

Message from the Chief Financial Officer



I am honoured to present, on behalf of the Finance Department, the 2018 Annual Report for the City of Maple Ridge. This report includes the Audit Report from BDO Canada LLP, the Consolidated Financial Statements and supplementary information for the fiscal year ended December 31, 2018.

Maple Ridge continues to demonstrate its commitment and expertise in financial management. Our 2017 Annual Report received the Government Finance Officer's Association's (GFOA) Canadian Award for Financial Reporting, an award that recognizes local governments across Canada that produce high quality financial reports. This was the 28th consecutive year that Maple Ridge received this award and the longest standing in Canada.

The purpose of the Annual Report is to provide insight into the financial results for our fiscal year ended December 31, 2018. For your convenience, it is divided into three sections:

1. **Introductory Section** – Provides an overview of Council's strategic direction and the economic and administrative context in which the City operates.
2. **Financial Section** – Presents the Consolidated Financial Statements, accompanying notes and supplementary information and the independent auditor's report.
3. **Statistics Section** – Presents statistical and financial information on a multi-year comparative basis.

Local government financial statements are intended to assist readers to evaluate how public resources are being managed. They compare the deployment of financial resources against budget and previous year's results.

As required under British Columbia's Community Charter, this Annual Report contains comprehensive information about the goals and objectives within the focus areas identified by Council. The 2018 Strategic Direction & Progress Report on page 9 communicates performance towards the achievement of these goals and objectives during the year.

A new four year Council term commenced November 2018. With a strong focus on governance, Council soon began updating the Strategic Plan. Performance measures will be reviewed and aligned to reflect the City of Maple Ridge 2019-2022 Strategic Plan.

Year in Review

One of the most notable accomplishments is the significant investment in synthetic fields and progress on other recreation infrastructure including the complete refresh of the Leisure Centre's pool.

Similar to other communities, homelessness, mental health and opioid addiction is of great concern. While it falls under the responsibility of senior levels of government, certainly every community is impacted by the negative behaviours and has a role in mitigating these impacts.

Economic Climate

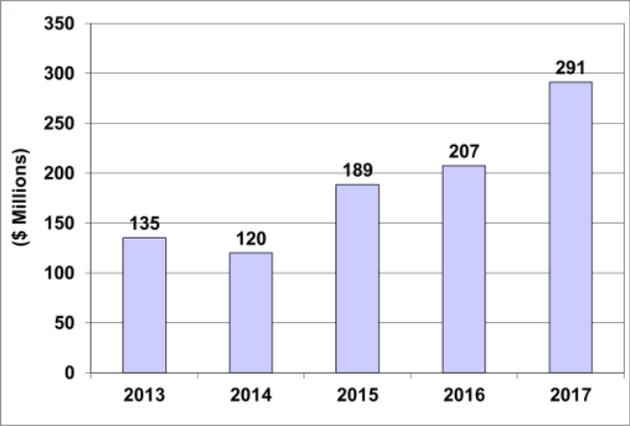
The global trade environment continues to be uncertain with trends towards a protectionist measures largely driven by the USA. Europe continues to address Brexit and Germany has negative interest rates.

The economy in the USA continues to grow, albeit a bit slower than the 2018 growth rate of 3%, with an expected 2019 GDP growth of 2.1%. Inflation remains low as does the unemployment rate, a divergence for the historic inverse relationship. With the tax rate cuts incentivizing capital investment the US increased its productivity gains.

The Canadian economy is facing some headwinds the Bank of Canada recently reduced its growth expectations for 2019 from 1.2% from 1.7%. The yield curve, measuring the extent that one is rewarded for placing funds longer, is quite flat. The additional interest earned for a 30 year Canada Government Bond is only 0.33% more than a 3 month T-bill.

The City issued permits for 370 residential units in 2018, with a relatively even split between single and multi-family homes. In addition to the \$125 million of residential construction, non-residential construction of \$34 million was added in 2018. This represents a non-residential growth rate of about 1.0%. The housing market has moderated slightly over the last year, however affordability continues to be of concern regionally.

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The economic base in Maple Ridge has remained relatively stable over the past number of years. Maple Ridge issued 4,520 business licences in 2018, a decrease of 3% from 2017. Business licences are issued for commercial, home-based and non-residential businesses. The city conducted commercial and industrial studies to ensure land is available to accommodate future growth.

Risk Management

Risks to Municipal operations are assessed on an ongoing basis and risk management strategies are revised or developed in response to experience, changes in operations or relevant legislation. Each year, Council approves an inspection standard that sets the frequency and methodology for inspection of Municipal assets during the year within Financial Plan provisions. Maple Ridge insures its operations through a combination of risk transfer through purchased insurance, membership in the Municipal Insurance Association (MIA) and risk retention through the use of self-insurance reserves.

The following discussion identifies risks that could affect the City's financial position or future operations.

Regional Partnerships

Maple Ridge provides sewer and water services to residents through its membership in the Regional District (Metro Vancouver) and related entities. The City does not control the financial operations of Metro Vancouver, but is proportionately responsible for their costs through annual levies and service payments. Changes in the financial needs of these entities can affect the user fees charged to Maple Ridge taxpayers. Wherever possible, Maple Ridge attempts to smooth the potential impacts of cost increases from the Regional District by using a rate stabilization policy. This policy factors the effects of long-range regional plans into our rate structure.

Disaster Recovery

Events such as an earthquake, extreme weather or technology failure could have an impact on both the community and on City operations. As part of the City's Emergency Management Program, preparedness plans are in place and are exercised regularly to help us prepare for a disaster.

The Business and Financial Planning Process

Maple Ridge has developed comprehensive business planning guidelines for use in the financial planning process. These guidelines are updated annually and are intended to assist Council with the difficult task of resource allocation.

Departmental business plans communicate alignment with Council's priorities and identify:

- Goals and objectives
- Service levels and service delivery options
- Resource distribution
- Performance measures
- Capital program and associated operating costs
- Potential new revenue sources
- Incremental spending requests

The financial planning process is also guided by a Financial Sustainability Plan, a group of 13 policies designed to position the City to meet financial obligations, while ensuring that residents can look forward to equitable and affordable taxation.

Business and Financial Plan review sessions are open to the public and provide opportunities for individuals to ask questions of Council on decisions or to make submissions on all programs.

Under the British Columbia Community Charter, the City is required to adopt a Five-Year Financial Plan. This long-term approach to financial planning allows Council and the community to consider the impact that current decisions will have on future financial flexibility. Each year, Council adopts a Financial Plan based on the best information available at the time. The plan is updated each May, prior to setting the property tax rates, to reflect any changes that have occurred since the last plan was adopted.

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On July 24, 2018 Council adopted Bylaw 7454-2018 to establish the five-year Financial Plan for the years 2019 – 2023. The key financial implications of this budget include:

- Overall property tax increase for general purposes was set at 1.90%, with projected increases of 2.00% per year in 2020 through 2023.
- Property tax increase for infrastructure replacement was set at 0.70% per year in 2019 through 2021 and 0.90% per year in 2022 & 2023.
- Parks, Recreation & Cultural Levy increase was set at 0.60% for 2019 through 2023.
- Storm Water Levy increase was set at 0.30% in 2019 through 2021 and 0.10% per year in 2022 & 2023.
- Water Levy increase was set at 4.50% annually
- Sewer Levy increase was set at 3.60% annually
- Recycling Levy Increase was set at 2.75% per year in 2019 through 2023.
- The new property tax revenue assumptions due to real growth is 1.75% to 1.90% per year.

These assumptions were incorporated into a Financial Plan that provided for important services valued by our citizens.

The 2019-2023 Financial Plan reflects Council's continuing commitment to maintaining our infrastructure with property tax increases for infrastructure sustainability.

Outlook

In May of 2019, Council adopted a Financial Plan for 2019-2023 that reflected current information from BC Assessment about growth in the community. The only rate amendment from the bylaw adopted in 2018 was the sewer levy annual increase was amended to 8.5% due to the increased investment in sewer treatment infrastructure by the region.

The plan includes significant capital expenditures to address infrastructure needs in the community. Many of these expenditures are dependent on revenues from outside sources, such as grants from other levels of governments. Overall, the City's financial condition remains strong, with growth expected in the assessment base a strong business planning process, financial reserves and available debt servicing capacity.

Challenges that we continue to monitor and address in our Financial Plans include:

- Impact of the economy on real growth and development related revenues
- Growth-driven increases in operating costs
- A predominately residential assessment base that continues to grow faster than the commercial and industrial sector
- Increasing costs from the Regional District for sewer and water
- Providing for the future replacement of infrastructure
- Balancing service levels and affordability

Business planning for 2020-2024 is just beginning with Council setting the City's strategic direction and focus areas. Council governs this process and staff prepare business plans to deliver on this direction.

Conclusion

I would like to take this opportunity to thank members of Council, the Corporate Management Team and all City employees for their direction and dedication in achieving our 2018 results. The reason for our success is the strong commitment to excellence by our employees in all that they do to best serve the citizens of Maple Ridge.



Trevor Thompson, BBA, CPA, CGA
Chief Financial Officer