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## FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **October 13th, 2009**

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

FILE: **1705-05**

SUBJECT: **2010 Five-Year (2010-2014) Financial Plan – General Operating**

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### **1.0 RECOMMENDATION**

It is recommended that Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 3.0 of this report; and
- b) Direct staff to prepare the 2010 Five-Year (2010 – 2014) Financial Plan incorporating these recommendations.

### **2.0 BACKGROUND**

#### **Implementation of Public Sector Accounting Board (PSAB) Requirements**

The City's 2009 financial statements will need to be fully compliant with the requirements of Section PS 3150 of the Public Sector Accounting Handbook, which require the City to record Tangible Capital Assets at cost less depreciation based on their useful life.

The Handbook requirements also require that some adjustments be made between the capital and operating components of the City's budget in comparison to previous years. In some cases, funds that were previously contained in the operating budgets, have been moved to the capital budget, such as library books. In other cases, funds that had been previously earmarked as 'on-going capital', have now been moved to the departmental operating budget, such as the annual civic buildings maintenance work program carried out by the City's Facilities Division. These adjustments have no overall financial impact on the day-to-day operations of the City.

The proposed 2010 Five-Year Financial Plan includes a few further adjustments to reflect the PSAB requirements as identified during 2009.

## **Five-Year (2010 – 2014) Financial Plan**

Council has identified several key priorities that it wants to address. The Five Year (2010 – 2014) Five-Year Financial Plan will focus on many of these priorities. This report outlines funding recommendations in each of the priority areas forming the basis of the proposed Five-Year (2010-2014) Financial Plan.

### **2.1 *Crime Reduction***

One of Council's priorities is to reduce crime and ensure a safe community. The following describes elements of the proposed 2010 Financial Plan that address this key priority.

#### **2.1.1 Police Services**

The current authorized RCMP complement in Surrey is 635 members (including 10 Community Safety Officers and 5 crime analysts). The 2010 Financial Plan allows for additional members in 2010 that will maintain the current ratio of citizens per officer. It is proposed, based on the growth in the City's population that will occur in 2009, that 6 new RCMP contract member positions (a combination of RCMP members and community safety officers) be added in 2010. This will increase the Surrey detachment complement to 641 members, which includes Surrey's pro-rated share of members on the Integrated Service Teams. The additional positions will be funded beginning October 1<sup>st</sup>, 2010. If the new positions are available sooner, bridge funding is available from 2009 RCMP operating savings.

The 2008/2009 Capital Plan included funding for the construction of additional office space at the Main RCMP detachment building. This addition is now under construction and is expected to be completed during the Spring of 2010.

To increase police presence in the City Centre, it is proposed that an RCMP Community Safety Office be established in the urban core. The 2010 Plan includes capital funding (\$133,250) for such an office and ongoing operating funding (\$43,000).

#### **2.1.2 Fire Services**

To address Fire Services needs in the City, 8 fire-fighters are being added in each of the years 2012 and 2013. The 2009 Capital Budget and the 2009-2013 Five Year Financial Plan as approved by Council included funding for the replacement of Fire Hall #14 on Highway 15 in Grandview Heights. The new Hall is under construction and is expected to be completed in 2010.

#### **2.1.3 By-law Enforcement**

The 2009 - 2013 Financial Plan allowed for one additional By-law Enforcement Officer in 2009. It is expected that this officer position will be filled during 2010. An additional officer will be added for each of the remaining years of the Plan (2011 – 2014), to address the demands of growth.

### **2.2 *Sustainability Initiatives***

The City's Sustainability Charter was adopted by Council in the fall of 2008. The Sustainability Manager manages the work of the Sustainability Office and ensures that a strong focus is maintained on sustainability within the City. An additional \$150,000 has been added in 2010 to provide funding for sustainability initiatives. This additional expenditure budget will be funded from the Carbon Tax Rebate that is received by City.

### 2.3 *Staffing Capacity*

In addition to those positions outlined in Section 2.1, it is proposed that an Engineering Assistant (Transportation) be added in 2010 at a budget amount of \$90,000. It is also proposed that \$200,000 be allocated to part-time and temporary assistance in the Parks, Recreation and Culture Department to address new safety standards in facilities. Additional staffing is also required for the operation of the new facilities coming on board in 2010. This cost has been included in the overall operating costs of new facilities outlined in Section 3.

Other staff adjustments can be made during the year if related service delivery demand increases (i.e., development activity, recreation programs, etc.).

### 2.4 *Plan for Social Well Being of Surrey Residents*

The 2009 – 2013 Five-Year Financial Plan included programs supporting the Plan for the Social Well Being of Surrey Residents. The 2010-2014 Plan provides funding to allow for the following additional Social Well-being initiatives:

Inflationary and other increases to existing programs	68,000
Library literacy programs	<u>45,000</u>
<b>Total</b>	<b><u>\$113,000</u></b>

These proposed initiatives increase the Social Well Being Plan funding to \$1,285,000 per year, all of which has been added since the introduction of the Plan in 2006. An itemized list of the programs funded under this allocation is contained in **Appendix A**.

### 2.5 *Community Beautification*

In 2009, \$1,346,000 was appropriated to fund initiatives identified in the City Beautification Strategy which includes the on-going maintenance of over 13,000 street trees and 42,000 m<sup>2</sup> of street landscaped beds on medians, boulevards and frontage roads. The 2010-2014 Financial Plan includes the following additional funding for on-going maintenance of street landscaping, hanging baskets, decorative tubs and planters that were installed in 2009 on streets and in the vicinity of City facilities:

4,146 street trees/5,000 m <sup>2</sup> of flower beds	\$ 354,000
Hanging baskets, tubs and planters	<u>108,000</u>
<b>Total</b>	<b><u>\$462,000</u></b>

This brings the total annual operating budget for Community Beautification to \$1,808,000. In addition to this operating funding, the Capital Plan includes capital funding of \$250,000 per year for beautification. This is available from the Green City Fund, through the administration of the new Tree Preservation By-law and from building permit fee revenues. The draft Capital Plan also includes on-going general revenue funding of \$250,000 for capital initiatives identified in the City Beautification Strategy. As such, there is a total of \$500,000 of capital funding available for continued implementation of capital initiatives related to the City Beautification Strategy.

### 3.0 DISCUSSION OF GENERAL OPERATING

The current Five-Year (2009 – 2013) Financial Plan was adopted by Council in January 2009. Based on the recommendations in this report as well as the direction received through last year’s financial planning process, staff has developed a preliminary draft of the 2010 Five Year (2010 – 2014) Financial Plan based on the 2009-2013 Financial Plan, extending the same assumptions that were used in developing last year’s Plan to 2014.

#### 3.1 *New Funding Required in 2010*

##### CRIME REDUCTION (Section 2.1)

###### RCMP Police Services (Section 2.1.1)

• Annualization of 20 contract member positions added in Oct/09	\$1.800M
• Addition of 6 contract member positions effective Oct/10	0.180M
• Labour increases – 4.00% civilian staff only	0.691M
• Operating costs for a Community Safety Office in the urban core	0.043M
• Part year operating costs of addition to detachment (3mths)	0.030M
• Inflation and other 3 <sup>rd</sup> party contract increases	<u>2.662M</u>
	\$5.406M

###### Fire Services (Section 2.1.2)

• Labour increases (full year impact of current contract)	0.560M
• Inflation and other 3 <sup>rd</sup> party contract increases	<u>0.067M</u>
	\$0.627M

###### By-law Enforcement Services (Section 2.1.3)

• Labour increases – 4.0%	0.100M
• Inflation and other 3 <sup>rd</sup> party contract increases	<u>0.042M</u>
	\$0.142M

Sub Total \$6.175M

##### OTHER COUNCIL KEY STRATEGIES

• Sustainability Initiatives (Section 2.2)	\$0.150M
• Staffing Capacity (Section 2.3)	0.290M
• Social Well Being Plan (Section 2.4)	0.113M
• Community Beautification (Section 2.5)	<u>0.462M</u>

Sub Total \$1.015M

##### OPERATING COSTS RELATED TO NEW FACILITIES

• Addition to Newton Recreation Centre – opening Feb/10	0.421M
• Kensington Prairie School renovation – opening June/10	0.300M
• Fire Hall #10 Conversion Art space – opening Mar/10	0.033M
• Kwomais Point Park facilities – opening Jan/10	0.150M
• Chuck Bailey Recreation Facility – available Jan/10	<u>0.728M</u>

Sub Total \$1.632M

##### LABOUR, INFLATION AND OTHER 3<sup>RD</sup> PARTY CONTRACT INCREASES

• Labour increases – (4.0% net of RCMP, Fire, & Bylaw Services)	\$3.700M
• Other 3rd party contract increases (maintenance, software, etc)	<u>0.856M</u>

Sub Total \$4.556M

OTHER

• Reduction in development revenues due to market conditions	0.700M
• Provision for City wide inventory increases (parks/streetlights/roads)	0.754M
• Reduction in investment income due to lower interest rates	0.400M
• Increase to winter road maintenance program	0.300M
• Reduction in Provincial grants (\$161,000 Library, \$11,000 Arts)	0.172M
• Increased operating contribution to capital	0.100M
• Increase maintenance frequency for indoor pools	<u>0.100M</u>
Sub Total	<u>\$2.526M</u>

**Total Additional Funding Required** **\$15.904M**

**3.2 New Funding Available**

The following are projected revenue increases for 2010 as approved by Council as part of the 2009 Five-Year (2009-2013) Financial Planning process:

• Estimated property tax revenue related to new growth	\$3.700M
• Property tax increase (Equivalent to approx. \$50/yr for the average single-family dwelling and \$294/yr for a business with an assessed value of \$1.0 million, i.e., a building area of 8,000 sq. ft. on a 20,000 sq. ft. lot)	8.600M
• Across-the-board fee for service increases of 4% or equivalent	1.251M
• Budgeted realignment of salary benefits	1.191M
• New revenue generating initiatives	0.600M
• Reduction in Hydro and Terasen costs due to lower rates	0.300M
• Friday Night closure of library facilities due to Provincial grant reduction	0.161M
• Carbon Tax Rebates	<u>0.150M</u>

**Total Additional Funding Proposed** **\$15.953M**

**3.3 Summary of Proposed 2010 General Operating Financial Plan**

Total requirements over and above the Adopted 2009 Financial Plan:

• 2009 Budgeted Transfer from Surplus	\$ 4.077M
• Expenditure increases as outlined above	<u>15.904M</u>
	\$19.981M
<u>Less:</u>	
• Revenue increases as outlined above	<u>\$15.953M</u>

**Proposed 2010 Budgeted Transfer from Surplus** **\$ 4.028M**

The proposed 2010 General Operating budgeted expenditure increases are offset by additional revenue increases. This provides for a balanced budget for 2010 but relies on a budgeted transfer from surplus of \$4.028 Million, which is similar to the approved budgets of the last few years.

### **3.4 The Proposed 2010 Five Year (2011 – 2014) General Operating Financial Plan**

To complete the allocations for the remaining years of the 2010 – 2014 Five-Year General Operating Plan (i.e., 2011-2014), the following assumptions were used:

- Salaries are a major component of general operating expenditures. The current CUPE labour contract allows for a 4% increase in 2011. The Plan therefore includes a 4% general levy increase for 2011, and 2.9% for each of the remaining years of the Plan;
- Across the board fee increases in-line with labour costs;
- RCMP contract officer positions will be added to maintain the current ratio of officers to citizens based on projected growth;
- Civilian staff will be added for the RCMP to maintain the current ratio of civilian staff to members;
- One additional By-law Enforcement Officer per year;
- Eight additional positions for Fire Services in each of 2012 and 2013;
- Operating costs for new facilities identified in the Capital Plan;
- Allowances for labour contracts, inventory increases and inflation, and
- Continued use of surplus.

Based on the above assumptions, a draft 2010 Five-Year (2010 – 2014) General Operating Financial Plan has been developed and is attached as **Appendix B**.

The draft Plan includes 'Other Revenue' for the years 2011 and onwards. Although the revenue has not yet been specifically identified, it is likely that this will be accomplished through the following means:

1. Continued acceleration of business development that will increase property tax revenues related to growth;
2. Revenue from the Surrey City Development Corporation (SCDC) that will be generated from the sale or long-term lease of properties purchased and/or developed by the SCDC; and
3. Other City initiatives that generate new revenues.

Surrey property owners continue to pay some of the lowest property taxes in the Lower Mainland. A chart containing comparative property tax information for several Lower Mainland municipalities is attached as **Appendix C**.

### **4.0 SUMMARY**

Based on the above discussion, it is recommended that the Finance Committee recommend that Council:

- a) Approve the recommendations outlined in Section 3.0 of this report, and
- b) Direct Staff to prepare the 2010 Five-Year (2010 – 2014) Financial Plan incorporating these recommendations.

Murray Dinwoodie,  
City Manager

Vivienne Wilke, CGA  
General Manager,  
Finance & Technology

**APPENDIX A**

**2010 SOCIAL WELL BEING**

		<b>Description</b>				<b>Amount</b>
10205	<b>2010 Proposed Budget</b>					<u>\$ 1,285,000</u>
7055		Library Sunday Opening	191,000	on-going	SPL	
7059		Youth Librarian	87,000	on-going	SPL	
7059		Literacy Programs	92,000	on-going	SPL	
7059		Early Literary Coordinator	34,000	on-going	SPL	
7056		Multilingual Library Collection	31,000	on-going	SPL	
7056		Multilingual Service Librarian	18,000	on-going	SPL	
7057		Security Services - Various Library Locations	30,000	on-going	SPL	
7066		Community Outreach	7,000	on-going	SPL / PRC	
7067		Community School Partnership Coordinator	81,000	on-going	PRC	
7064		Youth Engagement Initiatives	89,000	on-going	PRC	
7072		Community School Partnership	63,000	on-going	PRC	
7061		Diversity Outreach Programs	57,000	on-going	PRC	
7069		Newton Programming Increases/Diversity Outreach Programs	55,000	on-going	PRC	
7068		Community Development/Outreach & Volunteer Programs	94,000	on-going	PRC	
7054		Late Night Recreation Program for Youth	45,000	on-going	PRC	
7060		After School Programming - Newton	33,000	on-going	PRC	
7062		Everyone Gets to Play - Newton & Guildford CLS	33,000	on-going	PRC	
7063		Multilingual Facility Attendant - Newton	23,000	on-going	PRC	
7065		Recreation Assistant to Support Youth Week	11,000	on-going	PRC	
7071		First Steps Program - Early Childhood Development	26,000	2008-2010	PRC	
7058		Social Planner	109,000	on-going	Plan	
7073		Newton Pre-School Program/Seniors	51,000	on-going	PRC	
7074		Pre-school Diversity Programs (North & South)	25,000	on-going	PRC	
<b>Recommended Allocations for 2010</b>						<u><u>\$ 1,285,000</u></u>



**APPENDIX C**

