

NO: F001

COUNCIL DATE: December 2, 2019

FINANCE COMMITTEE

TO: **Mayor & Council**

DATE: **November 14, 2019**

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

FILE: **1705-05**

SUBJECT: **2020 Five-Year (2020-2024) 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, Section 5.0 - New Funding Available and Section 8.0 - 2020 Roads & Traffic Safety Levy of this report; and
2. Direct staff to prepare the 2020 Five-Year (2020–2024) General Operating and Roads & Traffic Operating Financial Plan incorporating these recommendations and consistent with Appendix “I” and “II” of this report.

2.0 BACKGROUND

Five-Year (2019–2023) Financial Plan

Council approved the 2019 Five-Year (2019–2023) Financial Plan in December 2018, which included direction for the years 2019 to 2023. The proposed 2020 Five-Year (2020-2024) General Operating Financial Plan has been formulated based on direction from 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 2020 Five-Year (2020-2024) General Operating Financial Plan has been developed based on direction provided by Council, and incorporates these key drivers as follows:

1. Property Tax rate increases to be 2.9% for the residential class;
2. One-time Policing Transition and Capital Costs as per Policing Transition Report plus a conservative contingency of 15%;

3. New ongoing additional Policing Costs, starting in 2021, as per Policing Transition Report, drafted by Vancouver Police Department, publicly released in June, 2019, plus a conservative contingency of 10%;
4. New revenues outside of residential property tax increases; and
5. Elimination of RCMP Contract expenditures after Quarter 1 of 2021.

Furthermore, Council has identified several key priority areas for the City as discussed in the following sections. 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 2020 Five-Year (2020-2024) General Operating Financial Plan.

The delivery of 'Public Safety', is comprised of Policing (Policing Transition, Surrey Police Department ("SPD") and the RCMP contract), Fire Services and Bylaw Services. Each Public Safety Service is discussed in further detail in the following pages.

i) Policing

a) Policing Transition:

It includes two divisions - the Policing Transition Project Office and Support Services. Within the 2021 budget year, all policing services and employees will be integrated into the SPD. The Policing Transition Project Office is a temporary division responsible for establishing the SPD and Support Services team will continue to provide support to the SPD.

b) SPD:

In November 2018, Council voted unanimously to cancel the RCMP Contract and create its own city police department and served notice to the Province that it intended to establish its own city police. A Surrey Policing Transition Report for the transition to a new policing model was drafted for the City by the Vancouver Police Department and was made public in June 2019. In accordance with the report, the proposed 2020 Five-Year (2020-2024) General Operating Financial Plan includes \$84.4M in additional operating costs and \$45.2M in additional capital/one-time transition costs, including contingencies, for a total requirement of \$129.6M over the five-year period. The 2020 budget includes a contribution to SPD capital/one-time transition costs of \$25.2M.

c) RCMP Contract:

The 2019 adopted Financial Plan did not incorporate an increase of new police officers to the Surrey detachment. The current authorized RCMP complement is 843 members (inclusive of Surrey's 58 prorated share of members on the Integrated Services Team), and 302 civilian Support Services team (a division within Policing Transition). Given that the transition to an independent municipal police service has commenced, no further RCMP members will be added in the 2020 budget year. Future police member resource needs will be determined by the SPD for approval by the Surrey Police Board. The development of future financial plan processes will include the provisional budget presented to Council by the Police Board for review and approval.

Additional details on the financial requirements related to Policing for the proposed 2020 Five-Year (2020-2024) General Operating Financial Plan is provided in Section 4.0 of this report.

ii) Fire

A review of Surrey Fire Service's current staffing complement to serve the City's demands highlights the known pressures on the system. However, due to the priority in establishing the SPD and keeping tax increases to a minimum, current deployment strategies will enable a new funding request to be delayed for the upcoming year. Planning of future requests for growth in staffing is necessary for continued effective delivery of service.

Additional details on the financial requirements related to the Fire Services for the proposed 2020 Five-Year (2020-2024) General Operating Financial Plan are provided in Section 4.0 of this report.

iii) Bylaws

The Bylaw team works with communities across the City to achieve compliance with various bylaws to improve the quality of life for citizens and visitors 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. In 2019, the City introduced a new internal Parking Enforcement Team within the Bylaw Services Division. This work was previously undertaken by a private contractor that was mainly focused on enforcing Surrey's parking bylaws. The new team will focus primarily on compliance to ensure that motorists are aware of the City's parking regulations. This team will also deal with other bylaw infractions as required, creating greater efficiencies within the Division. In 2020, the Bylaw Services Division will expand the City's current adjudication process beyond dealing solely with parking infractions. This will provide a simple, fair, and cost-effective system for dealing with minor infractions across the spectrum of Surrey's bylaws.

Additional details on the financial requirements related to the Bylaws for the proposed 2020 Five-Year (2020-2024) General Operating Financial Plan are provided in Section 4.0 of this report.

3.2 Corporate Staffing Capacity and Operating Costs (Non-Public Safety)

The proposed 2020 Five-Year (2020-2024) General Operating Financial Plan incorporates funding for staffing and operating costs directly related to new Parks, Recreation & Culture and Library facilities in 2020. These new staffing and operating costs are, in part, offset by revenues generated by the respective programs and facilities.

Outside of staffing related to new City facilities, there will be no additional staffing increases across the board for 2020, similar to 2019. Although, current staff deployment can accommodate growth and minimize service level impact, it is noted that this is not a long term sustainable strategy. The impact of the aforementioned changes related to the proposed 2020 Five-Year (2020-2024) General Operating Financial Plan are provided in Section 4.0 of this report.

Further staffing adjustments may be made during the course of 2020 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) Policing

Policing Transition:

Labour costs associated with support services and Policing Transition Project Office	\$0.68M	
Operating costs associated with civilian police services support staff	<u>0.02M</u>	
Total Policing Transition Requirements		\$0.70M

SPD:

Contribution to SPD Capital/One-time Transition Costs	<u>\$25.20M</u>	
Total SPD Requirements		\$25.20M

RCMP Contract:

Provision for a 2.5% member salary increase effective Jan 1, 2020 (as required by the Federal Gov't)[1]	\$1.53M	
Mandatory increased funding for RCMP Division Administration Operations and Maintenance cost increases	0.22M	
Increase funding for Integrated Teams	0.58M	
Other RCMP contract changes	<u>0.44M</u>	
Total RCMP Contract Funding Requirements		\$3.08M
Total Policing Funding Requirements		\$28.98M

ii) Fire

Labour increases (IAFF contract expires at the end of 2019)	\$0.00M	
Operating and other cost increases	<u>0.12M</u>	
Total Fire Service Funding Requirements		\$0.12M

iii) Bylaws

Labour increases – New Parking Enforcement Team	\$0.77M	
Reduction in Operating costs due to elimination of Parking contract	(0.80)M	
Operating and other cost increases	<u>0.07M</u>	
Total Bylaws Funding Requirements		\$0.04M

Total Additional Public Safety Funding Required for 2020	\$29.14M
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[1] May be reduced if transition to SPD starts earlier than currently scheduled

Other Corporate Funding Requirements:

Labour increases, excluding Public Safety and new facilities	\$2.81M
Labour and operating costs associated with new facilities	3.61M
Operating and other cost increases	1.05M
Ethics Commissioner's Office	0.20M
Reduction in Interest of Prepaid Taxes	(0.50)M
Other changes to transfers to/from capital and operating sources	(1.41)M

Total Additional Corporate Funding Required for 2020	\$5.76M
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Total Required Public Safety & Corporate Funding for 2020	\$34.90M
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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 2020:

Property tax revenue due to anticipated tax rate (2.9%) increase	\$10.59M
Non-Residential Property tax revenues over 2.9% tax rate	5.20M
Property tax revenue due to anticipated growth	3.33M
Net departmental revenue increases and other revenue changes	1.07M
Revenues due to fee rate increases over 2.9%	2.80M
Secondary suite revenue increases due to growth and rate increases	3.10M
Additional revenues from new facilities	<u>0.21M</u>

Total Funding Available for 2020	\$26.30M
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6.0 SUMMARY OF PROPOSED 2020 GENERAL OPERATING FINANCIAL PLAN

Funding Requirements Outlined Above	\$34.90M
Less Available Funding	<u>26.30M</u>
Net Difference	\$8.60M
Utilization of Internal Borrowing (if necessary)	<u>8.60M</u>

Surplus/(Deficit)	nil
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The proposed 2020 General Operating Financial Plan represents a balanced budget.

7.0 ASSUMPTIONS APPLIED FOR THE 2020 GENERAL OPERATING FINANCIAL PLAN

The proposed 2020 General Operating Financial Plan has been drafted by applying the following assumptions:

1. A 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. General Fee increases netting 2.9% of additional revenue;

3. Fee and rate increases over 2.9% to fund SPD Capital/One time requirements; and
4. Property tax increase for Class 2 Utilities to \$39.80 per \$1,000 assessment and for Class 4 Major Industry to \$24.00 per \$1,000 assessment; and Class 6 Business property tax increase to 5.5% (2.9% increase+ 2.6%).

8.0 2020 ROADS & TRAFFIC SAFETY LEVY

A Roads & 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.

As reflected in Appendix "II", there has been no proposed increase to the Roads & Traffic Safety Levy for the years 2020-2024, staff will reassess the sustainability and impact of this as part of the 2021 budgeting process.

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, Section 5-New Funding Available and Section 8.0 – 2020 Roads & Traffic Safety Levy and generally outlined in this report; and
2. Direct staff to prepare the 2020 Five-Year (2020-2024) General Operating and Roads & Traffic Operating 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 2020-2024 Financial Plan – General Operating
Appendix "II": Proposed 2020-2024 Financial Plan – Roads & Traffic Operating

2020 - 2024 FINANCIAL PLAN
GENERAL OPERATING - FINANCIAL SUMMARY

(in thousands)

REVENUE SUMMARY	2020 BUDGET	2021 PLAN	2022 PLAN	2023 PLAN	2024 PLAN
Taxation	\$386,491	\$ 401,357	\$ 416,806	\$ 432,863	\$ 449,551
Sale of Goods and Services					
Departmental Fees & Charges	47,984	49,736	51,196	52,700	54,244
Secondary Suite Infrastructure Fees	22,187	23,050	23,948	24,881	25,850
Other Corporate Fees & Charges	3,109	2,873	2,638	2,403	2,168
Sale of Goods and Services	73,280	75,659	77,782	79,984	82,262
Investment Income	16,488	16,412	16,439	16,512	16,589
Transfers from Other Governments					
Departmental Government Transfers	8,120	8,031	7,942	7,953	7,965
Corporate Government Transfers	6,455	6,549	6,570	6,664	6,685
Transfers from Other Governments	14,575	14,580	14,512	14,617	14,650
Other Revenues					
Departmental Other Revenues	34,367	35,297	36,255	37,239	38,251
Corporate Other Revenues	15,338	15,399	15,461	15,523	15,586
Other Revenues	49,705	50,696	51,716	52,762	53,837
TOTAL REVENUE	\$540,539	\$558,704	\$577,255	\$596,738	\$616,889
EXPENDITURE SUMMARY					
Departmental Expenditures	\$469,606	\$ 500,143	\$ 517,669	\$ 527,163	\$ 539,618
General Government - Council Initiatives	260	260	260	260	260
Fiscal Services & Debt Interest	8,353	9,008	9,663	11,065	12,518
Municipal Debt Principal	4,692	4,682	5,243	5,495	5,832
TOTAL EXPENDITURES	\$482,911	\$514,093	\$532,835	\$543,983	\$558,228
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	63,831	51,555	48,632	53,963	57,902
Transfers To/(From) Operating Sources	(6,203)	(6,944)	(4,212)	(1,208)	759
TOTAL TRANSFERS	\$ 57,628	\$ 44,611	\$ 44,420	\$ 52,755	\$ 58,661
NET GENERAL OPERATING	\$ -	\$ -	\$ -	\$ -	\$ -

2020 - 2024 FINANCIAL PLAN
GENERAL OPERATING - REVENUE SUMMARY

(in thousands)

REVENUE SUMMARY	2020 BUDGET	2021 PLAN	2022 PLAN	2023 PLAN	2024 PLAN
<i>CORPORATE REVENUES</i>					
Base Levy	\$332,787	\$ 351,806	\$ 366,381	\$ 381,537	\$ 397,297
Assessment Growth (City's Portion)	3,328	3,518	3,664	3,815	3,973
Property Tax Rate Increase	15,791	11,157	11,592	12,045	12,515
Provision for Adjustments	(100)	(100)	(100)	(100)	(100)
	351,806	366,381	381,537	397,297	413,685
Grants in Lieu	17,608	17,728	17,849	17,972	18,096
Capital Parcel Tax	17,077	17,248	17,420	17,594	17,770
Taxation	386,491	401,357	416,806	432,863	449,551
Secondary Suite Infrastructure Fee	22,187	23,050	23,948	24,881	25,850
Other Corporate Fees & Charges	3,109	2,873	2,638	2,403	2,168
Corporate Sale of Goods and Services	25,296	25,923	26,586	27,284	28,018
Corporate Investment Income	16,488	16,412	16,439	16,512	16,589
Provincial Casino Revenue Sharing	4,200	4,221	4,242	4,263	4,284
Carbon Tax Rebates	650	650	650	650	650
Other Corporate Government Transfers	1,605	1,678	1,678	1,751	1,751
Corporate Government Transfers	6,455	6,549	6,570	6,664	6,685
SCDC Dividends	4,500	4,500	4,500	4,500	4,500
Corporate Lease Revenue	7,198	7,259	7,321	7,383	7,446
Penalties & Interest	3,640	3,640	3,640	3,640	3,640
Corporate Other Revenues	15,338	15,399	15,461	15,523	15,586
Total Corporate Revenues	450,068	465,640	481,862	498,846	516,429
<i>DEPARTMENTAL REVENUES</i>					
<i>General Government</i>					
City Manager's Department	2	2	2	2	2
Corporate Services	2	2	2	2	2
Finance	1,470	1,507	1,545	1,584	1,624
	1,474	1,511	1,549	1,588	1,628
<i>Public Safety</i>					
Bylaws	9,668	9,948	10,237	10,534	10,839
Fire	2,347	2,414	2,483	2,554	2,627
Policing	8,170	8,117	8,064	8,113	8,164
	20,185	20,479	20,784	21,201	21,630
<i>Other</i>					
Engineering Services	8,190	8,459	8,735	9,020	9,311
Parks, Recreation & Culture	34,585	35,870	36,852	37,859	38,895
Planning & Development	24,416	25,124	25,852	26,603	27,375
Surrey Public Library	1,621	1,621	1,621	1,621	1,621
	68,812	71,074	73,060	75,103	77,202
Total Departmental Revenues	90,471	93,064	95,393	97,892	100,460
TOTAL REVENUE	\$540,539	\$558,704	\$577,255	\$596,738	\$616,889

Appendix "I – 3"

2020 - 2024 FINANCIAL PLAN GENERAL OPERATING - EXPENDITURE AND TRANSFERS SUMMARY

(in thousands)

EXPENDITURE SUMMARY	2020 BUDGET	2021 PLAN	2022 PLAN	2023 PLAN	2024 PLAN
<i>General Government</i>					
Mayor, Council & Grants	\$ 3,599	\$ 3,650	\$ 3,703	\$ 3,757	\$ 3,812
City Manager's Department	1,420	1,467	1,515	1,565	1,617
Corporate Services	31,551	32,293	33,956	33,844	34,597
Finance	13,662	14,076	14,498	14,927	15,288
Investments & Intergov. Relations	1,608	1,654	1,702	1,752	1,803
	51,840	53,140	55,374	55,845	57,117
<i>Public Safety</i>					
Bylaws	8,727	9,009	9,295	9,584	9,891
Fire	66,134	66,339	66,544	66,749	66,954
Policing	33,184	152,517	205,564	211,513	217,564
RCMP Contract	141,907	43,246	-	-	-
Policing Operating Contingency	-	1,900	1,900	-	-
	249,952	273,011	283,303	287,846	294,409
<i>Other</i>					
Engineering Services	8,112	8,421	8,736	9,058	9,386
Parks, Recreation & Culture	106,059	110,194	113,730	116,709	119,792
Planning & Development	32,055	32,707	33,380	34,072	34,785
Surrey Public Library	20,262	21,344	21,820	22,307	22,803
General Operating Contingency	1,326	1,326	1,326	1,326	1,326
	167,814	173,992	178,992	183,472	188,092
Departmental Expenditures	469,606	500,143	517,669	527,163	539,618
Council Initiative Fund	260	260	260	260	260
Fiscal Charges	153	157	162	167	172
Interest Paid on Prepaid Taxes	102	103	104	105	106
External Borrowing	8,098	8,748	9,397	10,793	12,240
Fiscal Services & Debt Interest	8,353	9,008	9,663	11,065	12,518
Municipal Debt Principal	4,692	4,682	5,243	5,495	5,832
TOTAL EXPENDITURE	\$482,911	\$514,093	\$532,835	\$543,983	\$558,228
TRANSFERS SUMMARY					
General Capital Contribution	13,443	9,244	7,978	9,190	10,312
SPD Capital/One-Time Contribution	25,200	19,600	400	-	-
SCDC Dividends Contribution	4,500	4,500	4,500	4,500	4,500
Provincial Casino Revenue Sharing	4,200	4,221	4,242	4,263	4,284
Tree Replacement Contribution	2,750	2,500	2,250	2,000	1,750
Internal Borrowing	3,385	1,049	19,721	23,496	26,542
Other Transfers To/(From) Capital	10,353	10,441	9,541	10,514	10,514
Transfers To/(From) Capital Sources	63,831	51,555	48,632	53,963	57,902
Roads & Traffic Safety Contribution	12,922	10,635	9,370	8,581	7,723
Carbon Emission Offsets	650	650	650	650	650
Other Transfers To/(From) Operating	(19,775)	(18,229)	(14,232)	(10,439)	(7,614)
Transfers To/(From) Operating Sources	(6,203)	(6,944)	(4,212)	(1,208)	759
TOTAL TRANSFERS	\$ 57,628	\$ 44,611	\$ 44,420	\$ 52,755	\$ 58,661

Appendix "II"

2020 - 2024 FINANCIAL PLAN ROADS & TRAFFIC - FINANCIAL SUMMARY *(in thousands)*

REVENUE SUMMARY	2020 BUDGET	2021 PLAN	2022 PLAN	2023 PLAN	2024 PLAN
Roads & Traffic Safety Levy	\$ 29,105	\$ 29,396	\$ 29,690	\$ 29,987	\$ 30,287
Grants in Lieu	910	919	928	937	946
Special Assessment	222	236	250	256	272
Taxation	30,237	30,551	30,868	31,180	31,505
Sale of Goods and Services	929	955	982	1,010	1,039
Developer Contributions	494	504	514	524	534
Transfers from Other Governments	506	516	526	537	548
Other Revenue	354	362	370	378	386
TOTAL REVENUE	\$ 32,520	\$ 32,888	\$ 33,260	\$ 33,629	\$ 34,012
EXPENDITURE SUMMARY					
Operational Expenditures	\$ 30,795	\$ 31,259	\$ 31,879	\$ 32,513	\$ 33,159
TOTAL EXPENDITURE	\$ 30,795	\$ 31,259	\$ 31,879	\$ 32,513	\$ 33,159
TRANSFERS SUMMARY					
Transfers To/(From) Capital Sources	\$ 16,331	\$ 12,666	\$ 11,360	\$ 10,549	\$ 10,349
Transfers To/(From) Operating Sources	(14,606)	(11,037)	(9,979)	(9,433)	(9,496)
TOTAL TRANSFERS	\$ 1,725	\$ 1,629	\$ 1,381	\$ 1,116	\$ 853
NET ROADS & TRAFFIC	\$ -	\$ -	\$ -	\$ -	\$ -