

Staff Report to Council

CAO and Financial Services

FILE: 05-1700-01/21

REPORT DATE: November 08, 2021

MEETING DATE: November 22, 2021

TO: Mayor and Council

FROM: Cheryl Harding, Director of Financial Services

SUBJECT: 2022 Financial Plan Overview

CHIEF ADMINISTRATIVE OFFICER REVIEW/APPROVAL:



RECOMMENDATION(S):

THAT Council:

- A. Receive for information the 2022 Financial Plan Overview and Staff Report as presented at the November 22, 2021 meeting of Council; OR
- B. Other.

PURPOSE

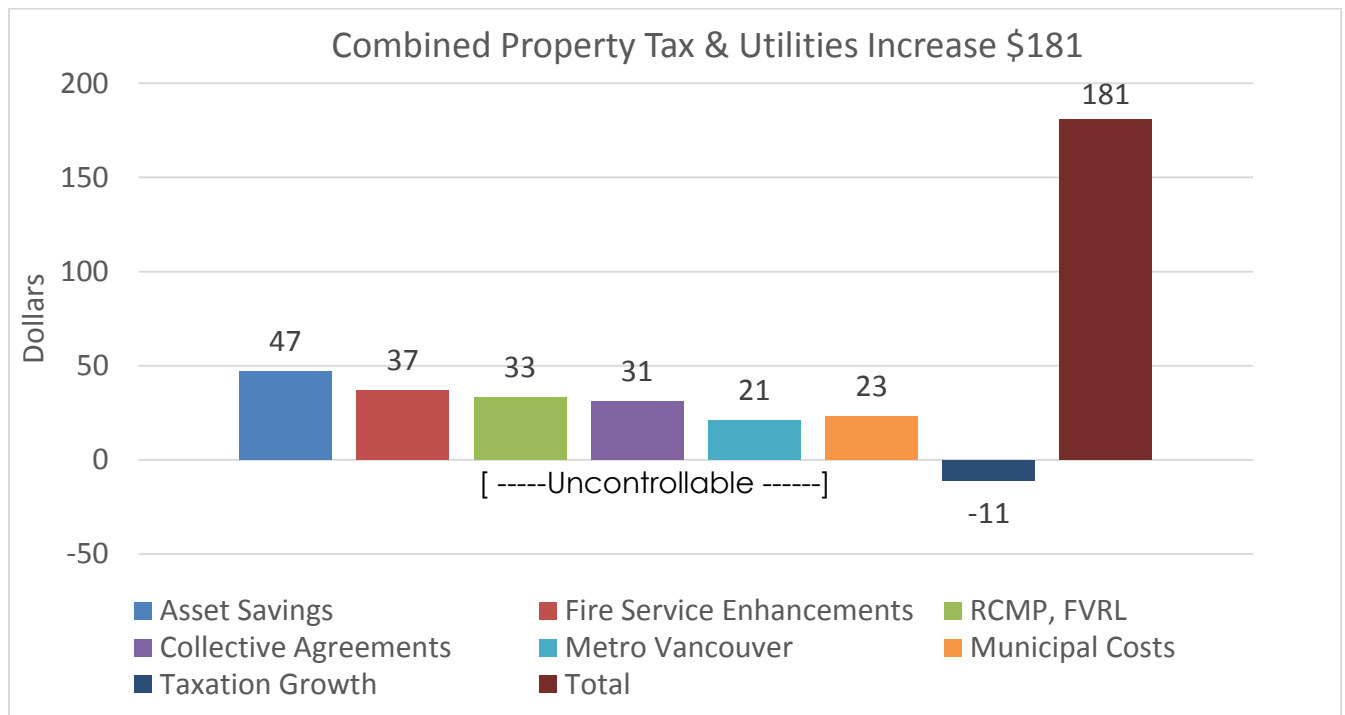
To present the proposed 2022 budget which looks to balance competing priorities while continuing to provide high-quality services our citizens have come to expect.

☒ Information Report ☐ Decision Report ☐ Direction Report

BUDGET HIGHLIGHTS

The 2022 budget focuses on the City's key strategic priorities regarding safety and essential services. It includes a combined property tax and utilities increase of 5.29 percent or \$181 for the average single-family home with an assessed value of \$784,843.

The \$181 increase is broken down as follows :



CONTINUED CONTRIBUTIONS TO RESERVE SAVINGS TO MEET FUTURE ASSET REPLACEMENT NEEDS

The 2022 budget also includes \$15.4 million in annual reserves savings, which provides necessary funding mechanisms for future asset replacement needs and longterm sustainability. This helps to address the City's aging infrastructure, which continues to age at a faster rate than replacement funding.

2022 CAPITAL PROJECTS

Each year, the City's budget plans for capital projects such as: improvements to outdoor spaces, buildings, active transportation networks, utilities, roads and bridges. The budget includes a 2022 Capital Plan valued at \$21 million. Some of the significant projects include completion of the new Fire Hall, planning and design of a new RCMP detachment building after receiving ministerial approval for the autonomous detachment, Old Dewdney Trunk Road and Ladner Road repaving, Sheridan Hill Booster Station upgrade, Community Garden expansion, various sidewalk installations and water main replacements throughout the community. With the exception of the RCMP building, funding for the capital program will come primarily from reserve funds. External debt is planned for the RCMP building.

BUDGET OVERVIEW

In 2021, the City will see continued support from senior levels of government. Provincial traffic fine revenues are forecasted at the annual average of \$220,000. Gas Tax revenue from the federal government Canada Community Building Fund is expected to continue in the amount of \$116,000 for infrastructure funding.

As always, the challenge facing Pitt Meadows Council is to balance current financial resources to meet the needs of the community and its capacity and willingness for increased taxes as well as considering the following factors:

- As the City is a service provider, one of the main cost drivers is related to labour costs, the increase for which has been included in the budget in accordance with the collective agreements.
- A combined 1.37% increase in property tax and utility fees towards asset replacement has been included in the budget to continue to narrow the asset replacement funding gap.
- Population growth creates increased demand for services and translates into the requirement for new roads, streetlights, parks, sidewalks, water mains, sewers, community facilities, and recreation programs. Taxation from growth is allocated to fund operational costs of servicing growth, funding growth related projects and funding long-term strategies as well as increased service levels.
- Sustainable development revenues are anticipated to decrease to \$100,000 commencing in 2029 which is the estimated sustainable revenue target. Surplus revenues forecasted up to 2028 are set aside in the Development Revenue Stabilization Reserve which are planned to be used in the years revenues drop off in order to smooth out the taxation impact.
- Taxes continue to be favourable compared to other municipalities in the region. Using the average assessed value approach the City had the lowest property taxes for the average single family property in 2021.

The City's draft financial plan includes three parts:

- The General Operating Plan which includes funding for ongoing municipal services and activities;
- The Utilities Operating Plan which funds the City's drainage, sanitary sewer, solid waste and water services is a self-balancing plan; and
- The Capital Plan which funds the cost of new and replacement infrastructure and assets.

Highlights of the 2022 budget include the following:

The first year of the 2022-2026 Financial Plan incorporates an overall increase in taxes and utilities of 5.29% which is allocated in the budget as follows (values for the average single family home):

	\$	%
Taxation		
Asset Management Savings	32	1.45
Fire Service Enhancements	37	1.67
Contracted Services – RCMP, FVRL	33	1.53
Contractual Costs – Collective Agreements	31	1.40
Municipal Costs	8	0.42
Taxation Growth	(11)	(0.52)
Property Tax Increase	130	5.95
Utilities		
Asset Management Savings	15	1.21
Metro Vancouver Sewer & Water	21	1.69
Municipal Costs	15	1.21
Utility Fee Increase	51	4.11
Total Collection for City Services	181	5.29

Average Property Tax Impact

Single family and multi-family homes that receive centralized green waste collection services represent 80% of the total residential properties. Based on the proposed budget, they will receive a combined property tax and utility increase of \$181 per single family dwelling (or \$113 multi-family).

Average Single Family Dwelling Assessed at \$784,843

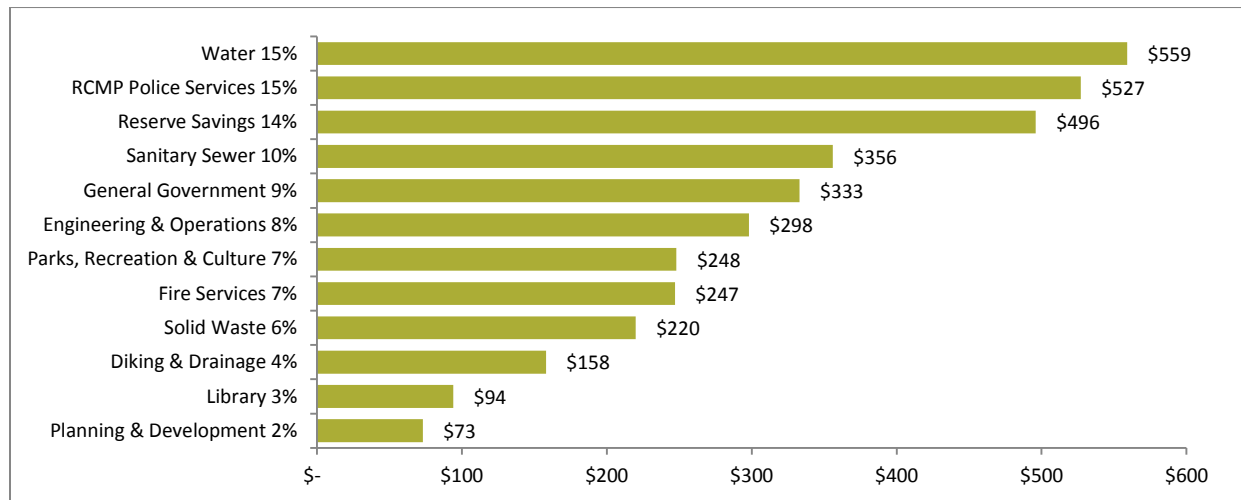
Description	2021 Budget	2022 Proposed	Variance \$	User Fee/Tax Impact
RCMP Police Services	496	527	31	1.44%
Corporate Finance Reserve Savings	466	496	30	1.35%
General Government	333	333	0	0.04%
Engineering & Operations	286	298	12	0.52%
Parks, Recreation, Culture	242	248	6	0.30%
Fire Services	198	247	49	2.18%
Library - FVRL	92	94	2	0.09%
Planning & Development	73	73	0	0.03%
Property Tax Subtotal	2,186	2,316	130	5.95%
Diking	20	20	-	-
Drainage	51	52	1	1.96%
Sanitary Sewer	352	356	4	1.14%
Solid Waste	205	220	15	7.32%
Water	530	559	29	5.47%
Drainage (mill rate)	84	86	2	2.38%
Utilities Subtotal	1,242	1,293	51	4.11%
Total Property Charges	3,428	3,609	181	5.29%

Average Multi- Family Dwelling Assessed at \$501,657

Description	2021 Budget	2022 Proposed	Variance \$	User Fee/Tax Impact
RCMP Police Services	317	337	20	1.44%
Reserve Savings	298	317	19	1.35%
General Government	212	213	1	0.04%
Engineering & Operations	183	190	7	0.52%
Parks, Recreation, Culture	155	159	4	0.30%
Fire Services	127	157	30	2.18%
Library - FVRL	59	60	1	0.09%
Planning & Development	46	47	1	0.03%
Property Tax Subtotal	1,397	1,480	83	5.95%
Diking	20	20	-	-
Drainage	22	22	-	-
Sanitary Sewer	352	356	4	1.14%
Solid Waste	21	23	2	9.52%
Water	403	425	22	5.46%
Drainage (mill rate)	53	55	2	3.77%
Utilities Subtotal	871	901	30	3.44%
Total Property Charges	2,268	2,381	113	4.99%

How Your Tax Dollars Work

Proposed annual costs of \$3,609 per average single family household in 2022 are based on the average 2021 assessment of approximately \$784,843.



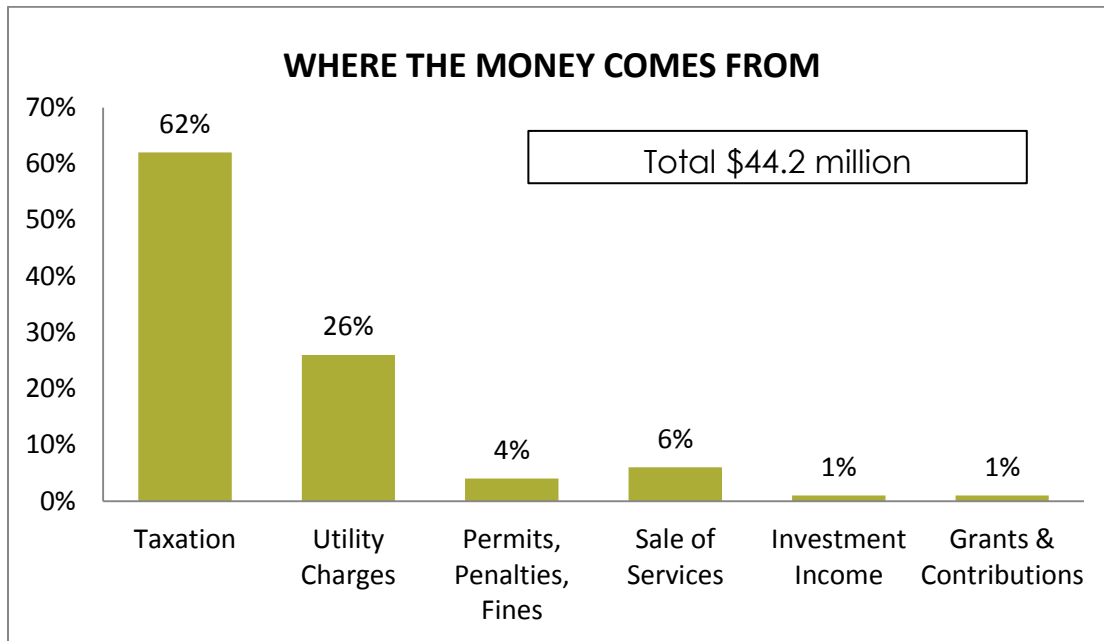
OPERATING BUDGET

Revenues

The primary funding source for City services in the 2022-2026 Financial Plan is taxation, at \$27.3 million or 62% of the total revenues. This includes a property tax levy increase of \$1,492,800 to provide for inflation, after including a conservative estimate of approximately \$100,000 from new assessment growth, for an average property tax increase of \$130 per household.

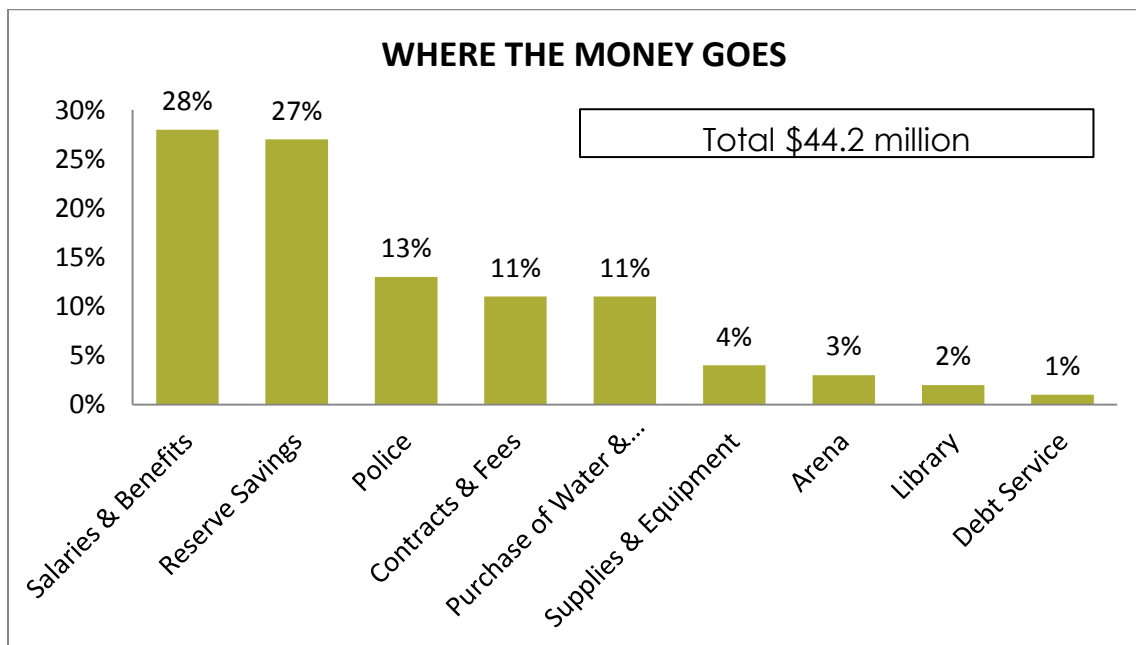
Utility charges are the second significant source of revenue consisting of water, sewer, drainage diking, and solid waste user rates. Utility rates are set for each utility based on a combination of the blending of the Metro Vancouver Regional District rate increases and the City's inflationary costs and result in a \$51 increase per single family home.

Property Taxation and Utility Charges continue to be the most stable sources of revenue for the City. The proposed budget will be balanced through a \$181 combined property tax and utility increase to the average single family home.



Expenses & Reserve Savings

Municipal tax dollars pay for a wide variety of projects and services to help create an active, inclusive and safe community and resilient, well-managed infrastructure. As a service provider a significant City cost, is the people cost to deliver those services at 28% of the budget or \$12.4 million. Saving for the future accounts for 27% in reserve savings.



General Fund Operating Budget Highlights:

The Executive Summary schedule in Attachment D provides further information on the budget adjustments by department for the General Operating Fund with further details being included in each department's section of the business plan. Key budget drivers of the \$1,492,800 additional tax revenue needed to balance the budget are represented by the following items:

Operating Revenues

- \$130,000 increase in property tax new construction revenues
- \$106,100 increase in volume and other revenue adjustments

Operating Expenditures

- \$420,000 increase in Fire service enhancements
- \$350,600 increase in contractual agreement labour costs
- \$365,000 increase in asset replacement savings
- \$360,900 increase in RCMP contract
 - Including \$237,000 increase related to the first RCMP collective agreement
- \$208,700 net increase in other municipal costs
- \$23,700 increase in FVRL levy

Utility Budget Highlights:

The City operates four self-balancing utility services, three of which are funded entirely by user fees (sanitary sewer, solid waste, water) and one by a combination of taxation on assessed property values and user fee (drainage). The revenues collected pay for the City's operating and capital infrastructure costs as well as Metro Vancouver Regional District (MVRD) cost for the supply of regional services. The proposed budget equates to a \$51 increase to the average single family home in order to generate the \$476,900 needed to balance the budget. Key budget drivers are:

- \$131,300 increase in asset replacement savings
- \$153,800 increase in maintenance, collection and other net costs
- \$191,800 increase in MVRD Sewer and Drainage District levy and Water Purchase costs

Drainage - The rate increase for 2022 is \$3 for the user fee and taxation mill rate. The rate increase is driven particularly by the \$40,000 increase in reserve savings needed for aging infrastructure, \$60,300 for maintenance costs resulting from stricter environmental regulations as well as increased quantity of invasive plant species in waterways and \$24,100 in net savings primarily related to hydro costs in running the pump stations. This results in a \$3 increase to the average single family taxpayer and \$2 to the average multi-family home.

Sanitary Sewer – The Greater Vancouver Sewage and Drainage District (GVS&DD) costs comprise 60% of the City's sanitary sewer utility budget. The GVS&DD budget increase is coming in at

\$2,300 (or 0.1%) as a result of Metro Vancouver cost saving measures as well as application of excess operating reserves. Increased City capital reserve savings of \$20,000 for infrastructure replacement and \$15,800 for administration, maintenance and other costs and revenues round out the \$38,100 increase to the sewer utility resulting in a change from \$352 to \$356 for the sewer service fee. For the future, Metro Vancouver's five year plan forecasts average annual increases of approximately 15.9% or \$54 which is primarily related to funding the capital program necessary to meet the needs of a growing population, upgrades to improve wastewater discharge quality and meet regulations along with maintenance of aging infrastructure. Metro Vancouver's budgets will be reviewed annually for adjustments as conditions change based on market changes and other factors.

Solid Waste - The garbage and green waste collection contract with Waste Management is estimated to increase \$5,100 related to adjustments in the CPI and the number of service units. The rate for processing green waste will increase by inflation and higher volumes of green waste creating a budget increase of \$70,200. Net remaining operating costs increased by \$5,900 for administration, reserve savings and other costs. The sum total of these budget adjustments result in an increase of \$15 to \$220 for single family homes and \$2 to \$23 for multi-family homes.

Water Utility - The GVWD provides safe, reliable, high-quality drinking water to Pitt Meadows and is responsible for acquiring and maintaining the water supply which makes up 57% of the water utility budget with a net consumption and rate increase budget adjustment of \$185,300. The GVWD's blended rate rose by 4% to 84 cents per cubic meter with key cost drivers being attributed to increasing capital costs, debt service and capital savings to support infrastructure investments needed to meet service requirements, growth demands and resilience upgrades. An increase of \$60,000 in annual asset replacement savings and \$36,100 in administration and other costs make up the balance of the increase to the water utility. The 2022 budget reflects an increase of \$29 to \$559 for the single family flat fee, \$22 to \$425 for the multi-family flat fee, and for the metered volume based customers \$3 to \$312 for the connection charge and \$.03 to 84 cents per cubic meter of water volume purchased.

Consolidated Financial Schedule – All Funds

	2022 Proposed Budget	2023 Proposed Budget	2024 Proposed Budget	2025 Proposed Budget	2026 Proposed Budget
Revenues					
Municipal Property Taxes	\$27,286,700	\$28,345,200	\$29,417,700	\$30,430,000	\$31,354,900
Utility Charges	11,524,200	12,315,400	13,262,300	14,372,300	15,890,200
Sale of Services	2,042,400	2,086,500	2,131,900	2,178,700	2,226,900
Licenses, Permits, Penalties, Fines	2,202,600	1,519,100	1,507,800	1,502,700	1,609,100
Investment Income	449,300	452,500	475,400	491,500	477,800
Government Transfers	1,107,300	562,600	566,900	573,100	1,259,400
Contributions	2,504,500	423,600	1,492,300	628,300	62,000
Other Revenue	614,300	636,300	617,200	623,000	645,700
Total Revenues	47,731,300	46,341,200	49,471,500	50,799,600	53,526,000
Expenses					
Operating Expenditures	33,007,600	34,231,700	35,684,300	37,329,000	39,388,300
Debt Interest	231,300	327,600	330,400	616,700	627,200
Amortization	5,181,500	5,181,500	5,181,500	5,181,500	5,181,500
Total Operating Expenses	38,420,400	39,740,800	41,196,200	43,127,200	45,197,000
Net Revenues	9,300,900	6,600,400	8,275,300	7,672,400	8,329,000
Allocations					
Net Reserve Transfers	(477,900)	1,986,000	2,898,800	(1,699,800)	6,013,000
Capital Expenditures	21,049,900	21,065,000	11,916,100	13,461,900	6,609,700
Unfunded Amortization	(5,181,500)	(5,181,500)	(5,181,500)	(5,181,500)	(5,181,500)
External Debt Principle Repayment	420,400	430,900	441,900	1,091,800	887,800
Police Building Debt Principle	(6,500,000)	(11,700,000)	(1,800,000)	-	-
Total Allocations	9,310,900	6,600,400	8,275,300	7,672,400	8,329,000
Balanced Budget	-	-	-	-	-

Future Years – Average Single Family Dwelling Assessed at \$784,843

The next table provides the proposed 2022 tax and utility increase for the average single-family home as well as estimates for the years 2023 to 2026. The year 2025 reflects the shift in annual reserve savings for new infrastructure to annual debt servicing for the police building new infrastructure.

TAXATION					USER FEES					
Year	Capital Reserves*	City Depts.	Service Delivery Partners	Tax Subtotal	Drainage	Sewer ***	Solid Waste	Water ***	Utilities Subtotal	Total Change
2022	\$30	\$67	\$33	\$130	\$3	\$4	\$15	\$29	\$51	\$181
2023	\$31	\$40	\$19	\$90	\$4	\$46	\$10	\$34	\$94	\$184
2024	\$31	\$35	\$21	\$87	\$4	\$49	\$10	\$36	\$99	\$186
2025 **	\$(19)	\$80	\$21	\$82	\$4	\$60	\$11	\$39	\$114	\$196
2026	\$50	\$7	\$17	\$74	\$4	\$113	\$11	\$41	\$169	\$243
Avg.	\$24	\$46	\$22	\$92	\$4	\$54	\$11	\$36	\$105	\$197

* Corporate Finance Reserve Savings

** 2025 reflects the shift in reserve savings to servicing the police building debt.

*** The Sewer and Water values are primarily driven by the forecasted Metro Vancouver increases in sewer treatment and water supply costs. Metro Vancouver sewer forecasts are funding a capital program necessary to meet the needs of a growing population and maintenance of aging infrastructure.

CAPITAL PLAN

Definition of Capital Assets

Capital assets provide a benefit to the community beyond one year. Such items typically require operating and maintenance expenditures, and may need to be replaced in the future. Examples include infrastructure such as buildings, roads, bridges, water, sewer and drainage facilities, vehicles, computer equipment and furniture. The City's policy is to plan for major capital expenditures in five-year cycles with annual reviews and updates. The 2022-2026 Capital Plan includes projects that are consistent with corporate objectives and long-range plans.

Operating Cost Impact of Capital Projects

The business plan guidelines require that adequate provision be made for the incremental increases to the operating expenses for changes in the capital base. This approach is in line with GFOA best practices which contribute to the long-term financial sustainability of City services. An additional \$6,000 is required for the maintenance of new infrastructure, for which Decision Packages have been submitted for Council consideration. Upon Council approval, the operating costs will be added to the 2022-2026 Financial Plan and will increase the proposed 2022 property tax increase, albeit insignificantly.

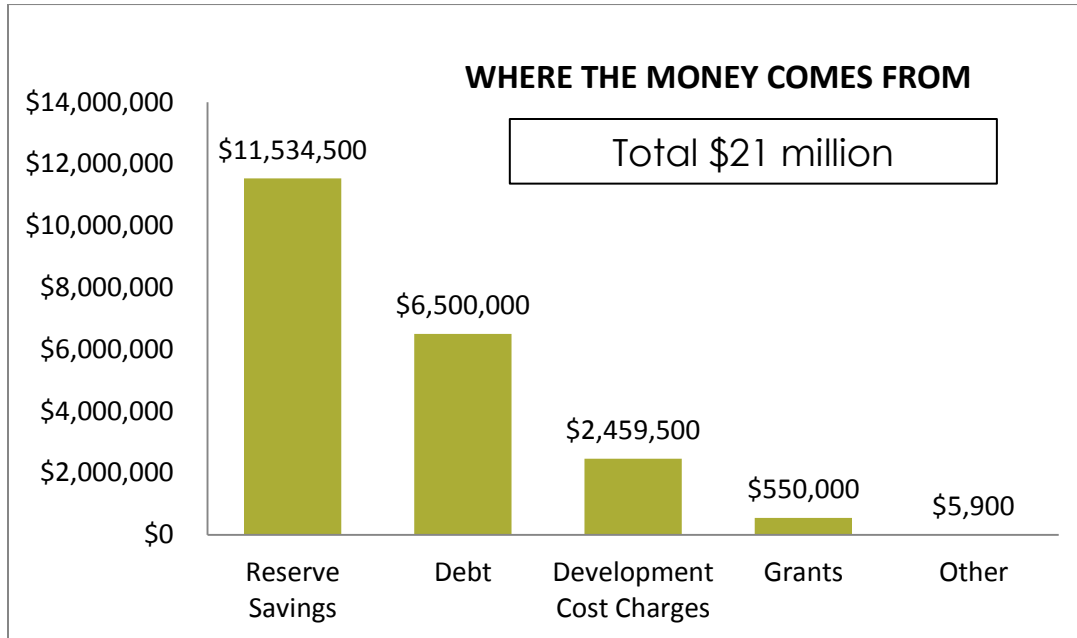
What We are Saving

Consistent with the Strategic Plan goal of proactively planning for replacement of our infrastructure, the general fund is increasing reserve savings from taxation by \$365,000 and the utilities are increasing savings by \$120,500 for a total increase funded by taxation and utilities of \$485,500.

RESERVE SAVINGS	2022 ANNUAL FUNDING	2022 TAX INCREASE
General Capital: Maintenance & Replacement	\$7,557,600	\$ 365,000
Utility Capital: Maintenance & Replacement	3,025,800	120,500
Development Cost Charges	1,002,800	-
Strategic Assets	774,200	-
Total	\$12,360,400	\$ 485,500

Where the Money Comes From

Funding for capital expenditures comes from a number of sources including general tax revenues, reserves, grants, contributions from developers, and borrowed funds. The capital portion of the 2022-2026 Financial Plan is funded from the following sources in the graphic below.

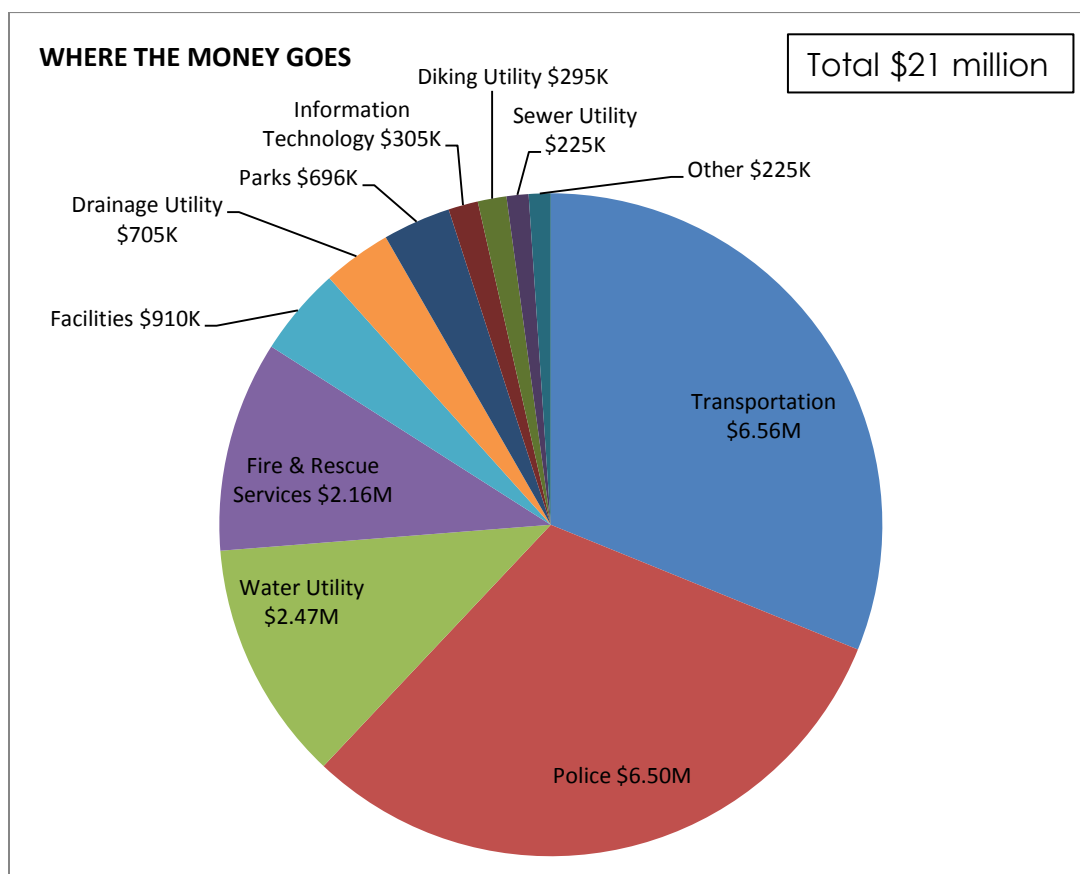


Where the Money Goes

The 2022-2026 capital expenditure program presented to Council for approval includes approximately \$70 million to be expended on a number of projects.

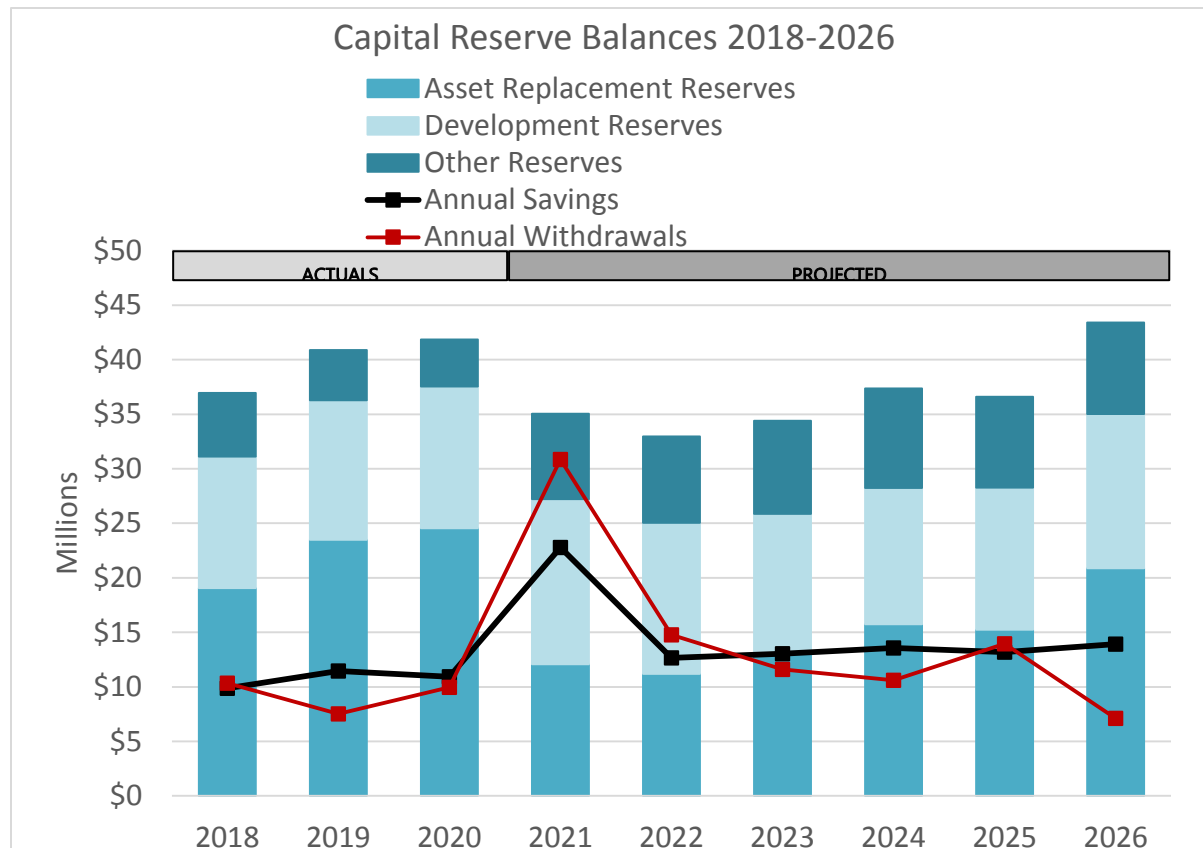
Some of the more significant projects proposed for the \$21 million expenditure in the 2022 year include:

- Main Firehall Replacement – Year 3 of 3 - \$1.5 million
- New RCMP Detachment – Year 1 of 3 - \$6.5 million
- Neaves Rd Repave – \$922,000
- Old Dewdney Trunk Rd Repave – \$1,068,000
- Harris Rd Sidewalk from Hammond To Airport Way - \$1,210,500
- Fraser Way Sidewalk - \$1,078,500
- Watermain Replacement 188A, 189A, 188B, 120B, 120 Ave - \$850,000



Capital Reserve Funding 2022-2026

The following chart summarizes the capital reserve activity and indicates stable growth in capital reserve balance totals displaying the City's commitment to saving for asset replacement.



2020 annual reserve savings were reduced to cover the COVID Financial Relief Grant provided to residential taxpayers. 2021 annual reserve savings reflect temporary increases in developer contributions. Otherwise annual reserve savings continue the trend of stable increases.

How Much Money is in Savings: Reserve Balances

The City maintains various reserves (including deferred revenue). Generally capital projects are funded by these reserves to reduce volatility in taxation levels. Following is a further breakdown of the above chart for the asset management reserve and deferred revenue balance projections from the 2022 – 2026 financial plan. Additionally, the Accumulated Surplus reserve and other surplus reserves are held outside of the Asset Replacement Reserves in the Operating Reserve Fund to stabilize tax rates, provide working capital and to fund one-time extraordinary expenditures, efficiency initiatives and emergency expenditures.

	2022	2023	2024	2025	2026
Asset Replacement Reserves					
Arena	\$1,036,000	\$1,133,000	\$1,234,000	\$1,338,000	\$1,448,000
Canada Community Building Fund	1,016,000	113,000	180,000	253,000	331,000
Diking	453,000	545,000	645,000	731,000	818,000
Drainage	695,000	174,000	190,000	196,000	233,000
Equipment Replacement	393,000	51,000	36,000	396,000	1,171,000
Lifecycle Buildings	111,000	2,384,000	5,522,000	8,604,000	11,624,000
Lifecycle General	744,000	666,000	811,000	10,000	92,000
Minor Capital	664,000	709,000	754,000	310,000	351,000
Sanitary Sewer	3,160,000	2,395,000	2,520,000	2,624,000	3,291,000
Translink Major Road Network Grant	21,000	183,000	345,000	510,000	1,000
Transportation	204,000	807,000	-	1,000	25,000
Transportation Road Use Levies	2,594,000	3,909,000	2,771,000	27,000	594,000
Water	102,000	1,000	738,000	228,000	900,000
	11,193,000	13,070,000	15,746,000	15,228,000	20,879,000
Development Reserves					
Development Cost Charges	13,839,000	12,801,000	12,485,000	13,029,000	14,145,000
Other Reserves					
Art In Public Spaces	287,000	287,000	287,000	287,000	287,000
Carbon Neutral & Sustainability	47,000	32,000	18,000	3,000	3,000
Community Amenity	6,738,000	6,825,000	6,914,000	6,163,000	6,244,000
Future Capital	316,000	869,000	1,428,000	1,411,000	1,395,000
Parkland Acquisition	256,000	264,000	271,000	279,000	287,000
South Bonson Amenity	273,000	242,000	213,000	187,000	164,000
Accumulated Surplus Reserve	1,295,000	1,274,000	1,329,000	1,384,000	1,434,000
Other Surplus Reserves	6,352,000	6,223,000	6,126,000	6,029,000	5,957,000
	15,564,000	16,016,000	16,586,000	15,743,000	15,771,000
Total Reserve Balances	\$40,596,000	\$41,887,000	\$44,817,000	\$44,000,000	\$50,795,000

INFRASTRUCTURE SUSTAINABILITY – ASSET MANAGEMENT

The City owns infrastructure with a historic cost of \$278 million which in today's dollars, is estimated at \$436 million. The performance of these assets is vital to the health, safety and quality of life of residents which require monitoring, maintenance and replacement to support the community. Asset management plans for the City's assets were developed between 2016 and 2018 which provide information on the optimal savings targets needed to ensure sufficient funds exist to sustain existing infrastructure in the long-term. Optimal savings targets are refreshed annually reflecting annual updates to the replacement values as well as updates to the asset condition ratings by incorporating condition assessment results as they are completed.

Fortunately, Council has made investments in the continued improvement of asset replacement information and endorsed sound financial policies that provide funding mechanisms for future asset replacement needs and long-term sustainability.

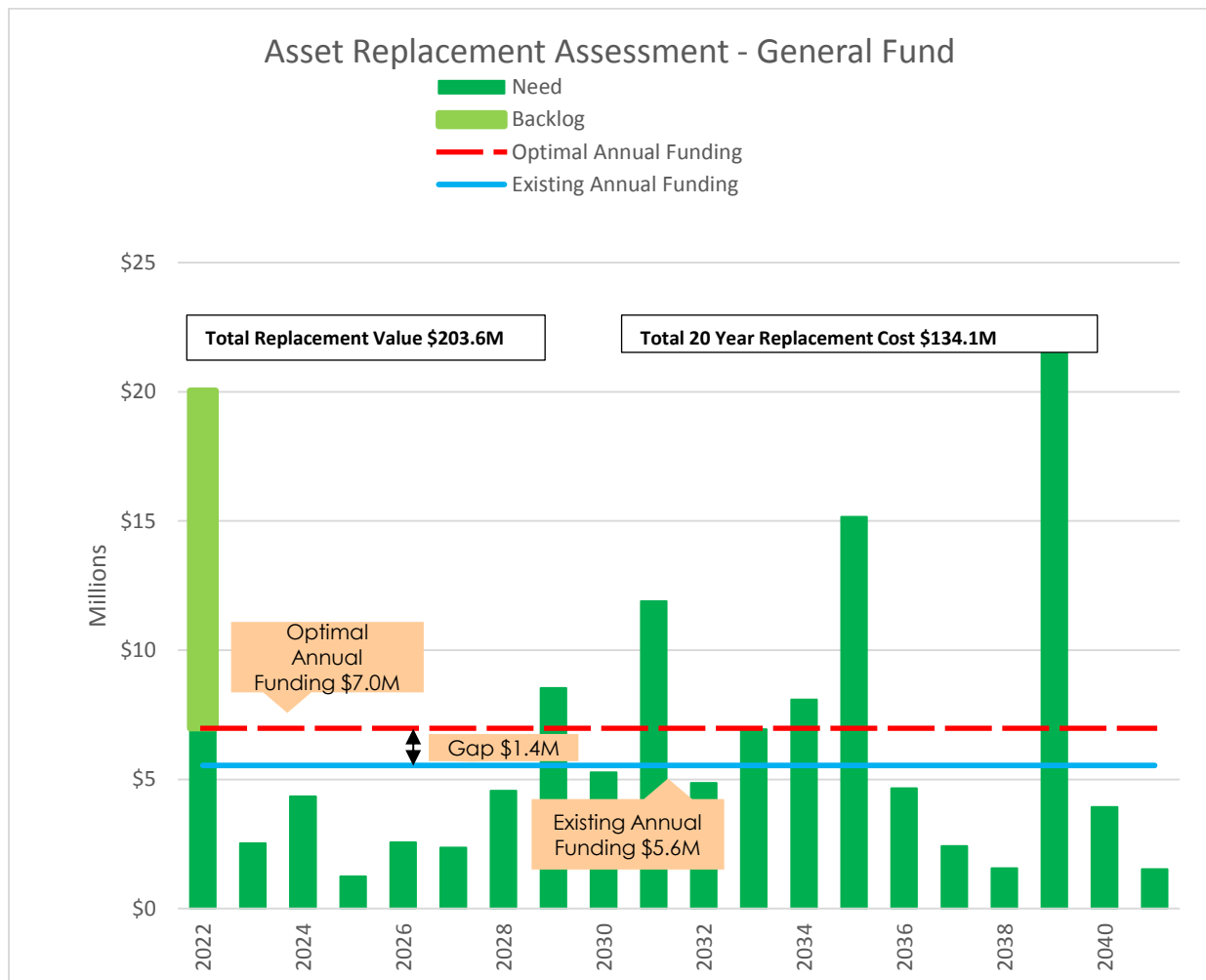
Asset Replacement – General Fund

Based on the overall asset replacement assessment for the next 20 years, the gap between the average annual asset replacement optimal funding level and existing annual funding for the assets housed in the General Fund is calculated at \$1.4 million and is mainly attributed to Roads (\$1.2M) and Vehicles and Equipment. Continuing along the path of increasing annual reserve savings will narrow the funding gap. Targeted savings levels will be achieved as follows:

- Vehicles: 2026
- Equipment: 2032
- Transportation: 2039
- Buildings: 2022 however, continued savings increases are necessary to address the Buildings funding backlog.

The General Fund funding backlog is estimated at \$13.1 million which is essentially those assets that are beyond their initially estimated useful lives. This is determined from a combination of age-based and condition-based data. As conditions are updated and remaining useful life is adjusted to match condition ratings this backlog becomes better quantified. The funding backlog is addressed through a combination of postponing asset replacement, attaining grants or incurring debt. There is \$20 million of external debt planned in the 2022-2026 Financial Plan to fund a new RCMP Building, pending ministerial approval.

Formulated by the Asset Management Plan, it is anticipated that a total of \$134.1 million will be required over the next 20 years for the replacement and renewal of the existing capital assets to ensure that the city can rely on these assets well into the future. The replacement cost is mainly attributed to transportation infrastructure, civic buildings, fire equipment, parks and recreation infrastructure and equipment.

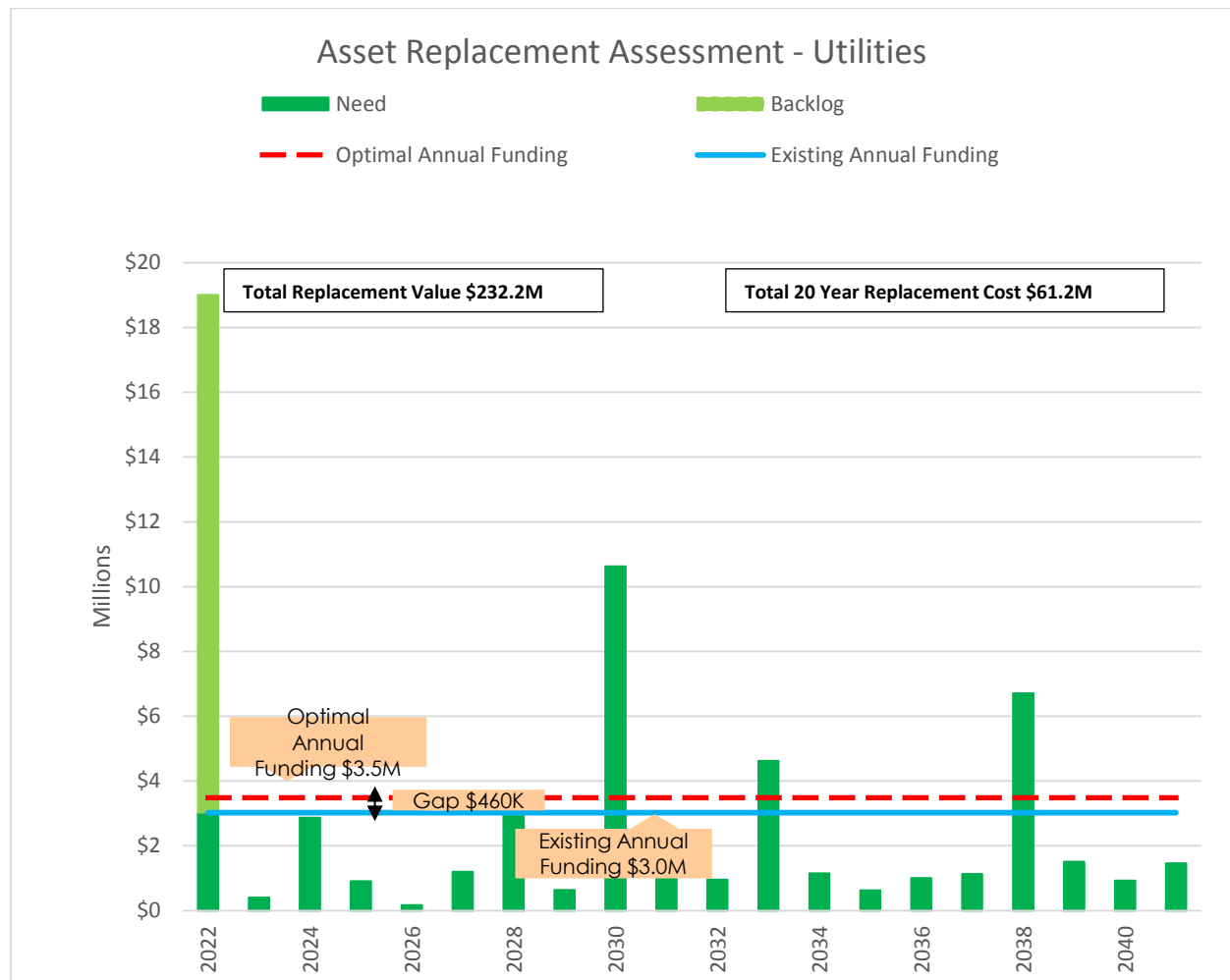


Asset Replacement – Utility Funds

Based on the overall asset replacement assessment for the utility funds, the gap between the average annual asset replacement optimal funding level and existing annual funding is calculated at \$460k and is mainly attributed to Drainage (\$400k) and Water (\$60k). Continuing along the path of increasing annual reserve savings will narrow this funding gap seeing achievement of reaching targeted savings levels in 2024 (Water) and 2031 (Drainage). The Sewer Reserve has reached it's savings target, however, continued savings increases are necessary to address the sewer assets funding backlog.

The Utility Funds funding backlog is estimated at \$16 million and is essentially those assets that are beyond their initially estimated useful lives which is determined from a combination of age-based and condition-based data. As conditions are updated and remaining useful life is adjusted to match condition ratings this backlog becomes better quantified. The funding backlog is addressed through a combination of postponing asset replacement, attaining grants or incurring debt. Water condition assessment ratings recently developed have been incorporated into these calculations and drainage condition assessment ratings will be developed as grant funding is received.

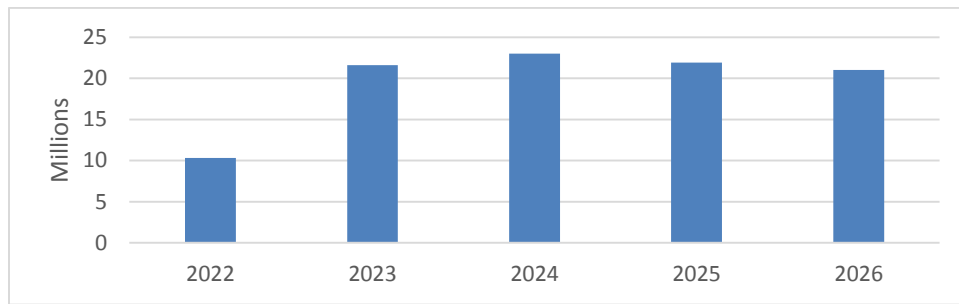
Formulated by the Asset Management Plan, it is anticipated that a total of \$61.2 million will be required over the next 20 years for the replacement and renewal of the existing drainage, sewer and water capital assets to ensure that the city can rely on these assets well into the future. The bulk of the \$11 million replacement cost in 2030 is attributed to water assets comprised primarily of service connections and fire hydrants. Condition Assessment data has been incorporated for water mains.



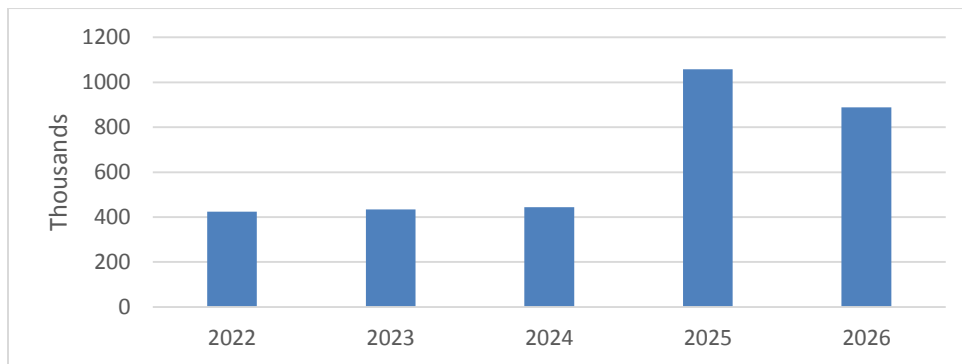
DEBT

There is additional external debt within the 2022-2026 Five Year Financial Plan related to the autonomous RCMP detachment building in the amount of \$20 million drawn over the years 2022 to 2024 to coincide with timing of construction. The following charts provide the projected debt levels, principal & debt interest payments on the City's existing and projected debt. Existing debt was incurred to fund infrastructure projects being the Civic Centre Parkade, Arena Renovation and Community Centre. All debt is related to the General Fund. There is no debt in the other funds.

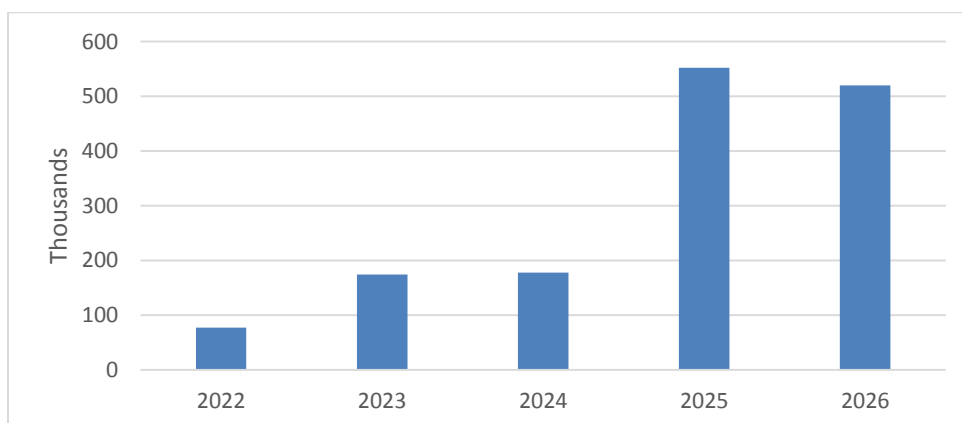
Projected Debt Levels 2022-2026



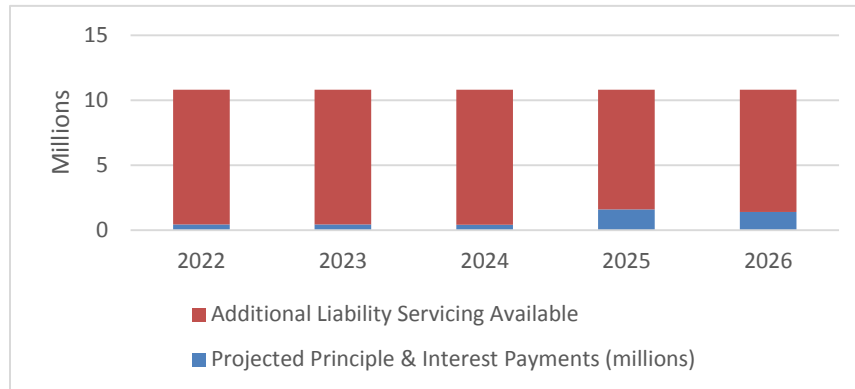
Projected Debt Principal Payments 2022-2026



Projected Debt Interest Payments 2022-2026



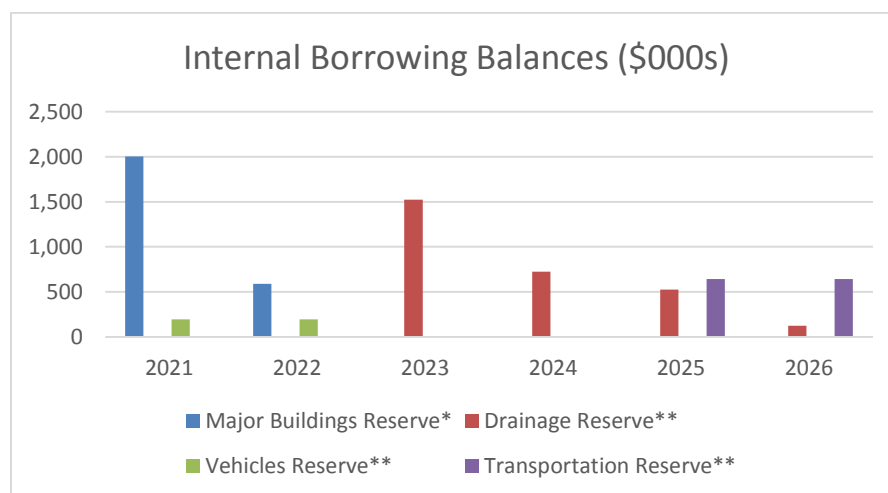
Liability Servicing Limits 2022-2026



The liability servicing (also known as debt principle and interest payments) limit is set by the Community Charter and is defined as 25% of a municipalities controllable and sustainable revenues for the previous year. For the City of Pitt Meadows, this liability servicing limit was \$10.8 million in 2021. The budgeted cost of principle and interest debt payments range from \$516,000 to \$1.4 million in the 2022-2026 financial planning period, which is well below the allowable limit.

Internal Borrowing 2022-2026

The Community Charter and the Debt Management Policy provide the option of borrowing internally from reserves. This is permitted if the funds being borrowed are not needed by the lending reserve and must be repaid with interest. The City uses the internal investment rate of return which is estimated at 1.0% for 2021. Due to the gap in annual reserve savings values compared to the reserve savings targets established by the City's Asset Management Plan, as well as the historic funding backlog, there is a need for internal borrowing as displayed in the following table. Until we reach our target savings values and reduce the funding backlog there will continue to be a need for internal borrowing.

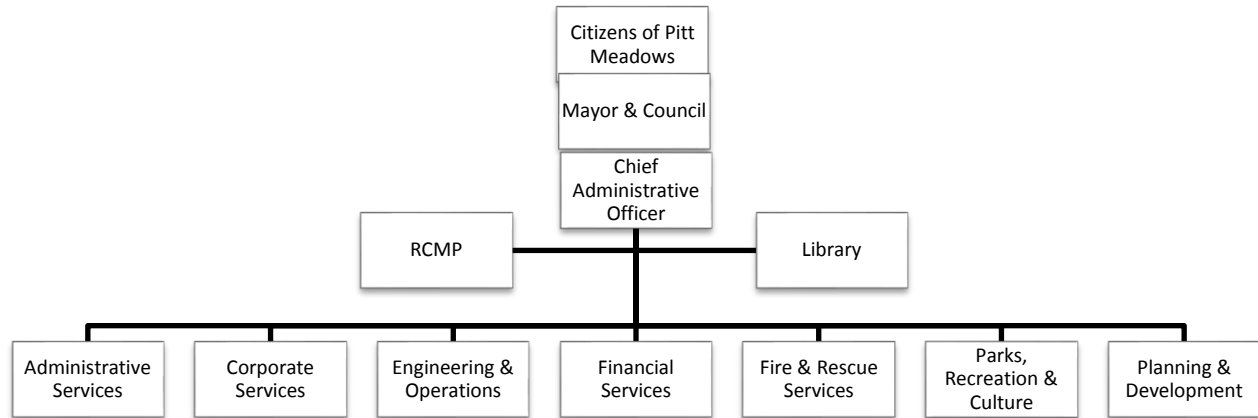


*Major Buildings Reserve debt owed to Road Use Levies Reserve and Sewer Reserve - fully repaid in 2023

**Vehicles Reserve, Drainage Reserve, and Transportation Reserve debt owed to Sewer Reserve - fully repaid in 2023, 2027, and 2031 respectively

FINANCIAL STRUCTURE, POLICY & PROCESS

Organization Chart



Employee Base – Full-Time Equivalent (FTE) Analysis

The City's staff complement is calculated by full-time equivalents (FTEs). Included in the City's 2022 Financial Plan is 120.7 FTEs that represent full-time and part-time staff.

Number of FTEs	2022 Proposed Budget
Office of the CAO	1
Administrative Services	7
Corporate Services - Communications	3.5
Corporate Services – Human Resources	5.27
Corporate Services - IT	5
Engineering & Operations - Engineering	7.96
Engineering & Operations - Facilities	2.57
Engineering & Operations – Operations*	21.07
Financial Services	8
Fire & Rescue Services**	13
Library Services	7.2
PRC - Parks	7.6
PRC – Recreation & Culture	18.13
Planning & Development	13.4
	120.7

* Excludes seasonal labourers (approx. 0.12)

** Excludes Volunteer/Paid on Call Firefighters (approx. 25)

FUND DESCRIPTIONS AND FUND STRUCTURE

The resources and operations of the City are segregated into five separate funds: a General Fund and four Utility Funds (Water, Sewer, Solid Waste and Storm Drainage). Each fund consists of operating and capital budgets needed to deliver various services to the community.

General Fund

The General Fund is the primary fund for most municipal services and departments. This fund has a number of revenue sources – the largest of which is property taxation. This fund includes all of the operating departments that provide a number of services to the community.

Sanitary Sewer Fund

The sanitary sewer utility is debt free and financially self-sustained. The sanitary sewer utility provides for infrastructure replacement and enhancement, sanitary treatment provided by Metro Vancouver and ongoing operation and maintenance of the City's sewer system. The services in this fund are provided by the Engineering and Operations Services department.

Solid Waste

The Solid Waste Utility is a self-funded entity that supports the garbage and green waste collection services provided to the residents of the City of Pitt Meadows. Garbage rates include the cost of transfer and waste disposal of solid waste and composting of the material collected. The services in this utility are provided by the Engineering and Operations Services department as well as collection services contracted with Waste Management.

Storm Drainage Fund

The Storm Drainage utility is debt-free and self-funded by a variety of sources, but primarily from a levy established by bylaw and a separate charge (mill rate) based on assessed value. This utility collects and conveys storm water to reduce the risk of property damage due to flooding. Key costs in the utility include ditch cleaning, maintenance of culverts, storm sewers and pumps, hydro costs, and capital reserve provisions for replacement of infrastructure, in particular pumps and pump stations. The services in this fund are provided by the Engineering and Operations Services department.

Water Fund

The Water Utility is debt-free and a self-funded entity that delivers water to residential, commercial and industrial premises in Pitt Meadows for domestic use, irrigation, and cooling and fire suppression. This Utility is a member of the Metro Vancouver Water District (MVWD) which operates and maintains regional systems of supply works, transmission mains, reservoirs and treatment facilities.

The key issues facing the water utility are the volume of water used and the equity in the rate mix between flat rate and volume based charges. To create equity within the system, the City has adopted the approach of charging metered users:

- A basic per connection fee which covers costs of billing, maintenance of meters, waterlines, pressure reducing value (PRV) stations and saving for the future capital replacement (these costs exist even if the customer uses no water); and
- A consumption charge for the amount of water used at the blended rate the City pays the Greater Vancouver Water District.

Currently the City relies solely on Metro Vancouver's transmission water meters and is charged based on volume-in versus volume-out of Pitt Meadows. Water conservation, incentives and associated enforcement is an important initiative to help reduce water consumption. The flat fee incorporates the components of both the connection fee and the estimated consumption charge. However, the flat fee model is challenged during unusual events such as the dry, hot weather conditions experienced in 2021 where the City was unable to recover the excess water usage. The City may wish to consider transitioning to metered water for all properties to encourage water conservation. However, there is a significant capital cost related to the installation of the metered infrastructure as well as ongoing administrative costs to also be considered in a move to a metered billing model.

The services in this fund are provided by the Engineering and Operations Services department.

Reserve Funds

Reserves are established pursuant to section 188 of the Community Charter allowing funds to be set aside for a specific purpose.

The City's Operating Reserve Funds will be used to fund ongoing projects and potential liabilities such as tax appeals and insurance claims. Capital reserves, along with Development Cost Charges, will be used to finance capital projects. In conformance with reporting standards of the Public Sector Accounting and Auditing board of the Canadian Institute of Chartered Accountants, reserve transactions are identified separately from expenditures and revenues in portions of the 2022 budget document.

FINANCIAL POLICIES

Governing Policy and Regulatory Requirements

The Community Charter requires that a Five-Year Financial Plan for both the operating and capital expenditures be adopted by May 15 of the first year of the plan. In addition, the Community Charter directs that the public must be consulted prior to adoption of the Financial Plan.

Balanced Budget

In compliance with Section 165 of the Community Charter, the City's Five-Year Financial Plan must be balanced. The total of proposed expenditures and transfers to other funds for a year must not exceed the total of proposed funding sources and transfers from other funds for the year.

Financial Policies

In support of Council's key strategic plan goals of Corporate Excellence through responsible financial management, the City has a series of financial policies ensuring municipal services and infrastructure continue to be provided for future generations. The financial policies adopted by City Council include:

- ***Surplus Policy***

The City's General Fund Accumulated Surplus establishes a targeted minimum balance of 5% of regular general fund net operating expenditures to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures.

- ***Debt Management Policy***

The City's policy is to minimize external debt borrowings and, if required, use existing reserves as a means to internally finance required capital expenditures. As well, the City adheres to the Debt Limit and Liability Servicing Limit requirements as outlined in the *Community Charter*.

- ***Investment Policy***

The City will invest funds in a manner that will provide the optimal blend of investment security and return while meeting the daily cash flow demands of the City and complying with the statutory requirements of the *Community Charter*.

- ***Purchasing and Procurement Policy***

The City will purchase goods and services on behalf of Pitt Meadows residents in accordance with evolving best practices in procurement for local governments, as generally supported by the Auditor General for Local Government (AGLG) document titled "Improving Local Government Procurement".

- ***Revenue and Taxation Policy***

The City sets out the objectives and policies regarding the proportion of total revenue to come from each funding sources, the distribution of property taxes among the property classes and the use of permissive tax exemptions. The City regularly reviews user fees, development cost charges and the property tax ratio in comparison with other municipalities in Metro Vancouver.

- ***Asset Management Policy***

The City shall adopt and apply asset management practices in support of delivering quality, cost-effective services to the community. The City will adopt a sustainable approach to asset management, ensuring that the asset base is not increased without considering the impact on the ability of the City to fund future maintenance and rehabilitation.

FINANCIAL PLANNING PROCESS

The City develops its Five-Year Financial Plan consistent with generally accepted accounting principles. The City uses the accrual method of accounting in which revenues and expenses are recognized at the time they are incurred.

The budget is organized by type of operation (i.e. general fund and utility funds), with each operation considered a separate budgeting and accounting entity. Funds are budgeted and reported along departmental lines, with accountability and authority for budgetary approval and amendments resting with Council. Council delegates the authority for actual disbursement and implementation of the Five-Year Financial Plan to the Chief Administrative Officer.

Although the Community Charter imposes annual budget deadlines, the City's budget process is a continuous cycle. The budget is prepared, reviewed, debated, changed and approved by the department managers, senior leadership team, and City Council.

Each year City staff put forward a preliminary budget. The Mayor and City Council, with input from Pitt Meadows residents and businesses, then make decisions about the City's services, programs and infrastructure and approve the City's final budget. All budget workshops, presentations and deliberations are open to the public.

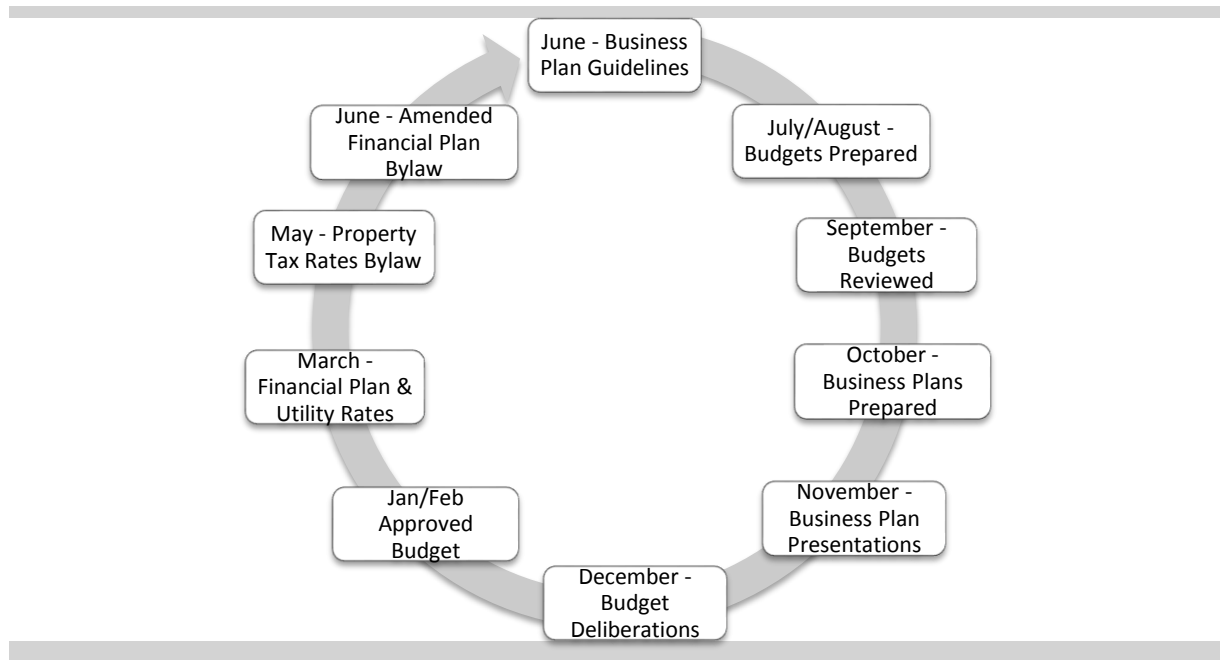
As outlined in the Community Charter, the Five-Year Financial Plan is to be adopted by May 15 of the first year of the plan. At any time, subsequent to the original adoption, an amended financial plan bylaw can be adopted by Council for that year. Amendments to the financial plan which result from unplanned financial activities identified during financial reviews and the yearend process are incorporated into an amended financial plan bylaw each spring after the completion of the yearend audit.

The Corporate Strategic Plan 2019-2022 serves as a guiding framework for policies, budgets and decision making over the 4 year period. The Corporate Strategic Plan sets the high level goals and objectives for the community which, in turn, sets desired service levels. Departmental business plans and budgets are developed to ensure programs and services align with and aim to achieve the goals outlined in the Corporate Strategic Plan.

Business Plan Guidelines are developed and approved by Council outlining budget objectives, principles, approach, and service levels. Taxation from population growth is used to fund related operational costs, projects and long-term strategies including increased service levels.

The Tax Rate Bylaw is to be adopted by May 15 as outlined in the Community Charter.

Timelines for the 2022 Budget



SERVICE LEVEL CHANGES

Each year the Corporate Leadership Team undertakes an internal review process to ensure services are in alignment with staff's interpretation of Council's strategic goals and objectives. As a result of this review, a number of incremental changes in service delivery or new capital infrastructure are provided as Decision Packages for the first year of the financial plan and are provided in the table below. Decision Package details are included within each department's business plan.

Rank	Department	Description	Onetime Budget	Ongoing Budget	Single Family %	Single Family \$
1	Corporate Services – Human Resources	Equity & Diversity Inclusion (Operating Reserve)	\$20,000	-	-	-
2	Parks, Recreation & Culture - Parks	Annual Pride Initiative	-	\$5,000	0.02%	0.44
3	Engineering & Operations - Facilities	Heritage Hall Accessibility Upgrades (\$50K Grant, \$105K Facilities Reserve)	\$155,000	\$1,000	0.01%	0.09
4	Planning and Development	Urban Forestry Strategy (Operating Reserve)	\$20,000	-	-	-
5	Parks, Recreation & Culture - Parks	Place of Remembrance (Future Capital Reserve)	\$150,000	\$5,000	0.02%	0.44

PUBLIC PARTICIPATION

☒ Inform ☐ Consult ☐ Involve ☐ Collaborate ☐ Empower

KATZIE FIRST NATION CONSIDERATIONS

Referral ☒ Yes ☐ No

Collaboration and coordination will occur on a variety of City initiatives that are determined to be of significance and interest to Katzie First Nation as part of the regular work plan.

SIGN-OFFS**Written by:**

Cheryl Harding,
Director of Financial Services

Reviewed by:

Mark Roberts,
Chief Administrative Officer

ATTACHMENT(S):

- A. Operating and Capital Budget Tables
- B. Statistics
- C. Executive Summary – Utilities
- D. Executive Summary – General Fund