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December 21, 2021

**CITY OF SURREY BUDGET 2022 & FIVE-YEAR FINANCIAL PLAN
SURREY BOARD OF TRADE PERSPECTIVES**

The Surrey Board of Trade is an independent not-for-profit city building business organization that supports business and attracts business to Surrey through a diversified service portfolio of government advocacy, international trade, workforce development, business development, cost-saving benefits and business connections. The Surrey Board of Trade has over 6,000 member business contacts and over 60,000 employee contacts.

Why is the City Budget important to Surrey's business organization?

1. To ensure that investments for Surrey's business community are created for our local economy - for today and for the future. The Surrey Board of Trade wants a **safe city**, an **affordable city**, a **vibrant city**, an **interconnected and inclusive city**, and a **city that fosters innovation**.
2. The Surrey Board of Trade is mandated to review and make recommendations on government budgets to instigate change and ideas to better our economy to ensure businesses thrive in an environment where they and their employees can live, learn, work and play. The Surrey Board of Trade monitors public sector spending to maximize productivity in the economy and encourage growth in the private sector.
3. The Surrey Board of Trade is a visible organization responsible for advocating on behalf of the views of our membership. The Surrey Board of Trade is a partner in building Surrey into an Opportunity City.
4. The City Budget is important to the Surrey Board of Trade to ensure Surrey's tax rates encourage business growth/retention and infrastructure investments.
5. The Surrey Board of Trade understands and works on meeting the aspirations of Surrey in the face of significant internal and external pressures. We want the City of Surrey to continue to have a sustainable financial framework for municipal services and city building investments involving both revenue and expense measures.

Overview

Surrey has 3 major sources of revenue, the most significant of which is property taxes (residential, major industry, light industry, and business). Property taxes are one of the most important sources of revenue for the City of Surrey and fund many services and programs essential for residents and businesses.

The availability of locally based employment opportunities provides social benefits by creating more complete communities where residents can spend less time commuting and more time with their families, and participate in their communities. It also reduces the environmental impacts of commuting. The ratio of jobs to workers is a measure of how well the city is doing in expanding and diversifying local employment opportunities.

2022 & Five-Year Financial Plan Review

Over 100,000 new residents are expected to be in Surrey by 2026. Investment in Surrey's growth and the type of new infrastructure required that needs to be in place to support existing and future citizens and businesses so that they can live, learn, work and play in Surrey must be a priority for the City of Surrey. Innovative, efficient transportation to get around in Surrey is also integral to ensure Surrey is the leading edge, world class, business hub that we want it to be.

Perspectives

Building on previous Surrey Board of Trade City Budget reviews, the foundations of our presentation are the following questions: what do we want as a business community, and; what do we want as a city? Our perspectives related to investments are in the areas of: transparency; transportation; agriculture; environment; tourism/arts/culture; taxation (red tape reduction); social policy issues (public safety, homelessness, equity); land use and development; youth; and, economic development.

The Surrey Board of Trade has found three sources of independent financial information for cities in order to understand Surrey's financial matters.

(1) Local Statistics - Government of BC. This web-portal has several very helpful statistics on BC cities & municipalities based on the individual entity financial reporting, covering a very broad range of financial measurers.

(2) Canadian Federation of Independent Business. It publishes a few reports each year that compare BC cities, segmented by various population sizes covering property taxation, tax ratios and the relationship between the city's annual operating costs increases against the population and inflation rates.

(3) CD Howe Institute. It publishes reports on Canada's big cities, covering the soundness of the disclosure of financial affairs. Surrey has always scored very high on its several recent reports. Surrey scored an A+ on the last report.

TRANSPARENCY

1. Public input lacking

It is stated on the City of Surrey's website and promotion that public input is an important component in the financial planning process for the City. To provide feedback regarding the 5-Year Financial Plan, and more specifically the Draft City of Surrey Five Year (2022-2026) Financial Plans (General Operating, Capital & Utilities), the Surrey Board of Trade suggests a longer time period for the public to review documents. Information released four days before public input is a challenge to businesses and residents alike. Further the Surrey Board of Trade asks Mayor and Council to enhance their mechanisms to encourage public input. Another suggestion is to have public input available (for in-person presentations) later in the evening of the applicable Council meeting. In previous years, comments from the public have been accepted after the initial Council meeting where the budget documents are presented. This year, the comments are due December 21, 4:30 pm with an opportunity to speak at the Finance Committee meeting where the budget will be presented on Wednesday, December 22 at 11:00 am.

This year's timeline is unacceptable and warrants a full investigation as to why this process and timeline were implemented. Further, public input has been drastically limited compared to previous years. The written documents are not articulated or referenced or considered in this process.

Committee meetings are also lacking public input. Many individuals are unable to find representation in committees and therefore have their voices excluded. Actions are seldom followed up on and implemented.

2. Surrey needs to appoint an Auditor General

An Auditor General, reporting to Council, independent from management, reports on how well the City manages its revenues, expenses and capital investments from the perspective of economy, efficiency and effectiveness of City activities. Bottom line: Did the taxpayers receive good value for the money spent?

The City of Vancouver appointed its first Auditor General in August 2021, following a task force process. The City of Vancouver joins the cities of Edmonton (established in 1977), Calgary, Toronto, Montreal (1978) and Halifax (2009) with having an Auditor General (or City Auditor) role. In the case of Montreal, the Province of Quebec passed provincial legislation which mandated all cities in the province with populations over 100,000 to have an Auditor General. From the City of Toronto's Auditor General website: "The Auditor General is responsible for assisting City Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in City operations."

As set out in the 2021 five-year budget in June 2021, the City is planning to earn revenues of \$6.7 Billion over those five years and to spend \$2.6 Billion on new and renovated investments in capital items – roads, water and sewer works, parks, soccer fields, arts and culture facilities. The table below sets out the five-year history of its revenues and capital items to 2016, and to 2020, and the potential forecast to 2030 to estimated 10 years of revenues and capital expenditures.

Consolidated (\$Billions)	Revenues - \$Billions	Capex - \$Billions	Revenue % Change over Prior 5 years
Actual - Five years - 2011 to 2016	\$ 3.9	\$ 1.9	
Actual - Five years - 2016 to 2020	\$ 5.3	\$ 2.1	36%
Plan - Five years - 2021 to 2025	\$ 6.7	\$ 2.6	23%
Five years - 2026 to 2030 - add 20%	\$ 8.0	\$ 3.1	20%
Ten year Estimated Revenues and Capex	\$ 14.7	\$ 5.7	

Between its revenues and CapEx, it is estimated the City is embarking on financial transactions in excess of \$20 Billion over the ten years ending in 2030.

Council, residents and business taxpayers require independent information on how the City manages its revenues, CapEx and its associated risks.

3. Rethink the quarterly disclosure of its executive summary financials

We have pointed out in previous letters that Surrey is unique in Canada to disclose its forecast financial results of its general operating fund on a quarterly basis. The City of Vancouver is also unique in this manner.

Usually, the second quarter financial reporting to June 30 includes management's forecast result to the end of the year of the general operating fund, compared to the related annual budget, with a disclosure of the Projected variance. Due to the pandemic in Q2, 2020, management disclosed its forecast of 2020 annual results for its first quarter report. It disclosed a best estimated forecast annual loss of \$40 Million on revenues of \$480 Million against the disclosed Annual Plan of \$Nil Million on revenues of \$540 Million. The City's second quarter reported forecast annual surplus of \$Nil Million on revenues of \$500 Million. The third quarter annual forecast annual surplus became \$461,000 on revenues of \$518 Million.

Those quarterly forecast values are found at the bottom of the fourth column – described as Surplus (Deficit).

As we all recall, Councillors and interested followers of financial affairs were extremely relieved when the 2020 3rd quarter executive summary report YTD (September 30th), disclosed a 2020 forecast annual surplus of \$461,000 on revenues of \$518 Million.

On closer examination, the 2020 Executive Summary Q3 forecast annual surplus - \$461,000 did not reflect what was happening. See table below.

First – the big picture: The City's annual 2020 audited financial statements includes Note 20 – Segmented Information which sets out the revenues and expense by program [15 columns]. For the year ended December 31, 2020, the City reported an Excess of Revenues (Annual surplus) over expenses of \$272 Million.

We summarized seven City programs set out in Note 20 that we understand form part of the general operating quarterly financial reporting disclosure: police, fire, parks and recreation, general government, planning and development, engineering, and public library. The summary reflected revenues of \$630 Million, an excess of revenues over expenditures of \$156 Million and an annual surplus, after transfers of \$16 Million, of \$140 Million.

2022 & Five-Year Financial Plan Review

The difference in the reported consolidated annual surplus and revenues in Note 20 set out in the above two paragraphs represents the financial results of the seven other City programs – roads and traffic safety, water, sewer, drainage, City energy and parking); the seven programs represented revenues \$422 Million, an excess of revenue over expenses of \$116 Million, and an annual surplus of \$132 Million, after transfers.

The City's annual financial statements include, in the supplementary (unaudited) financial information, a second financial summary review of programs - Schedule 3. It also reports the 2020 annual surplus of \$272 Million on revenues of \$1,052 Million. Looking only at the general operating and library programs, these two programs show a 2020 annual surplus of \$116 Million on revenues of \$547 Million.

This difference between the two financial reports set out above represents the City organizing its financial numbers in a different view. The 'totals' are the same.

Main Observation: there was a material difference between the annual surplus value in the audited financial statement - \$116 Million for the seven City Programs (General Operating) tracked in the Quarterly report and and the 2020 Q3 Executive Summary Report forecast annual surplus of \$461,000.

We set out below a deeper understanding of the components of the City's quarterly financial report, looking solely on the Forecast Annual Results in the Executive Summary.

The Executive Summary sets out 'Total Revenues, Total Expenses, and Corporate Transfers. It does not include the normal reporting line found in most financial statements – excess (deficit) of revenues over Expenditures, before the Transfers.

The City's format includes three corporate transfers before the bottom line – surplus (deficit). Transfers of monies to: (i) capital sources (to fund current and future capital expenditures), (ii) operating sources – reserve types, and (iii) an item labelled – transfer to /from surplus.

This third "transfer account" is not a general ledger account. When one reviews the annual audited financial statement (Note 20; or supplementary), there is such 'transfer account'.

In our view, the values in this transfer account represent the extra operating surplus excluded from the quarterly reported bottom line – annual surplus.

The biggest difference between the Executive Summary quarterly forecast annual surpluses and the actual audited 12-month values is the value 'set aside' in the corporate transfer to the surplus'.

The table below adds back to the reported 'bottom line forecast annual surplus (deficit)' – the transfer to surplus values. This shows a very different forecast annual surplus. The Q1 2020 forecast loss of \$40 Million becomes a forecast surplus of \$17 Million. The Q3 2021 annual surplus of \$8 Million becomes a forecast surplus of \$95 Million.

2022 & Five-Year Financial Plan Review

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	FY2020 - First Covid Year			FY 2021 - Second Covid Year		
	Q1	Q2	Q3	Q1	Q2	Q3
Bottom Line Surplus reported to Council - Forecast Annual Surplus:	-\$ 40	\$ -	\$ 0.5	\$ -	\$ 3	\$ 8
Included the following:						
Transfer to Surplus	\$ 57	\$ 43	\$ 62	\$ 73	\$ 73	\$ 87
Other Transfers - to Capital Accounts and Reserve Accounts	-\$ 3	-\$ 6	-\$ 3	-\$ 12	-\$ 7	-\$ 4
	\$ 54	\$ 36	\$ 36	\$ 61	\$ 66	\$ 83
Restated Q FY Forecast and Actual FY Annual Surplus Results	\$ 17.0	\$ 43.0	\$ 62.5	\$ 73.0	\$ 76.0	\$ 95.0
by Adding back the "Transfer to Surplus						

There will always be financial transactions that occur in the City's fourth quarter that are not known at September 30th. For example, in the case of 2020 Q4, the City received a \$15 Million grant in November 2020 from the Province – Covid-19 Safe Restart, that would result in increasing the annual 2020 surplus by the same amount.

Another view of 2021 Q3 Executive Summary – Revenue & Expenditures – Appendix "I"
Reported as "\$000"

City of Surrey - 2021 Q3 Financial Summary - Appendix "I"

REVENUE SUMMARY	2021: 3rd Qtr YTD Actual	2021 YTD BUDGET	2021: 3rd Qtr YTD Variance	2021 ANNUAL FORECAST	2021 ANNUAL BUDGET	2021 Projected Variance
TOTAL REVENUES	434,037	432,916	1,121	572,756	574,028	(1,272)
TOTAL EXPENDITURES	329,940	370,700	40,759	481,260	514,462	33,203

Excess of Revenues over Expenditures **104,097** **62,216** **91,496** **59,566**

CORPORATE TRANSFER SUMMARY	2021: 3rd Qtr YTD Actual	2021 YTD BUDGET	2021: 3rd Qtr YTD Variance	2021 ANNUAL FORECAST	2021 ANNUAL BUDGET	2021 Projected Variance
Transfer to /(from) Operating Sources	(10,207)	(9,661)	546	(13,429)	(13,215)	214
Transfer to /(from) Capital Sources	8,954	893	(8,061)	9,254	1,193	(8,061)
Transfer to /(from) Surplus	57,516	54,930	(2,586)	87,442	71,588	(15,854)
TOTAL TRANSFERS	56,263	46,162	(10,101)	83,267	59,566	(23,701)
Surplus (Deficit)	47,834	16,055	31,779	8,230	-	8,230
Trsf (To)/From Unapprop Surplus	(47,834)	(16,055)	(31,779)	(8,230)	-	(8,230)
BALANCED BUDGET	-	-	-	-	-	-

ANTICIPATED SURPLUS (DEFICIT) AT YEAR END \$ 8,230

Reported Value of Surplus /(Deficit)	47,834	16,055		8,230	-	
Add back Transfer (to)/from Surplus	57,516	54,930		87,442	71,558	
Adjusted YTD & Forecast Annual Surplus	105,350	70,985		95,672	71,558	

The above adjusted total sets out a material difference to the 2021 forecast annual surplus, more in line with the range of values reported in 2020 as set out above.

Report against the consolidated statement of operations.

Similar to the City of Vancouver reporting, we believe Council and taxpayers would be better served if the quarterly executive summary financial statement reported against annual consolidated statement of operations.

Below is the 2020 Table 1 included in the City’s report on the 2020 year. This is the first time Council and taxpayers see the consolidated financial plan against its results for its operations of the reported fiscal year.

Report - 2020 Annual Consolidated Financial Statement R083

Page 3 Table 1

Table 1 – Consolidated Statement of Operations – Revenues & Expenses

<i>For the year ended December 31, 2020 (in thousands of dollars)</i>	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2020 Budget Variance</i>
REVENUES			
1 Taxation revenue	\$ 457,727	\$ 463,081	\$ 5,354
2 Sales of goods and services	275,998	254,553	(21,445)
3 Development cost charges *	90,745	55,377	(35,368)
4 Developer contributions	119,847	156,812	36,965
5 Investment income	19,193	19,407	214
6 Transfers from other governments	72,950	42,287	(30,663)
7 Other	50,972	60,612	9,640
8 Gain (loss) on disposal of assets	22,299	(500)	(22,799)
	1,109,731	1,051,629	(58,102)
EXPENSES			
9 Police services	175,091	165,728	(9,363)
10 Parks, recreation and culture	106,059	75,776	(30,283)
11 General government services	66,702	60,724	(5,978)
12 Road & traffic safety	30,795	30,461	(334)
13 Water operations	71,161	69,516	(1,645)
14 Fire services	66,134	65,487	(647)
15 Sewer operations	62,905	60,231	(2,674)
16 Solid waste management	32,977	34,846	1,869
17 Drainage operations	13,603	13,155	(448)
18 Planning and development	32,057	30,182	(1,875)
19 Library	20,262	15,279	(4,983)
20 Engineering	8,111	7,244	(867)
21 Surrey City Energy	2,252	1,742	(510)
22 Parking	1,773	1,129	(644)
23 Amortization	150,069	136,354	(13,715)
24 Interest on debt and general fiscal services	10,563	11,289	726
	850,514	779,143	(71,371)
25 EXCESS REVENUES OVER EXPENDITURES *	259,217	272,486	13,269

Recommendations:

- The City change its quarterly reporting disclosure method to reflect the consolidated statement of operations.
- As found in normal financial reporting, the City’s quarterly report should include a line item before the corporate transfers that represents the excess of revenues over expenditures.
- The City change its current practice of including in its quarterly financial summary a transfer line item currently labeled as “transfer to surplus” as it has the effect of materially understating the current reference bottom line - identified as “surplus/deficit.”

4. Ethics commissioner needs authority

The City of Surrey has appointed an ethics commissioner. Although the Surrey Board of Trade applauds the City of Surrey’s appointment of an ethics commissioner, it is observed that many of the duties related to the

position do not carry any substantial power except to investigate and educate.

TAXES, LEVY, INVESTMENTS, ECONOMY

1. Property Taxes and Development Cost Charges

A. Surrey says that it offers one of the lowest tax regimes, but our concern with this budget and financial plan is the intrinsic and increased fees on services to create a balanced budget and to drive revenue. For example, the development cost charges are set to increase significantly in 2022, driving up the cost of housing. Business is very concerned about their property tax bill in 2022.

We must make strategic investments now, not only in parks and recreation centres, but also cultural corridor investments, a performing arts centre, tourism assets, convention centre infrastructure, transportation (road improvements and expansions), and more.

We observed that discretionary contributions, which includes community amenity contribution reserves, green city, and other reserve funds paid by the development community are to be increased yet again next year. Although it is noted that many large-scale developers will not be substantially affected, this increase will hamper the smaller developers' ability to compete. Additionally, the fees are elastic in nature resulting in the consumer paying more for housing.

We ask for a comparative on all fees and prices to businesses and residents between 2019-2022.

B. Budget 2021 saw a Capital Parcel Tax of \$200. This parcel tax will remain for 2022. To fund capital expenditures, the City chose to use the parcel tax method rather than increasing the tax rate on the assessed value of a property. Bottom line: to maintain a 2.9% tax increase, the City chose to levy a tax that hurts lower assessed value properties in both the residential and business taxes over the higher assessed properties. This is not a fair distribution of raising tax monies for capital expenditures.

B. Indigenous Economic Partnerships: Opportunity

There is an opportunity not realized by the City of Surrey to create long lasting, respectful partnerships with our Indigenous communities for economic development that could drive revenue to benefit the City - residents and businesses. We urge the City to consider an action and implementation plan on this very needed area that requires focus.

C. Cannabis Revenue Stream: Opportunity

An opportunity for another revenue stream, if done correctly, is tax revenue from cannabis.

D. Business Class Tax Rates: Opportunity

To attract more businesses to Surrey, the first year of property tax should be waived for those businesses that relocate to Surrey, provided they remain in the city for 10 years. This will create an ecosystem that will attract businesses to the city, and also provide for greater revenue generation after the first year. This can be an attractive mechanism for businesses that want to co-locate in the Lower Mainland but are having difficulty in deciding which city to call home.

E. Mayor's Economic Competitiveness Advisory Committee: Opportunity

We recommended in 2018 that Mayor and Council create an Economic Advisory Committee. This was to ensure that investments will be made to promote the Surrey brand, locally and internationally, to increase the City's profile and showcase our competitive advantages. Further, this advisory group could lead to Revenue Stream Collaboration. A challenge we recognized is that the City needs more instruments to increase revenue, given the size, scope and vision of Surrey. The Surrey Board of Trade suggested that the City convene a Mayor's Advisory Committee comprised of business leaders, academic, economists to participate in a consultative

working paper. This has been done by other cities within Canada.

This year, the City of Surrey established the Investment and Innovation Impact Committee. The group's priority is to generate, incubate and accelerate ideas into actions related to economic development, investment attraction and innovation in Surrey.

An opportunity for the City is to promote this group more effectively. Communication can be done in concert with the work of the Surrey Board of Trade.

A second opportunity is to allow for more public input during the meetings. At this point in time, residents and businesses are able to submit ideas and comments to City staff, however, these comments are not publicly discussed by decision-makers, and there is no accountability that they will be shared in internal documents or otherwise.

F. Ease of Doing Business in Surrey – Streamlining Efficiencies: Great Job and Opportunity

When it comes to supporting businesses, not all jurisdictions are created equal. As a result of the pandemic, the City of Surrey has streamlined many of its departments to provide timely information to the business community when applying for permits, receiving grants, and other general inquiries. This has occurred due to the shift to online and digital reporting mechanisms.

- **Starting a business** – Procedures, time, cost, and minimum capital to open a new business. However, it has been noted that business permit costs have increased.
- **Dealing with construction permits** – Procedures, time, and cost to build.
- **Registering property** – Procedures, time, and cost to register commercial and residential real estate.

2. Capital Investments: Opportunity

A. Tourism, arts and culture investments needed,

The Surrey Board of Trade notes many proposed major general capital investment projects in the 2022 Five Year Financial Plan – Capital Program, which has a heavy focus on sports and parks. COVID-19 has hit the tourism, arts and culture the hardest due to travel group size restrictions. Surrey needs to invest in more robust and attractive capital items that serves Surrey's tourism and arts industry to make Surrey a destination city.

B. The City's 2021 plan for five years capital expenditures of \$2.6 billion.

Currently, there are no City reports to Council and taxpayers in the Quarterly Executive Summary, or in the Annual Financial Report issued in June of the following year, on how well the City manages its capital expenditures against the capital plan.

Using City of Vancouver quarterly reporting as an example, their reports include several pages reporting on their YTD spending against its Capital Expenditure Plan by service area.

Recommendation: The City should report regularly to Council and the public on its current year's capital expenditure against the Annual Capital Plan.

C. Newton Community Centre (Total - \$100M)

The 2021 Capital Plan included the addition of the Newton Community Centre at a planned cost of \$90M, with a description of the amenities and services to be included at the Centre. The 2021 plan called for the Centre's \$90M expenditure to be one of three capital projects funded by external borrowing totalling \$150M.

The 2022 Capital Plan (total \$100M) calls for \$37M spending. Without explanation this results in a total capital expenditure plan of \$127M.

On reading the 2021 and 2022 description of Centre’s amenities and services, the 2022 plan sets out a very different level of amenities and services, the largest new amenity being the addition of a swimming pool. The 2022 Plan now references a future contract to include ‘recreation and cultural amenities’ – these two items were included in the 2021 Plan. This future contract will drive more capital costs.

Based on the two quite different plans for the Centre, Council and taxpayers do not know the full cost of the Centre in the years ahead. Certainly, the reference to a \$100M project cost is misleading.

Currently, the Newton site comprises bare land. Again, because we have no quarterly disclosures of capex spending, Council and taxpayers have no information of where the \$90 Million was ‘spent’, and the Plan sets out no date of the expected completion of the centre.

Recommendation: Council should request from management an updated and full project report for the Centre, including timing and the potential sources of future funding.

3. Loans: Observation

For the capital asset loan that was approved in 2021 to fund capital build projects in Surrey, what are the loan terms – are they fixed or are they a variable interest rate? Will this increase costs in 2022 as interest rates and inflation are expected to increase in 2022? Have any contingencies been taken into account?

4. Accounting Practices: Good Job and Opportunity

The Surrey Board of Trade congratulates the City of Surrey on their accounting practices. The presentation of the costs of investments in infrastructure, costs of pension obligations, makes it easier to match the costs and benefits of municipal activities to taxpayers and citizens.

5. Downloading of Costs to Surrey: Opportunity

The Surrey Board of Trade recommends reporting on the downloading of costs to the City by different levels of government. There could be a model for new opportunities and new working models for taxpayers and stakeholders to understand the amount that Surrey taxpayers are supporting costs previously paid by senior governments and agencies. Although this may be difficult, we recommend that a report of the costs to the city be done that illustrates clearly what downloading looks like.

6. Green City Fund: Opportunity

The Green City Fund is supposed to be used to enhance the green space within our city, but our concern is that this money could be made liquid and used for other purposes. There is a lack of transparency as to which projects are being funded by these substantial dollars paid by developers and builders. We want to ensure a livable city.

CULTURE

1. Parks and Recreation: Opportunity

The development of a vibrant arts and culture network ties into livability and business attraction. While it is commendable to see these sport and recreation infrastructure projects move forward, other key infrastructure upgrades are also needed in all of Surrey.

It is observed that there are not many infrastructure projects related to arts and culture – this is a major opportunity for the City. The City of Surrey disbanded the Parks and Recreation Committee, which utilized community input into the potential capital projects in the City. The Surrey Board of Trade believes that there is an opportunity to re-establish this committee so that initiatives are community driven, rather than politically driven by Council. Further, areas of the city such as Panorama Ridge, Newton, Fleetwood, South Surrey, Cloverdale, and Campbell Heights need a specific arts infrastructure focus.

2. Cultural Corridor: Opportunity

The Surrey Board of Trade requests the City of Surrey to include arts and culture as part of its economic development strategy to strengthen community connections, establish new partnerships, and advance the potential for all of Surrey to be a cultural corridor.

- Create a sustainable, dynamic and socially cohesive City with an enviable quality of life
- Ensure that cultural industries will be a significant component of Surrey's economy
- Establish all town centres with its major public art installations and the cultural facilities as a model of public space design and a focus of cultural activities
- Draw regional, national, and international visitors to Surrey

While cultural hubs serve the needs of the creative sector, they also foster community and sense of place. The vision for a community cultural hub in Surrey will be developed from the ground up in the local community and will respond to the needs and interests of neighbours, community partners, and other local stakeholders.

3. Performing Arts Centre: Opportunity

Look for private sector partners to build. Let's not miss the opportunity of community arts and policies for the location of creative businesses - many of them are Surrey Board of Trade members. The Surrey Board of Trade is working with FUSIONpresents and Music Canada to brand Surrey as a music city destination.

Artists have a unique niche to craft messages and communicate - include them in the public engagement, dialogue to build our city. The City needs to understand that the arts are a core element of our society, and to be funded as such.

4. Convention Centre and Hotel Industry: Opportunity

Surrey is in need of a corporate convention centre to host large conventions. We are currently losing many business and tourism opportunities to Vancouver, Langley, and now Burnaby. Certainly, more hotels need to be built in Surrey to complement the convention centre.

ENVIRONMENT AND CLIMATE CHANGE INVESTMENTS

In November 2019, the City embarked on a Climate Change Emergency Strategy process, covering flood management and drainage, infrastructure, ecosystems and natural areas, urban trees and landscaping, human health and safety, and agriculture and food security. Each one of the areas brings to the forefront new ways to having to put in place measures of achieving success in each area. The November 2021 floods in British Columbia bring home the risks of not being prepared. Regional and Provincial issues, policies, and restraints brings complexity and risks to our city's climate change actions.

Council, residents and business taxpayers require independent information on how the City manages this important higher emphasis, and associated costs on its climate change processes in the years ahead. Independence can be provided through a robust Auditor General process.

Another Auditor General appointment task: It is the general belief that the annual work of the Auditor General's Office identifies sufficient savings, and process improvement to cover the costs of the office, and over time, results in net savings. Council should set also set up an Auditor General Task Force to study this significant matter with the right terms of reference leading to a future report to Council.

SOCIAL POLICY AND WORKFORCE DEVELOPMENT:

1. Housing: Opportunity

The Surrey Board of Trade from an economic context asks the City of Surrey, through their capital budget

planning, to consider ways to innovatively increase our rental stock of housing – that is our workforce housing.

There is an opportunity to partner with not for profits to build affordable housing by reducing fees and further expediting the permitting and approvals process for these developers.

To increase the housing stock, the City of Surrey should consider permitting the building of laneway housing or coach housing on existing properties where it would make sense to do so. This is an initiative that has been in place in Vancouver, and is being considered in Langley.

2. Newcomers: Opportunity

Surrey will see thousands of newcomers over the next 5 years. The work of supporting them needs to be done in concert with all levels of government. We recommend that the City work with the Surrey Board of Trade and other organizations that support refugees and immigrants in gaining meaningful skills and employment.

3. Schools: Opportunity

The conversation about schools, development, and education continues to be prevalent in city-building. The Surrey Board of Trade continues to support development as a mechanism to increase livability. But with development must come the needed school and amenity infrastructure, at the same time.

4. Social Planning Department: Opportunity

There is an opportunity to review investments into the City’s Social Planning Department by a re-visioning of social planning through a social policy framework that interconnects with economic development.

5. Establishing a Downtown Core in Surrey: Opportunity

All major downtown cores have a few key elements: a financial district; arts and culture; unique dining experiences; walkability; and, shopping and recreation activities. New developments should include spaces for arts and cultural experiences, dining, and recreation activities. The City should also consider a campaign to have financial institutions have regional head offices in Surrey’s downtown core.

TRANSPORTATION

1. Rapid Transit Needs within Surrey: Opportunity

Our rapidly growing city is starved of adequate transportation that enables citizen to travel within Surrey.

The beginning of a transportation network to enable citizens to get to work, to get to educational facilities or to get to health services or to get to retail services has garnered significant attention by our citizens, businesses and the City in recent years.

The Surrey Board of Trade supported the significant plan of prior Council. We are committed to work with our current Council to put in place a suitable plan that begins to build a city network of rapid transportation for our business community, to revitalize Surrey’s town centres with transit-oriented development.

Transit should be about city-building and servicing the needs of our workforce - helping them traverse the city, getting students to school, and workers to their jobs. Any efforts moving forward need to recognize that considerable investment and planning needs to be undertaken to build a transportation system that connects the city, to keep workers and students in Surrey, to attract new investment and economic opportunity.

2. Roads: Opportunity

a) Identifying Road Priorities

The Surrey Board of Trade was pleased to work with the City of Surrey this past year on our annual Surrey Road Survey, identifying roads/walkways/bikeways that are a priority to Surrey businesses. The results will be

released at the end of January 2022. This supplements information to the City's 10-year road improvement plan and enhances the livability of our city for businesses today and to our workforce. Potholes and expansion of roads to decrease congestion (new north/south and east/west connections) were considered priorities.

b) Road & Traffic Safety Utility Levy: Opportunity

The lack of an increased Roads & Traffic Safety Levy for 2022-2026 is problem. This is the third year that the road levy has not been increased. With the development of innovative technology that would serve to reduce traffic and collisions, an investment is needed by the City. Additionally, a growing population requires adequately improved and services roads. The reason why this has not been increased even though there is such a glaring need for improvements is unknown. The Surrey Board of Trade asks Council to re-visit this decision.

3. Workforce Transit: Opportunity

The City of Surrey needs to implement an employment lands transportation plan in conjunction with TransLink and Metro Vancouver. For example, the Campbell Heights area will be a large source of jobs, however, there is little transit investment in the area. We recommend that the City of Surrey reprioritize their Transportation Strategy to bring adequate transit to Campbell Heights, possibly partnering with private sector partners and showing leadership and innovation in this area.

PUBLIC SAFETY

1. RCMP Investments: Opportunity

The City Budget again chose not to increase the RCMP officers in our growing city because of the public safety infrastructure shift from the RCMP to a municipal police force. The BC Government has capped the number of Surrey Police members that can be hired for the new Surrey Police Service (SPS) in 2022. Businesses want a livable city. We do not have the number of police officers to ensure public protection levels are adequate to police a growing city. Surrey does not have adequate public safety resources. The Police Act provides that the province of British Columbia must ensure that an adequate and effective level of policing is maintained in our province.

Continued funding shortfalls and realizations of needing to spend funds on public safety training facilities and other related infrastructure is very concerning to businesses. How will this be covered – through more fees to businesses for services that they access through the City of Surrey?

The Surrey Board of Trade will be monitoring the Budget Monitoring Working Group and requests that civilians be able to attend any meetings as guests.

Surrey Police Services Year to date Budget Reconciliation – September 30, 2021

In November 2021, the SPS Board's Finance Committee released a financial report to the SPS Board of Directors. It was unusual in its disclosure style and content.

Compared to the City's police budget figures in the City's 2021 Annual Plan Report issued in June 2021, it presents materially different values.

Council and taxpayers would expect that the SPS Board of Directors were given the 2021 values set out the City's annual financial plan approved by Council in December 2020.

Recommendation: Council should request a report from the Police Board reconciling its 2021 operating budget to that approved by Council.

POLICE – DEPARTMENTAL OPERATIONS (COMBINED)

(in thousands)

DIVISION SUMMARY	2019 ACTUAL	2020 ACTUAL	2020 BUDGET	2021 BUDGET	2022 PLAN	2023 PLAN	2024 PLAN
Policing Transition	\$ 23,814	\$ 24,169	\$ 25,014	\$ 26,028	\$ 8,252	\$ 2,326	\$ 2,326
RCMP Contract	137,390	141,907	141,907	96,892	33,112	-	-
Surrey Police Service	-	-	-	61,142	148,036	192,567	198,218
	\$ 161,204	\$ 166,076	\$ 166,921	\$ 184,062	\$ 189,400	\$ 194,893	\$ 200,544
ACCOUNT SUMMARY							
Revenues							
Sale of Goods and Services	\$ (1,784)	\$ (1,702)	\$ (1,243)	\$ (1,277)	\$ (1,314)	\$ (1,352)	\$ (1,391)
Transfers from Other Governments	(7,073)	(8,226)	(6,927)	(6,927)	(6,837)	(6,747)	(6,757)
Grants, Donations and Other	(41)	(57)	-	-	-	-	-
	(8,898)	(9,985)	(8,170)	(8,204)	(8,151)	(8,099)	(8,148)
Expenditures							
Salaries and Benefits	28,070	29,299	28,919	69,887	127,259	159,535	165,049
Operating Costs	138,036	136,289	146,248	120,776	64,345	38,028	38,666
Internal Services Used	1,266	2,376	924	337	4,803	2,806	2,997
Internal Services Recovered	(119)	(381)	-	-	-	-	-
External Recoveries	(1,917)	(1,830)	(1,000)	(1,009)	(1,131)	(896)	(913)
	165,336	165,753	175,091	189,991	195,276	199,473	205,799
Net Operations Total	156,438	155,768	166,921	181,787	187,125	191,374	197,651
Transfers							
To (From) Capital Sources	135	(2,735)	-	2,275	2,275	3,519	2,893
To (From) Operating Sources	4,631	13,043	-	-	-	-	-
	4,766	10,308	-	2,275	2,275	3,519	2,893
	\$ 161,204	\$ 166,076	\$ 166,921	\$ 184,062	\$ 189,400	\$ 194,893	\$ 200,544

The above Schedule, covering all police services revenues and costs, *excludes* spending on capital expenditures. The capital expenditures are part of the City’s Capital Expenditures Plan.

The next schedule sets out financial information – revenues and costs - on the Policing Transition Plan included in the larger Policing Plan from page 266 of the City’s 2021 Annual Plan. The important figure in this schedule is the Net Operations line before Transfers. Again, this schedule does not include spending on capital expenditures.

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POLICING TRANSITION ANNUAL PLAN PAGE 266

POLICING TRANSITION	2019 ACTUAL	2020 ACTUAL	2020 BUDGET	2021 BUDGET
Revenues				
Sale of Goods and Services	\$ (1,784)	\$ (1,702)	\$ (1,243)	\$ (1,277)
Transfers from Other Governments	(7,073)	(8,226)	(6,927)	(6,927)
Grants, Donations and Other	(41)	(57)	-	-
	<u>(8,898)</u>	<u>(9,985)</u>	<u>(8,170)</u>	<u>(8,204)</u>
Expenditures				
Salaries and Benefits	28,070	29,299	28,919	30,546
Operating Costs	4,701	6,290	4,341	4,358
Internal Services Used	1,266	2,376	924	337
Internal Services Recovered	(119)	(381)	-	-
External Recoveries	<u>(1,310)</u>	<u>(1,682)</u>	<u>(1,000)</u>	<u>(1,009)</u>
	32,608	35,902	33,184	34,232
Net Operations Total	23,710	25,917	25,014	26,028
Transfers				
To (From) Capital Sources	135	(2,735)	-	-
To (From) Operating Sources	<u>(31)</u>	<u>987</u>	<u>-</u>	<u>-</u>
	104	(1,748)	-	-
	<u>\$ 23,814</u>	<u>\$ 24,169</u>	<u>\$ 25,014</u>	<u>\$ 26,028</u>

The next Table compares the City's Financial Operating Plan figures for two years to the SPS Finance Committee figures.

	2020 Budget (\$M)	2020 Actual (\$M)	2021 Budget (\$M)	Committee Report end of Q3 2021 Forecast	2021 Forecast Plan	2021 Budget Variance
<u>Surrey Policing Transition</u>						
City's Annual Plan - Page 266						
Net Operations Expenditures	26	25	26			
SPS - Finance Committee						
Net Operations Expenditures	26		23	31	61	30

The Finance Committee report proceeds on the assumption that the 2020 Policing Transition Operations Budget - \$9.7M (set out below) is available to be carried forward to 2021, which is impossible as the City spent all of those monies in 2020 – I.e. part of the \$25.9M spending.

The Finance Committee's 2021 \$61M Plan set out to the right of the projected actual column - \$31.2M - is a figure very different from any operating cost value set out in the City's 2021 Policing Transition Plan. The result: There is not a 2021 policy transition projected positive variance of \$30M that can be carried forward to 2022. Below, the Committee's Reconciliation Report sets out both its 2020 and 2021 operating budget and YTD 2021 results, together with its 2020 and 2021 Capital Expenditure Plan and YTD 2021 results.

As set out earlier in this letter, the City does not disclose its annual actual capital expenditures by program. Council and taxpayers, therefore, have no information of how much the City actually invested in 2020 on the

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policing transition capital expenditure program, against its \$25.2M capital plan set out on page 354 of the City's 2020 Annual Plan. From the City's 2021 Annual Plan Report, issued in June 2021 – page 394, the City's 2021 capital expenditure plan set out an 'policing expenditure equipment plan value' of \$23M. The 2020 (\$11M) and 2021 (\$14M) Capital Plan totalling \$25 Million may represent the policing transition 2021 Capital Expenditure Plan. Council and taxpayers just don't know.

The funding for the SPS capital expenditures will have to be funded from other City program annual surpluses, or from internal borrowings.

2. Bylaw Services: Opportunity

The City does not have any plans to add any bylaw officers in 2022. COVID-19 has resulted in many more duties being added to the bylaw's plate and more COVID-19 enforcement is needed to support the already strained RCMP in Surrey.

This is a very high-level overview of the Surrey Board of Trade's perspectives on the City of Surrey Financial Plan beginning in 2022. Our intent is to offer our observations and to work with the City of Surrey to instigate change that will enhance the livability of Surrey and enhance opportunities for Surrey businesses and industries to thrive today and for generations to come.

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