



*Deep Roots  
Greater Heights*

## District of Maple Ridge

**TO:** His Worship Mayor Ernie Daykin and Members of Council      **DATE:** December 13, 2011  
**FROM:** Chief Administrative Officer      **ATTN: Council**  
**SUBJECT:** 2012-2016 Financial Plan Bylaw

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### **EXECUTIVE SUMMARY:**

The 2012-2016 Business and Financial Plans were presented to Council at public meetings held on December 12 and 13. Council directed that a Financial Plan Bylaw be brought forward incorporating the recommendations outlined in the 2012-2016 Financial Plan Overview report dated December 12, 2011.

The Financial Plan Bylaw is in a format that follows the legislated requirements including revenue and tax policy disclosure: the objectives and policies regarding 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.

### **RECOMMENDATION(S):**

**That Maple Ridge 2012-2016 Financial Plan Bylaw No. 6883 - 2011 be given first, second and third readings.**

### **DISCUSSION:**

#### **a) Background Context:**

The 2012-2016 Financial Plan was presented to Council at public meetings held on December 12 and 13. Business Plans from all areas were also provided. The financial plan bylaw incorporates the following direction from Council:

- property tax increase of 4% in 2012-2016, which includes 1% for infrastructure sustainability and 3% for general purposes,
- for 2012 an increase to the fire department service improvement levy of \$600,000 plus growth since 2005, the year of the inception of the levy; the increase is less in 2013. Beyond 2013 any incremental service level increases will be part of the normal business planning process.
- water user fee increase of 9% and sewer user fee increase of 5% each year of the five year plan.
- recycling rate increases of 6% in 2012 and then 3% a year in 2013 through 2016.

In last year's financial plan, Council adopted an aggressive capital program and this plan builds on that direction. The 2012-2016 Financial Plan includes a capital program of about \$129 million and anticipates funding from senior governments and some borrowings.

We have about \$1.5 billion invested in our infrastructure and it is important that we protect this investment. This financial plan sets aside dedicated money for sustaining our infrastructure. As well, we are a growing community and along 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.

Incremental property tax revenue from new construction will not be known until spring when property assessments are finalized. The growth assumption built into the financial plan for 2012 has been reduced to 1.70% and the budgeted costs of new growth have been excluded in 2012. Not increasing budgets to address growth costs such as maintenance of additional infrastructure and park inventory will create some pressure on operating budgets.

The budget amendment in the spring will include the actual growth revenue as well as projects that were approved in 2011 but not yet complete. The previously approved funding sources will also be included in the plan, placing no burden on 2012 property taxes.

**b) Desired Outcome:**

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

**c) Strategic Alignment:**

All departments submitted Business Plans which were prepared using the Business Planning Guidelines 15<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.

**d) 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.

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

The financial plan has been prepared in accordance with statutory requirements and Municipal financial policies. There are several requirements in the Community Charter for the Financial Plan Bylaw, including: 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. Explicit policies and objectives in each of these areas are also required. Maple Ridge's approach to business planning, property taxation policies and other financial policies have addressed all these reporting requirements. The attached bylaw includes this information.

Public consultation is an important and legislated component of preparing financial plans. The Business Planning Guidelines were updated last 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, voicemail or regular mail. Regular feedback and interaction with the public is also taken into account in developing the business plans.

**f) 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. This will 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.

The Financial Plan Bylaw can be amended to reflect changes and is routinely amended in late April or early May to include the projects that were approved but not completed in the prior year. The change also includes an update to reflect the actual amount of property tax revenue due to the amount of real growth. The allocation of Gaming Revenue can also be reviewed at that time.

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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**

## Statement 1

### Consolidated Financial Plan 2012-2016 (in \$ thousands)

	2012	2013	2014	2015	2016
<b>REVENUES</b>					
External Revenues					
Development Fees					
Developer Contributed Assets	15,000	15,000	15,000	15,000	15,000
Developer Cost Charges	409	9,135	7,321	7,593	11,270
Developer Specified Projects	-	-	-	-	-
Parkland Acquisition	200	200	200	200	200
Contributions from Others	4,316	4,215	5,719	3,742	3,979
Development Fees Total	19,925	28,550	28,239	26,535	30,449
Property Taxes	62,470	66,944	71,638	76,672	82,074
Parcel Charges	2,843	2,989	3,143	3,303	3,430
Fees & Charges	35,160	37,082	39,265	41,590	43,155
Interest	2,032	2,052	2,072	2,072	2,072
Grants (Other Govts)	3,417	5,488	3,585	2,933	16,327
Property Sales	-	-	4,250	-	-
Total External Revenues	125,847	143,105	152,191	153,105	177,506
<b>EXPENDITURES</b>					
Operating Expenditures					
Other Expenditures	88,697	93,373	98,256	102,669	107,569
Interest Payments on Debt	2,845	2,941	2,849	2,754	2,644
Amortization Expense	18,015	18,688	19,391	20,124	20,929
Total External Expenditures	109,557	115,003	120,496	125,547	131,142
<b>ANNUAL SURPLUS</b>	<b>16,290</b>	<b>28,102</b>	<b>31,696</b>	<b>27,559</b>	<b>46,364</b>
Add Back: Amortization Expense (Surplus)	18,015	18,688	19,391	20,124	20,929
Less: Capital Expenditures	20,144	26,119	25,647	18,788	38,848
Less: Developer Contributed Capital	15,000	15,000	15,000	15,000	15,000
<b>CHANGE IN FINANCIAL POSITION</b>	<b>(838)</b>	<b>5,672</b>	<b>10,440</b>	<b>13,895</b>	<b>13,444</b>
<b>OTHER REVENUES</b>					
Add: Borrowing Proceeds	7,926	1,274	-	-	-
<b>OTHER EXPENDITURES</b>					
Less: Principal Payments on Debt	4,348	6,028	6,092	6,159	6,228
<b>TOTAL REVENUES LESS EXPENSES</b>	<b>2,740</b>	<b>918</b>	<b>4,347</b>	<b>7,736</b>	<b>7,217</b>
<b>INTERNAL TRANSFERS</b>					
Transfer from Reserve Funds					
Capital Works Reserve	796	1,028	1,128	628	628
Equipment Replacement Reserve	2,655	2,079	1,095	1,256	1,435
Fire Department Capital Reserve	70	950	350	250	1,750
Land Reserve	-	-	4,250	-	-
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	-	-	-	-	-
Transfer from Reserve Fund Total	3,521	4,057	6,822	2,133	3,812
Less: Transfer to Reserve Funds					
Capital Works Reserve	831	1,778	1,122	1,228	1,597
Equipment Replacement Reserve	2,157	2,270	2,365	2,466	2,571
Fire Dept. Capital Acquisition	1,161	581	702	829	960
Land Reserve	7	7	4,257	7	7
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	45	45	45	45	45
Total Transfer to Reserve Funds	4,202	4,681	8,492	4,575	5,180
Transfer from (to) Own Reserves	152	(1,128)	(1,676)	(1,932)	(1,688)
Transfer from (to) Surplus	(2,212)	836	(1,002)	(3,362)	(4,161)
Transfer from (to) Surplus & own Reserves	(2,059)	(293)	(2,678)	(5,294)	(5,849)
<b>TOTAL INTERNAL TRANSFERS</b>	<b>(2,740)</b>	<b>(918)</b>	<b>(4,347)</b>	<b>(7,736)</b>	<b>(7,217)</b>

## Statement 2

### Revenue and Property Tax Policy Disclosure

#### REVENUE DISCLOSURE

Revenue Proportions	2012		2013		2014		2015		2016	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
<b>Revenues</b>										
Property Taxes	62,470	47%	66,944	46%	71,638	48%	76,672	50%	82,074	46%
Parcel Charges	2,843	2%	2,989	2%	3,143	2%	3,303	2%	3,430	2%
Fees & Charges	35,160	26%	37,082	26%	39,265	27%	41,590	27%	43,155	24%
Borrowing Proceeds	7,926	6%	1,274	1%	-	0%	-	0%	-	0%
Other Sources	25,374	19%	36,090	25%	33,897	23%	31,540	21%	48,848	28%
<b>Total Revenues</b>	<b>133,773</b>	<b>100%</b>	<b>144,379</b>	<b>100%</b>	<b>147,943</b>	<b>100%</b>	<b>153,105</b>	<b>100%</b>	<b>177,507</b>	<b>100%</b>
Other Sources include:										
Development Fees Total	19,925	15%	28,550	20%	28,240	19%	26,535	17%	30,449	17%
Interest	2,032	2%	2,052	1%	2,072	1%	2,072	1%	2,072	1%
Grants (Other Govts)	3,417	3%	5,488	4%	3,585	2%	2,933	2%	16,327	9%
	25,374	19%	36,090	25%	33,897	23%	31,540	21%	48,848	28%

#### **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 15<sup>th</sup> Edition, Financial Sustainability Plan and the 2012-2016 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 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 (cont.) 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 no more frequently than every five years, was completed in 2008. Minor DCC amendments are done more frequently. Some fees are used 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 2012-2016 can be found in the 2012-2016 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**

The 2012 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that proceeds the Property Tax Rate Bylaw, as the 2012 property assessed values are not yet finalized. For information purposes the 2011 distribution is included.

#### Property Tax Revenue Distribution

Property Class	Taxation Revenue		Assessed Value		Tax Rate	Multiple
	('000s)		('000s)		(\$/1000)	(Rate/Res.Rate)
1 Residential	43,678	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	2,405	4.3%	198,725	1.6%	12.1045	3.1
6 Business/Other	9,151	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	56,501	100%	12,199,779	100%		

## **Statement 2** (cont.) Revenue and Property Tax Policy Disclosure

### **PROPERTY TAX DISCLOSURE**

#### Objectives & Policies

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

The District's Financial Sustainability Policy section 6 discusses the necessity of diversifying the tax base. Development of employment related properties is one method of diversification; therefore a key performance measurement in Strategic Economic Initiatives 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 stay 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 reduced to negate the market increases. 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 because the types of businesses in each class of property are quite similar. This alignment 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 5% property tax reduction in both 2009 and 2010 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 when comparing other geographical areas must be considered in a comparison of tax rates.

**Statement 2** (cont.)  
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

A revitalization tax exemption is available within a defined downtown area and provides a financial incentive to encourage development in the town centre. Further financial incentives are available for buildings that qualify; additional information on the town centre incentives can be found on our website. For more information on the tax exemption, please refer to Bylaw 6789-2011.



### 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 disclosure 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 2017 through 2030. Projects in these years typically exceed likely funding available.

#### Capital Works Program for 2017 – 2030

(in \$ thousands)

<b>Capital Works Program</b>	<b>317,628</b>
 <b>Source of Funding</b>	
Development Fees	
Development Cost Charges	125,793
Parkland Acquisition Reserve	-
Contribution From Others	4,353
Development Fees Total	130,146
 Borrowing Proceeds	
	9,169
 Grants	
	29,191
 Transfer from Reserve Funds	
Capital Works Reserve	11,067
Cemetery Reserve	115
Equipment Replacement Reserve	1,834
Fire Department Capital Reserve	-
Infrastructure Sustainability Reserve	490
Transfer from Reserve Funds Total	13,506
 Revenue Funds	
	135,617
 <b>Source of Funding Total</b>	 <b>317,628</b>