



Deep Roots  
Greater Heights

## District of Maple Ridge

**TO:** His Worship Mayor Ernie Daykin and Members of Council      **DATE:** May 2, 2011  
**FROM:** Chief Administrative Officer      **ATTN:** Council Workshop  
**SUBJECT:** 2011-2015 Financial Plan Amending Bylaw No. 6819-2011

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### EXECUTIVE SUMMARY:

The 2011 property tax assessment roll has been received from BC Assessment and the property tax rate bylaw has been prepared. Prior to establishing the tax rates, it is desirable to update our financial plan to reflect information received since the plan's adoption last December. As in previous years and as reported to Council in the year end update, projects that were budgeted for in the prior year but were not completed have been reviewed. This financial plan has been amended accordingly.

The Financial Plan Bylaw that is adopted prior to the Tax Rates Bylaw is the budget that is used in our Annual Report. In order for this financial plan bylaw to be adopted on May 10, the meeting at which the tax rates bylaw will be considered; three readings are required at Council Workshop on May 2 or May 9.

### RECOMMENDATION(S):

That Bylaw No. 6819-2011 be given first, second and third readings.

### DISCUSSION:

#### a) Background Context:

##### Previous 2011-2015 Financial Plan

The 2011-2015 Business Plans and an overview of the financial plan were presented to Council at public meetings held on November 29 and 30, 2010. Business Plans from all areas including the Capital Works Program and the 2010-2014 Financial Plan Overview report were provided. Financial Plan Bylaw 6781-2010 was adopted in December. Highlights of the plan include:

- property tax increase of 4% in 2011–2015, which includes 1% for infrastructure sustainability and 3% for general purposes,
- an increase to the fire department service improvement levy for 2011 and 2012 of \$600,000 plus growth since 2005, the year of the inception of the levy. The increase is half that amount in 2013 and then will be similar to the balance of the operation and part of the regular business planning process.
- water user fee increase of 9% per year, sewer user fee increase of 5% per year, and recycling rates increase of 3% per year.

In last year's financial plan, Council adopted an aggressive capital program and this plan builds on that direction.

We have approximately \$1 billion invested in our infrastructure and it is essential that we properly manage it. This financial plan sets aside dedicated money for sustaining our infrastructure. We are a growing community and with that growth comes pressure on our existing services. This financial plan provides funding to help meet growth related demands. The funding for growth and for infrastructure sustainability are in line with Council's Financial Sustainability Policies.

Given the level of uncertainty in reaching the target of 2.35% growth in taxation revenue some funding was left unallocated to ensure that our existing commitments could be met before taking on any incremental costs. The actual growth was 1.7% so the funds which were left unallocated were needed to cover the shortfall.

**b) Financial Plan Implications:**

The 2011-2015 Financial Plan is being amended to carry forward funding for projects that were approved in 2010 but were not completed as of yearend. The previously approved funding sources remain unchanged.

The plan is further amended to incorporate recent information. These amendments include:

1. The actual real growth in tax revenue of 1.7% compared to a previously budgeted 2.35%. This represents a revenue reduction in 2011 of \$328,000.
2. Other updates to operating budgets with a net increase in revenues of \$9,000 in 2011 include: grant in lieu of taxes, employer costs of employee benefits, the removal of the inflation contingency for 2011, hydro rate increases and updated reserve interest earnings.
3. As recommended at the last Finance and Audit Committee meeting, an amount has been budgeted for developer contributed assets. The amount has been estimated at \$12,250,000 annually.
4. The capital program has been adjusted to move the replacement of some of the Self Contained Breathing Apparatus for the Fire Department from 2013 to 2011.
5. The transfer to accumulated surplus for 2011 has been reduced from \$409,000 to \$87,000 as a result of the above noted adjustments.

This transfer to accumulated surplus could be quickly eliminated through supplementary adjustments to assessed values.

**c) Desired Outcome:**

A Financial Plan that accurately reflects the planned expenditures and methods of funding and is consistent with corporate strategic plans, policies and Council direction.

**d) Strategic Alignment:**

All departments updated their Business Plans which were prepared using the Business Planning Guidelines 13<sup>th</sup> Edition. These guidelines are reviewed and amended annually in consultation with Council. The Financial Plan reflects Council's Strategic Financial Sustainability Policies and Infrastructure Funding Strategy.

**e) Citizen/Customer Implications:**

The business plans have far reaching citizen and customer implications. The Financial Plan reflects the financial impact of the business plans. Property tax revenue and user fees are planned to increase as detailed in the above discussion.

**f) Statutory Requirements and Policy Implications:**

The Financial Plan has been prepared in accordance with statutory requirements and Municipal financial policies. As required by the Community Charter, the Financial Plan Bylaw includes: disclosure of the proportions of revenue proposed to come from various funding sources; the distribution of property taxes among property classes; and the use of permissive tax exemptions.

In 2009 we reported our assets and the related amortization expense to be in compliance with accounting rules in PSAB 3150. The Financial Plan Bylaw now includes a figure for the annual amortization expense and an offsetting entry to draw down the value of the Tangible Capital Assets. These items are accounting entries and do not represent cash being spent.

The amortization figure does have some relevance for financial planning, even if it is based on historic cost rather than a replacement costs. If we compare the annual amortization expense to the amount to what we spend on replacement of our existing assets or transfer to reserves to later fund the same one would see that the amortization expense is considerably more. This highlights the fact that we currently have an infrastructure funding gap which means that we are consuming more of our assets that we are replenishing. Fortunately, we have relatively new infrastructure so we have some time to bridge this funding gap. The District's financial sustainability policies calls for Council to dedicate a property tax increase of 1% per year to fund a significant portion of this gap, over time.

Public consultation is an important and legislated component of preparing financial plans. The Business Planning Guidelines are updated in spring with an opportunity for the public to provide feedback. Public input during business planning this December was invited through advertisements in the local paper and on the corporate website. Input was accepted through many different mediums including in person at the business planning presentations which were open to the public or through email or voicemail. A further opportunity existed for public comment on the Financial Plan Bylaw prior to adoption.

For the amendment to the Financial Plan an advertisement will be placed in the local paper once the bylaw receives first reading from Council. Public input into the financial plan and departmental business plans is incorporated indirectly through regular feedback and interaction with customers and the public as well as through the results of surveys.

**g) Alternatives:**

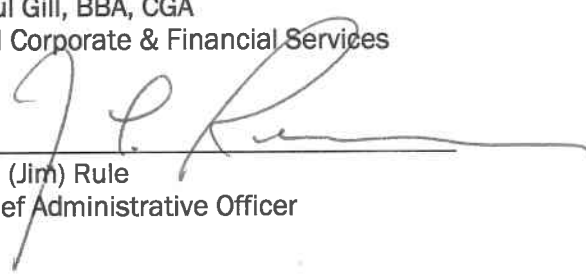
In the event that this bylaw is not adopted, the District is not authorized to make any expenditure other than those identified in the 2011-2015 Financial Plan Bylaw No.6781-2010. This would require departments to curtail or delay expenditures and only proceed with capital projects that were identified in the previous financial plan.

**CONCLUSIONS:**

The Financial Plan is a multi-year planning, reviewing and reporting tool that represents Council's vision and commitment to providing quality services to the residents of Maple Ridge. The Plan provides a forecast of the financial resources that are available to fund operations, programs and infrastructure for the five year period.

  
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Manager of Financial Planning

  
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*Approved by:* Paul Gill, BBA, CGA  
GM Corporate & Financial Services

  
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*Concurrence:* J.L. (Jim) Rule  
Chief Administrative Officer

DISTRICT OF MAPLE RIDGE

BYLAW NO. 6819-2011

A bylaw to amend Maple Ridge 2011-2015 Financial Plan Bylaw No. 6781-2010

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**WHEREAS**, through a public process in an open meeting the business plans and resulting financial plan were presented;

**AND WHEREAS**, the public will have the opportunity to provide comments or suggestions with respect to the financial plan;

**AND WHEREAS**, Council deems this to a process of public consultation under section 166 of the Community Charter.

**NOW THEREFORE**, the Council for the District of Maple Ridge enacts as follows:

1. This Bylaw may be cited as "Maple Ridge 2011-2015 Financial Plan Amending Bylaw No. 6819-2011".
2. Statement 1, Statement 2 and Statement 3 attached to and forming part of Maple Ridge 2011-2015 Financial Plan Bylaw 6781 -2010 are deleted in their entirety and replaced by Statement 1, Statement 2 and Statement 3 attached and forming part of Maple Ridge 2011-2015 Financial Plan Amending Bylaw No. 6819-2011.

READ a first time the            day of            , 2011.

READ a second time the        day of            , 2011.

READ a third time the         day of            , 2011.

PUBLIC CONSULTATION completed on the        day of            , 2011.

RECONSIDERED and adopted the        day of            , 2011.

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PRESIDING MEMBER

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CORPORATE OFFICER

ATTACHMENT: Statement 1, Statement 2 and Statement 3

## Attachment to Maple Ridge 2011-2015 Financial Plan Amending Bylaw 6819-2011

Statement 1  
Consolidated Financial Plan 2011-2015  
(in thousands)

	2011	2012	2013	2014	2015
<b>REVENUES</b>					
External Revenues					
Development Fees					
Developer Contributed Assets	\$12,250	\$12,250	\$12,250	\$12,250	\$12,250
Developer Cost Charges	\$25,375	\$12,727	\$8,970	\$7,902	\$9,514
Parkland Acquisition	\$674	\$200	\$200	\$200	\$200
Contributions from Others	\$4,460	\$3,795	\$6,227	\$3,560	\$3,534
Development Fees Total	\$42,759	\$28,972	\$27,647	\$23,912	\$25,498
Property Taxes	\$58,223	\$62,586	\$67,070	\$71,681	\$76,594
Parcel Charges	\$2,626	\$2,761	\$2,903	\$3,053	\$3,210
Fees & Charges	\$33,269	\$35,101	\$37,087	\$39,264	\$41,593
Interest	\$2,012	\$2,022	\$2,032	\$2,032	\$2,032
Grants (Other Govts)	\$27,682	\$5,132	\$11,297	\$3,379	\$2,917
Total External Revenues	\$166,571	\$136,574	\$148,036	\$143,321	\$151,844
<b>EXPENDITURES</b>					
Operating Expenditures					
Other Expenditures	\$87,579	\$87,958	\$92,348	\$97,399	\$102,095
Less: Interest Payments on Debt	\$3,137	\$3,111	\$3,200	\$3,426	\$3,329
Amortization Expense	\$17,370	\$18,015	\$18,688	\$19,391	\$20,124
Total External Expenditures	\$108,086	\$109,084	\$114,236	\$120,216	\$125,548
<b>ANNUAL SURPLUS</b>	<b>\$58,485</b>	<b>\$27,490</b>	<b>\$33,800</b>	<b>\$23,105</b>	<b>\$26,296</b>
Add Back: Amortization Expense (Surplus)	\$17,370	\$18,015	\$18,688	\$19,391	\$20,124
Less: Capital Expenditures	\$100,337	\$27,756	\$35,253	\$15,235	\$15,711
Less: Developer Contributed Capital	\$12,250	\$12,250	\$12,250	\$12,250	\$12,250
<b>CHANGE IN FINANCIAL POSITION</b>	<b>(\$36,732)</b>	<b>\$5,499</b>	<b>\$4,985</b>	<b>\$15,011</b>	<b>\$18,459</b>
<b>OTHER REVENUES</b>					
Add: Borrowing Proceeds	\$22,738	\$2,502	\$4,776	\$0	\$0
<b>OTHER EXPENDITURES</b>					
Less: Principal Payments on Debt	\$4,741	\$6,489	\$7,034	\$8,380	\$8,449
<b>TOTAL REVENUES LESS EXPENDITURES</b>	<b>(\$18,735)</b>	<b>\$1,512</b>	<b>\$2,727</b>	<b>\$6,631</b>	<b>\$10,010</b>
<b>INTERNAL TRANSFERS</b>					
Transfer from Reserve Funds					
Capital Works Reserve	\$2,449	\$1,093	\$853	\$866	\$853
Equipment Replacement Reserve	\$1,917	\$2,203	\$1,802	\$1,065	\$1,524
Fire Department Capital Reserve	\$1,840	\$0	\$950	\$350	\$250
Transfer from Reserve Fund Total	\$6,458	\$3,296	\$3,605	\$2,281	\$2,627
Less :Transfer to Reserve Funds					
Capital Works Reserve	\$948	\$959	\$961	\$1,456	\$1,199
Equipment Replacement Reserve	\$2,160	\$2,262	\$2,352	\$2,444	\$2,544
Fire Dept. Capital Aquisition	\$1,089	\$516	\$634	\$756	\$883
Land Reserve	\$7	\$7	\$7	\$7	\$7
Sanitary Sewer Reserve	\$45	\$45	\$45	\$45	\$45
Total Transfer to Reserve Funds	\$4,249	\$3,789	\$3,999	\$4,708	\$4,678
Transfer from (to) Own Reserves*	\$13,210	(\$876)	(\$1,347)	(\$1,997)	(\$2,571)
Transfer from (to) Surplus	\$3,316	(\$143)	(\$986)	(\$2,207)	(\$5,388)
Transfer from (to) Surplus	\$16,526	(\$1,019)	(\$2,333)	(\$4,204)	(\$7,959)
<b>TOTAL INTERNAL TRANSFERS</b>	<b>\$18,735</b>	<b>(\$1,512)</b>	<b>(\$2,727)</b>	<b>(\$6,631)</b>	<b>(\$10,010)</b>

Attachment to Maple Ridge 2011-2015 Financial Plan Amending Bylaw 6819-2011

Statement 2

Revenue and Property Tax Policy Disclosure

REVENUE DISCLOSURE

Revenue Proportions	2011		2012		2013		2014		2015	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
<b>Revenues</b>										
Property Taxes	58,223	31%	62,586	45%	67,070	44%	71,681	50%	76,594	50%
Parcel Charges	2,626	1%	2,761	2%	2,903	2%	3,053	2%	3,210	2%
Fees & Charges	33,267	18%	35,098	25%	37,084	24%	39,261	27%	41,590	27%
Borrowing Proceeds	22,738	12%	2,502	2%	4,776	3%	-	0%	-	0%
Other Sources	72,453	38%	36,126	26%	40,976	27%	29,323	20%	30,447	20%
<b>Total Revenues</b>	<b>189,307</b>	<b>100%</b>	<b>139,073</b>	<b>100%</b>	<b>152,809</b>	<b>100%</b>	<b>143,318</b>	<b>100%</b>	<b>151,841</b>	<b>100%</b>

Other Sources include:

Development Fees Total	42,759	23%	28,972	21%	27,647	18%	23,912	17%	25,498	17%
Interest	2,012	1%	2,022	1%	2,032	1%	2,032	1%	2,032	1%
Grants (Other Govts)	27,682	15%	5,132	4%	11,297	7%	3,379	2%	2,917	2%
	72,453	38%	36,126	26%	40,976	27%	29,323	20%	30,447	20%

**Objectives & Policies**

Property Tax Revenue is the District's primary revenue source, and one which is heavily reliant on the residential class. Diversification of the tax base and generation of non-tax revenue are ongoing objectives, outlined in Financial Sustainability Policy 5.52 section 6.

Business Planning Guidelines and the Financial Plan includes a 3% general tax increase, a 1% increase to fund replacement of existing infrastructure and an increase of \$600,000 plus growth since 2005, to fund the Fire Department Master Plan implementation. More information can be found in the Business Planning Guidelines 14<sup>th</sup> Edition, Financial Sustainability Plan and the 2011-2015 Financial Plan Overview Report. Specific policies discussing the tax increases are included in the Financial Sustainability Plan and related policies which were adopted in 2004.

Property tax revenue includes property taxes collected through setting rate noted below as well as grants in lieu of property taxes.

Parcel Charges are largely comprised of a recycling charge, a sewer charge and on certain properties a local area service or improvement charge. Parcel charges are a useful tool to charge all or a subset of properties for a fixed or variable amount to support services. Unlike property taxation the variable amount does not need to be related to property assessment value, but can be something that more accurately reflects the cost of the service.

## Statement 2 (continued)

### Revenue and Property Tax Policy Disclosure

#### Fees & Charges

The Business Planning Guidelines call for an increase of 5% in fees as a guideline. Actual fee increases vary depending on the individual circumstances, the type of fee and how it is calculated. Fees should be reviewed annually and updated if needed. Recent fee amendments include recreation fees, development application fees, business license fees and cemetery fees. A major amendment to the Development Costs Charges (DCC), recommended every 5 years, was completed in 2008. Minor DCC amendments are done more frequently. Some fees are to offset the costs of providing specific services. The utility fees are reviewed annually with a view towards using rate stabilization practices to smooth out large fluctuations in rates, as set out in the Business Planning Guidelines.

Borrowing Proceeds – Debt is used where it makes sense. Caution is used when considering debt as it commits future cash flows to debt payments restricting the ability to use these funds to provide other services. The source of the debt payments needs to be considered as does the justification for advancing the project. More information on borrowing previously approved or proposed for 2011-2015 can be found in the 2011-2015 Financial Plan Overview report.

Other Sources, will vary greatly year to year as it includes

- Development fees, which is the funding for capital projects from the DCC Reserve,
- Contribution from others in relation to capital,
- Interest earned on funds invested in accordance with the Investment Policy
- Grants, which are sought from various agencies, and may be leveraged with District funds.

#### PROPERTY TAX DISCLOSURE

##### Property Tax Revenue Distribution

Property Class	Taxation Revenue (` 000s)		Assessed Value (` 000s)		Tax Rate (\$ /1000)	Multiple (Rate/Res. Rate)
1 Residential	43,677	77.3%	11,205,437	91.8%	3.8979	1.0
2 Utility	467	0.8%	11,671	0.1%	40.0000	10.3
4 Major Industry	611	1.1%	17,829	0.1%	34.2734	8.8
5 Light Industry	2,397	4.2%	198,725	1.6%	12.1045	3.1
6 Business, Other	9,160	16.2%	756,034	6.2%	12.1045	3.1
8 Rec., Non-Profit	54	0.1%	4,745	0.0%	11.3283	2.9
9 Farm	134	0.2%	5,338	0.0%	25.1767	6.5
Total	56,500	100.0%	12,199,780	100.0%		



## Statement 2 (continued) Revenue and Property Tax Policy Disclosure

### PROPERTY TAX DISCLOSURE

#### Objectives & Policies

Property taxes are the District's largest source of revenue and are only contained by efficient business practices. Annual business planning practices have been the mechanism for resource allocation decisions.

The District's Financial Sustainability Policy section 6 discusses the necessity of diversifying the tax base. As development of employment related properties is one method of diversification, key performance measurement in Economic Development tracks the increased investment and development of non-residential properties.

A policy in the Financial Sustainability Plan that calls for stable tax increases and the adoption of the annual increase early in the prior year in the Business Planning Guidelines provides citizens with a more stable and predictable set of cost increases. In some cases costs are phased in over multiple years to keep within the set tax increases.

#### Property Tax Rates

It is policy to adjust property tax rates annually to negate the impact of fluctuations in the market values of properties. (Tax rates are negatively correlated to market changes). Property tax increases are then applied at the same relative increase for all classes, unless legislation restricts the rates, as with Class 2, Utility.

The Business Class and Light Industry Class properties have the same tax rate and are treated as a composite class when setting the tax rates. This is done as the types of businesses in each class of property are quite similar. This was achieved over a long period of time with small incremental adjustments.

A review was done on the Major Industry Class rates and the recommendation from the Audit and Finance Committee and Council was a reduction of 5% in 2009 and 2010 to the taxes collected to support additional investments in the subject property and to keep rates competitive.

In reviewing the tax rates to ensure competitiveness absolute rates, tax multiples and overall tax burden are considered. The impact that assessed values have on comparing other geographical areas must be considered in a comparison of tax rates or multiples.

## Statement 2 (continued) Revenue and Property Tax Policy Disclosure

### Permissive Tax Exemptions

Council has set policies around the use of permissive tax exemptions. They are Council Policies 5.19 through 5.24. The policies discuss Churches, Community Halls, Heritage Sites, Homes for the Care of Children and the Relief of the Aged, the Poor, the Disabled and the Infirm, Municipal Recreational Services, Private Hospitals and Daycares, Private School and Youth Recreation Groups.

### Revitalization Tax Exemption

The District of Maple Ridge has made significant investments in the Town Centre over the last several years, in keeping with Council's vision to create a vibrant and dynamic Town Centre. The Town Centre Investment Incentives Program has been established to encourage accelerated private sector investment in residential and commercial projects to help achieve Council's vision. Specific objectives of the program are to:

- a. Encourage residential investment to diversify housing options, to increase density in the Town Centre, and to provide a larger base of residents to support Commercial activities;
- b. Encourage Commercial investment to create a strong local economy and expand employment opportunities for citizens;
- c. Increase pedestrian traffic with added residential and Commercial activity, both to support local business, and to enhance safety;
- d. Encourage and support the use of environmentally sustainable building construction methods and materials, and encourage energy efficiency and alternative technologies.

Revitalization Tax Exemption Bylaw 6789-2011 is one element of that incentive program. The three-year program expires at the end of 2013.

### Statement 3 Capital Expenditure Disclosure

The sole purpose of this statement is to meet legislative requirements, highlighting the value of the DCC program; no other conclusions should be drawn from the figures as the information could be misleading. This is required under the Local Government Act s. 937(2); Capital costs attributable to projects to be partially funded by Development Cost Charges (DCC) must be included in the financial plan. The DCC program includes projects as far out as 2026 so the capital expenditures must be extended to match. Certain types of projects are not planned past the five year time horizon of the financial plan. Much less scrutiny is given to projects that are planned in years 2016 through 2030. Projects in these years typically exceed likely funding available.

#### Capital Works Program for 2016 – 2030 (in thousands)

<b>Capital Works Program</b>	<b>325,879</b>
 <b>Source of Funding</b>	
Development Fees	
Development Cost Charges	119,092
Parkland Acquisition Reserve	-
Contribution From Others	4,333
Development Fees Total	123,425
Borrowing Proceeds	19,297
Grants	29,305
 Transfer from Reserve Funds	
Capital Works Reserve	11,377
Cemetery Reserve	115
Equipment Replacement Reserve	1,861
Fire Department Capital Reserve	1,750
Infrastructure Sustainability Reserve	270
Transfer from Reserve Funds Total	15,373
Revenue Funds	138,479
 <b>Source of Funding Total</b>	 <b>325,879</b>