
TO: ACTING CITY MANAGER **DATE:** 2021 June 09
FROM: DIRECTOR FINANCE **FILE:** 6500-02
SUBJECT: **2022 – 2026 FINANCIAL PLAN CONSIDERATIONS AND PROCESS**
PURPOSE: To provide Council with information on the 2022 – 2026 Financial Plan considerations and process changes.

RECOMMENDATION:

1. **THAT** Council receive this report for information.

REPORT**1.0 INTRODUCTION**

In accordance with the Local Government Act and the Community Charter, the City of Burnaby is required to annually adopt a Five Year Financial Plan. The Financial Plan includes a budget for revenues, expenditures, capital projects and transfers to/from reserves and reserve funds. The Financial Plan aligns City priorities with its goals, and outlines the financial resources required to support the overall vision, values and service delivery requirements of the City.

The current Financial Plan covers the years 2021 – 2025 and was formally approved at the 2021 May 10 Council Meeting. The operating and capital expenditures proposed in this plan for 2021 totals \$829,436,500, which includes a 2.95% increase to property taxes, and no increase to the waterworks utility or sanitary sewer fund rates.

This report provides an overview of the 2022 – 2026 Financial Plan process, and highlights the significant financial and economic considerations to be made in the compilation of this plan.

2.0 POLICY SECTION**Goal**

- A Thriving Organization
 - Financial viability – maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets
 - Communication – practice open and transparent communication among staff, Council and the community

3.0 FINANCIAL PLAN CONSIDERATIONS

Development of the Financial Plan each year is subject to or influenced by a number of factors. The 2022 – 2026 Financial Plan will be impacted by the following:

Corporate Strategic Plan

Burnaby’s Corporate Strategic Plan establishes the goals that guide staff in their development of the Financial Plan. Namely, planning for the provision of facilities and services that support a safe, connected, inclusive, healthy, and dynamic community as well as a thriving organization.

Legislative

The Community Charter requires municipalities to annually adopt a Five Year Financial Plan. Although legislation does not outline a specific process by which the Financial Plan is created, the process is impacted by the following key sections of the Community Charter:

- Section 165(1) states that a “municipality must have a financial plan that is adopted annually, by bylaw, before the annual property tax bylaw is adopted.” Annual property tax rate bylaws must be adopted before May 15 each year.
- Section 165(5) states that the “total of the proposed expenditures and transfers to other funds for a year must not exceed the total of the proposed funding sources and transfers from other funds for the year.” As such, the City must have a Five Year Financial Plan that is balanced, where expenditures cannot exceed revenues sources.
- Section 166 states that a “council must undertake a process of public consultation regarding the proposed financial plan before it is adopted.” As such, the City’s timeline for developing the Five Year Financial Plan must include a process for public engagement.

Capital Asset Management

The City of Burnaby operates and maintains a robust network of water and sewage infrastructure, roadways, parks, civic facilities, and other civic infrastructure. When compiling the Five Year Capital Plan, staff ensure an integrated asset management approach is taken, which considers planning, growth/demand assessments, asset life cycle and risk analysis. The Capital Plan includes asset replacement programs and the City’s plan for new capital investments. For the development of major amenities, the City will utilize funding generated from the Community Benefit Bonus program.

Climate

Following the declaration of a climate emergency by Council in 2019 September, the City has commenced with moving forward to carbon neutrality by 2040 in accordance with its City Energy Strategy. This target, in combination with the community-wide carbon neutrality target of 2050, will guide the projects and programs that need to be incorporated in the Financial Plan. Recently, the City approved an internal carbon pricing policy to help guide capital decision making in its highest-emitting areas, facilities, vehicles, and equipment.

Economic

The current economic outlook remains uncertain as the pandemic continues to disrupt the global economy. Governments continue to have measures in place to support the economy including low interest rates and grant programs to individuals and corporations. In recent months, the global economy has shown signs of recovery; however, we are now seeing higher rates of inflation and significant supply chain issues on key goods and materials.

Similar to the global economy, the municipal climate faces the same pressures and uncertainty. Provincial health restrictions have heavily impacted services and programming in areas such as Recreation and Cultural services, which has resulted in significant financial pressures. Senior government support in the form of grant applications that support investment in local government capital infrastructure and community services are available for municipalities and will be sought where possible. These government grants ensure key infrastructure is maintained along with the potential of job creation in an effort to restart the economy. However, as mentioned above, inflation and supply chain issues have the potential to delay municipal capital investments and create financial capacity issues. In addition, construction cost escalations that were prominent in 2020 have continued into 2021.

Although the City is entering the next financial planning cycle with strong reserves, the combination of inflation and other financial uncertainties will be considered as the 2022 – 2026 Financial Plan is compiled.

4.0 CHANGES TO THE FINANCIAL PLANNING PROCESS

Burnaby’s financial planning process includes the preparation of detailed operating estimates for each of the City’s departments and their capital plan requirements. Historically, these estimates have been compiled as part of a multi-stage planning process resulting in the creation of a Provisional Financial Plan in February, followed by the finalized Financial Plan in May. While there is no legislation that stipulates the process by which the City produces its Financial Plan, the Five Year Financial Plan Bylaw must be approved by Council prior to the May 15 deadline.

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On 2021 April 15, Council authorized the transition to a Financial Plan process involving a single stage planning process. The new process changes the deliverables by eliminating the creation of a Provisional Financial Plan. The final and only Financial Plan document will be produced in a timely manner and available for adoption by Council early in the new year. This change will allow the City to adhere to best practices followed by other local governments in the region, saving resources and accelerating the delivery of the Financial Plan.

With the transition to a single stage planning process, the public consultation process will be shifted to November of the current year as opposed to March of the budget year. Additional steps will also be taken to improve the clarity of the financial information through a new summarized view that will be available for public consultation. The new summarized view will focus on key operating plan impacts and major capital projects that are responsible for any change in the property tax rates. Public comments will be shared with Council prior to the adoption of the 2022 – 2026 Financial Plan in the new year.

Please refer to Attachment 1, *2022 – 2026 Financial Plan Summarized Timeline*, which highlights key steps in the new Financial Plan process.

5.0 RECOMMENDATION

It is recommended that Council receive this report as information for the purpose of providing insight on financial planning considerations, and understanding into Burnaby’s financial planning process, in anticipation of commencing the 2022 – 2026 financial planning cycle.



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DIRECTOR FINANCE

NK:RG:GM/md:dg

Attachment 1: 2022 – 2026 Financial Plan Summarized Timeline

2022 – 2026 Financial Plan Summarized Timeline

August - September	<ul style="list-style-type: none">• Compilation of 2022 - 2026 Operating Budgets and Capital Plan.
October	<ul style="list-style-type: none">• Council review of draft 2022 - 2026 Operating Budget and Capital Plan.
November	<ul style="list-style-type: none">• 2022 - 2026 Consolidated Financial Plan available for public comment.
December	<ul style="list-style-type: none">• City Council approve 2022 Waterworks Utility Rate and Sewer Sewer Fund Rate Bylaw Reports.
February	<ul style="list-style-type: none">• City Council adopts 2022 - 2026 Financial Plan.