



District of Maple Ridge

TO: His Worship Mayor Ernie Daykin and Members of Council **DATE:** December 11, 2012
FROM: Chief Administrative Officer **ATTN:** Council
SUBJECT: 2013-2017 Financial Plan Bylaw

EXECUTIVE SUMMARY:

The 2013-2017 Business and Financial Plans were presented to Council at public meetings held on December 10 and 11. The Financial Plan overview was presented followed by a public Question and Answer period which was streamed live over the intranet. Council directed that a Financial Plan Bylaw be brought forward incorporating the recommendations outlined in the 2013-2017 Financial Plan Overview report dated December 10, 2012.

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 2013-2017 Financial Plan Bylaw No. 6959 - 2012 be given first, second and third readings.

DISCUSSION:

a) Background Context:

The 2013-2017 Financial Plan was presented to Council at public meetings held on December 10 and 11. Business Plans from all areas were also provided. The Financial Plan Bylaw incorporates the following direction from Council:

- property tax increases for general purposes, 2.25% annually in 2013 and 2014 and 2.75% annually for 2015 through 2017
- property tax increases for infrastructure sustainability, 0.5% in 2013 and 1.0% annually for 2014 through 2017
- property tax increase for drainage improvements, 0.3% annually
- property tax increase for Park & Recreation Master Plan, 0.125% in 2013 and 0.5% annually for 2014 through 2017
- property tax increase for 2013 for the fire department service improvement levy of \$300,000 plus growth since 2005, the year of the inception of the levy; Beyond 2013 any increases will be included in the general purposes property tax increase
- water user fee annual increase of 5.5%
- sewer user fee annual increase of 4.6%
- recycling rates annual increases of 3%

In last year's financial plan, Council adopted an aggressive capital program and this plan builds on that direction. The 2013-2017 Financial Plan includes a capital program of about \$99 million.

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.

The amount of 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 2013 has been reduced to 1.35% and the budgeted costs of new growth have been reduced as well. The only areas that have some increased funding is maintenance of additional infrastructure and park inventory.

Future budget amendments will include the actual growth revenue as well as projects that were approved in 2012 but not yet complete. The previously approved funding sources will also be included in the plan, placing no burden on 2013 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 16th Edition. 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. 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, Facebook, Twitter and 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 2012-2016 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 Financial 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 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.

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GM Corporate & Financial Services

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

DISTRICT OF MAPLE RIDGE

BYLAW NO. 6959-2012

Maple Ridge 2013-2017 Financial Plan Bylaw No. 6959-2012

WHEREAS, through a public process in an open meeting input was sought from the public with respect to the financial plan and budget guidelines;

AND WHEREAS, through a public process in an open meeting the business and financial plans 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.

The Council for the District of Maple Ridge in open meeting assembled **ENACTS AS FOLLOWS:**

1. This Bylaw may be cited as Maple Ridge 2013-2017 Financial Plan Bylaw No. 6959-2012.
2. Statement 1 attached to and forming part of this bylaw is hereby declared to be the Consolidated Financial Plan of the District of Maple Ridge for the years 2013 through 2017.
3. Statement 2 attached to and forming part of the bylaw is hereby declared to be the Revenue and Property Tax Policy Disclosure for the District of Maple Ridge.
4. Statement 3 attached to and forming part of the bylaw is hereby declared to be the Capital Expenditure Disclosure for the District of Maple Ridge.

READ a first time the day of , 201 .

READ a second time the day of , 201 .

READ a third time the day of , 201 .

PUBLIC CONSULTATION completed on the day of , 201 .

RECONSIDERED and adopted the day of , 201 .

PRESIDING MEMBER

CORPORATE OFFICER

ATTACHMENT: Statement 1, Statement 2 and Statement 3

Statement 1

Consolidated Financial Plan 2013-2017 (in \$ thousands)

	2013	2014	2015	2016	2017
REVENUES					
External Revenues					
Development Fees					
Developer Contributed Assets	12,250	12,250	12,250	12,250	12,250
Developer Cost Charges	(1,044)	4,089	7,776	7,154	5,889
Developer Specified Projects	0	0	0	0	0
Parkland Acquisition	200	200	200	200	200
Contributions from Others	1,420	5,729	3,760	3,780	3,753
Development Fees Total	12,826	22,268	23,986	23,384	22,092
Property Taxes	65,191	68,890	73,308	78,022	83,061
Parcel Charges	2,825	2,941	3,065	3,195	3,331
Fees & Charges	35,011	36,548	38,195	40,360	42,207
Interest	1,818	1,843	1,843	1,843	1,843
Grants (Other Govts)	2,570	3,207	2,655	2,492	3,505
Property Sales	0	4,250	0	0	0
Total External Revenues	120,241	139,947	143,052	149,296	156,039
EXPENDITURES					
Operating Expenditures					
Other Expenditures	91,903	94,444	98,460	102,612	107,214
Interest Payments on Debt	2,608	2,711	2,597	2,483	2,364
Amortization Expense	18,688	19,391	20,124	20,929	20,929
Total External Expenditures	113,199	116,546	121,181	126,024	130,507
ANNUAL SURPLUS					
	7,042	23,401	21,871	23,272	25,532
Add Back: Amortization Expense (Surplus)	18,688	19,391	20,124	20,929	20,929
Less: Capital Expenditures	17,575	19,065	22,624	20,626	19,050
Less: Developer Contributed Capital	12,250	12,250	12,250	12,250	12,250
CHANGE IN FINANCIAL POSITION	(4,095)	11,477	7,121	11,325	15,161
OTHER REVENUES					
Add: Borrowing Proceeds	9,200	0	0	0	0
OTHER EXPENDITURES					
Less: Principal Payments on Debt	3,070	6,057	6,147	6,241	6,338
TOTAL REVENUES LESS EXPENSES	2,035	5,420	974	5,084	8,823
INTERNAL TRANSFERS					
Transfer from Reserve Funds					
Capital Works Reserve	949	1,449	549	549	549
Equipment Replacement Reserve	2,792	1,115	1,276	1,495	1,155
Fire Department Capital Reserve	975	350	250	1,750	0
Land Reserve	0	0	4,250	0	0
Local Improvement Reserve	0	0	0	0	0
Sanitary Sewer Reserve	0	0	0	0	0
Transfer from Reserve Fund Total	4,716	2,914	6,325	3,794	1,704
Less :Transfer to Reserve Funds					
Capital Works Reserve	820	805	814	1,619	1,418
Equipment Replacement Reserve	2,228	2,311	2,451	2,550	2,662
Fire Dept. Capital Aquisition	1,180	609	718	836	983
Land Reserve	5	4,255	5	5	5
Local Improvement Reserve	0	0	0	0	0
Sanitary Sewer Reserve	30	30	30	30	30
Total Transfer to Reserve Funds	4,263	8,010	4,018	5,040	5,098
Transfer from (to) Own Reserves	(131)	26	(632)	(247)	(1,076)
Transfer from (to) Surplus	(2,357)	(350)	(2,649)	(3,591)	(4,353)
Transfer from (to) Surplus & own Reserves	(2,488)	(324)	(3,281)	(3,838)	(5,429)
TOTAL INTERNAL TRANSFERS	(2,035)	(5,420)	(974)	(5,084)	(8,823)

Statement 2

Revenue and Property Tax Policy Disclosure

Revenue Disclosure

Revenue Proportions	2013		2014		2015		2016		2017	
	\$ ('000s)	%	\$ ('000s)	%						
Revenues										
Property Taxes	65,191	51%	68,890	51%	73,308	51%	78,022	52%	83,061	53%
Parcel Charges	2,825	2%	2,941	2%	3,065	2%	3,195	2%	3,331	2%
Fees & Charges	35,011	27%	36,548	27%	38,195	27%	40,360	27%	42,207	27%
Borrowing Proceeds	9,200	7%	-	0%	-	0%	-	0%	-	0%
Other Sources	17,214	13%	27,318	20%	29,484	20%	27,719	19%	27,440	17%
Total Revenues	129,441	100%	135,697	100%	144,052	100%	149,296	100%	157,039	99%

Other Sources include:

Development Fees Total	12,826	10%	22,268	16%	23,986	17%	23,384	16%	22,092	14%
Interest	1,818	1%	1,843	1%	1,843	1%	1,843	1%	1,843	1%
Grants (Other Govts)	2,570	2%	3,207	2%	2,655	2%	2,492	2%	3,505	2%
Property Sales	-	0%	4,250	3%	-	0%	-	0%	-	0%
	17,214	13%	27,318	22%	29,484	20%	27,719	19%	27,440	17%

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.

The Financial Plan includes property tax increases totaling 3.5% in 2013, 4.05% in 2014 and 4.55% annually for 2015 through 2017. The annual tax increase includes increases for: general purposes, infrastructure sustainability, drainage, Parks and Recreation Master Plan implementation and Fire Department Master Plan implementation in 2013. Additional property tax revenue due to new construction is also included in the Financial Plan at 1.35% in 2013, 1.65% in 2014 and 2% annually for 2015 through 2016. Additional information on the tax increases and the cost drivers can be found in the 2013-2017 Financial Plan Overview Report dated December 10, 2012. 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 can be found in the 2013-2017 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 2013 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that proceeds the Property Tax Rate Bylaw, as the 2013 property assessed values are not yet finalized. For information purposes the 2012 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 2030 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 2018 – 2030 (in \$ thousands)

Capital Works Program	274,732
 Source of Funding	
Development Fees	
Development Cost Charges	104,590
Parkland Acquisition Reserve	0
Contribution from Others	6,355
	110,946
Borrowing Proceeds	9,169
Grants	24,204
 Transfer from Reserve Funds	
Capital Works Reserve	11,067
Cemetery Reserve	115
Equipment Replacement Reserve	1,543
Fire Department Capital Reserve	0
Infrastructure Sustainability Reserve	400
Transfer from Reserve Funds	13,125
Revenue Funds	117,288
 Source of Funding	 274,732