that reflect the type of expense. Variances will likely occur between accounts within a department based on the actual expenditures and the estimates required in establishing an annual budget. Managers are responsible for ensuring they can adequately explain such variances between accounts in any given area, but that overall, their respective department is within budget.

Rationale for Items Expected to Impact the 2022 Base Budget

Inflation: The Consumer Price Index (CPI) for Vancouver is 5% as at March 2022. This rate should be used for consumer related budgets while also adjusting for historical financial patterns under the Activity Based Budgeting approach. However, there are a few exceptions for activities that typically do not closely relate to CPI as follows:

- **Construction Materials:** The inflationary pressures resulting from the construction market is often higher for construction materials than consumer goods and should be reflected in capital project submissions. The Vancouver Construction Price Index as at March 2022 is 15%.
- **Hydro:** Based on previous years' experience, these costs have been volatile and experienced higher inflation than consumer related goods. BC Hydro is planning an average annual bill increase of 1.1% over the three year period 2022 to 2024.
- **Fuel:** The Vancouver CPI as at April 2022 for Water, Fuel and Electricity is 9%.
- **Mileage Reimbursement Rate:** The mileage reimbursement rate is \$0.61 per km for the first 5,000 km, and \$0.55 per km thereafter. This is based on the Canada Revenue Agency 2022 rates.

Salaries: The CUPE agreement expired March 31, 2022 and the IAFF agreement expired December 31, 2021. For confidentiality reasons, Financial Services will budget for Cost of Living increases for years outside of Collective Agreements.

Growth: Property tax revenue from new construction is not known for certainty until the BC Assessment Revised Roll is issued in April of each year. Therefore, the approach will be to include a conservative budget estimate for taxation revenue related to growth. The City recognizes that any new developments or re-developments increase demand on existing infrastructure and may result in the need to expand that existing infrastructure.

General Guidelines – Capital Projects

Strategic Plan: Only projects in support of the strategic plan should be submitted for consideration.

Two Year Limit: If a project is not started within two years of approval, the conclusion will be that it is not a priority to staff or there are insufficient resources to complete the project in a timely manner. As a result, the project will be highlighted in a report to Council for reapplication of funding.

Project Carry Forward Requests: If a project is not completed in a given year, the remaining project budget may be considered for carry forward to the following year upon approval from the Chief Administrative Officer.

Funding: Project approval will be dependent upon the availability of funding sources and will be contingent upon the success of the request for funds relative to other competing capital needs as well as, consideration will be given to the long-term health of reserves.

Grants: Whenever possible, grant applications/approvals and external funding agreements should be accessed to support capital requests. This documentation may be required prior to approval.

Capital Submission: Departments are required to directly enter project details into the Questica capital software system. Financial Services will provide you with training and documentation to use the software system effectively.

As well, project details approved in the 2022 5-Year Financial Plan for the years 2023 to 2026 will be provided to departments for reference. Managers are requested to review and update this information and add 2027 project requests.

Considerations: To ensure well-thought out projects are brought forward to Council:

Ask:

- How do we add value for customers while controlling costs?
- Which business processes should we use?
- Do we currently have the resources to achieve the goals of this project?
- What impacts does this project have on the environment, the City's carbon footprint and the City's social, cultural and economic sustainability?

PST/GST: Ensure that budget submissions include a 7% expense, where applicable, for PST and do not include a GST component. Under the federal tax structure the 5% GST is fully recoverable.

Communications/Engagement: Ensure projects requiring public consultation and/or the need to inform the public include sufficient budget to address this aspect. Contact Communications staff if assistance is required.

Project Management: Ensure projects requiring skilled project managers to deliver the project on time and on budget have included adequate budget for this cost. The Project Management Institute suggests a range of 7% to 11% of the project cost depending on the size of the project. Generally, the larger the project, the smaller the project management costs will be as a percentage of the total.

Vehicles & Equipment: The total project budget is to include the gross purchase cost of all related items/equipment. Since savings from Trade-in Values or Auction proceeds are set aside in reserve for funding the asset's future replacement they are not to be netted against the capital purchase budget.

Operating Impact: All projects should explain and quantify the operational budget impact. Also, you must incorporate the impact into your base operating budget submission. If Council elects not to approve the capital project, Financial Services will remove the operating impact from the department's base budget submission. Operating costs related to Decision Package projects are not to be included

in your base operating budget submission. These costs will be incorporated by Financial Services staff if the Decision Package is approved by Council.

Contingency: Consideration should be given to the level of certainty for budget estimates that typically result from project complexity. For example, construction and system implementation projects inherently have risk of budget uncertainty and as a result, it is recommended that the budgets contain a contingency amount that can range from 5% to 25%, depending on the nature of the project.

Inflation: Project budgets that existed in previous plans are to be reconsidered each year to ensure they have been adjusted appropriately for inflation. Furthermore, inflation adjustments should be considered for recurring projects that span multiple years.