



Deep Roots
Greater Heights

District of Maple Ridge

TO: His Worship Mayor Ernie Daykin and Members of Council **DATE:** December 10, 2013

FROM: Chief Administrative Officer **ATTN:** Council

SUBJECT: 2014-2018 Financial Plan Bylaw

EXECUTIVE SUMMARY:

The 2014-2018 Business and Financial Plans were presented to Council at a public meeting held on December 9. The Financial Plan overview was presented followed by a public Question and Answer period which was streamed live over the internet. Council directed that a Financial Plan Bylaw be brought forward incorporating the recommendations outlined in the 2014-2018 Financial Plan Overview report.

The Financial Plan Bylaw is a consolidated plan that includes the general revenue fund, the sewer and water utility funds and the capital program. It 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 2014-2018 Financial Plan Bylaw No. 7043 - 2013 be given first, second and third readings.

DISCUSSION:

a) Background Context:

The 2014-2018 Financial Plan was presented to Council at public meetings held on December 9. Business Plans from all areas were also provided. The Financial Plan Bylaw incorporates the following direction from Council:

- property tax increase for General Purposes of 2.2% per year for 2014, 2015 and 2016 and 2% per year for 2017 and 2018
- property tax increase for Infrastructure Sustainability of 0.50% per year for 2014, 2015 and 2016 and 0.70% for 2017 and 2018
- property tax increase for Parks & Recreation Improvements of 0.25% each year
- property tax increase for Drainage Improvements of 0.30% for each year
- Growth in property tax revenue from all property classes (from new construction) of 1.65% in 2014 and 2% per year from 2015 to 2018
- Water Utility rate increase of 5.5% per year
- Sewer Utility rate increase of 4.6% per year
- Recycling rate increase of 2.75% per year

- Growth costs as detailed on Page 8 of the Financial Overview Report
- Incremental Adjustments as outlined on Page 9 of the Financial Overview Report
- Capital Works Program totaling \$18.2 million in 2014, \$30.1 million in 2015, \$27.2 million 2016, \$20.7 million in 2017 and \$21.3 million in 2018
- Cost and revenue adjustments from Pages 21 and 22 of the Financial Overview Report, which reconciles the 2013-2017 Financial Plan with the 2014-2018 Financial Plan

In last year's financial plan, Council adopted an aggressive capital program and this plan builds on that direction. The 2014-2018 Financial Plan includes a capital program of about \$118 million.

We have about \$1.4 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 property assessments are finalized. The growth assumption built into the financial plan for 2014 is 1.65%.

Future budget amendments will include the actual growth revenue as well as projects that were approved in 2013 and are still in progress. The previously approved funding sources will also be included in the plan, placing no burden on 2014 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 17th 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 was invited when Council set the 2014-2018 business planning guidelines in spring of 2013. Regular feedback and interaction with the public is also taken into account in developing the business plans.

The business planning presentations were open to the public; there was also a live question and answer period where comments and questions were accepted in person as well as over the phone, email and social media like Facebook and Twitter.

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 2013-2017 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.

"Original signed by Trevor Thompson"

Prepared by: **Trevor Thompson, BBA, CGA**
Manager of Financial Planning

"Original signed by Paul Gill"

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

"Original signed by J.L. (Jim) Rule"

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

DISTRICT OF MAPLE RIDGE

BYLAW NO. 7043-2013

Maple Ridge 2014-2018 Financial Plan Bylaw No. 7043-2013

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 2014-2018 Financial Plan Bylaw No. 7043-2013.
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 2014 through 2018.
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 2014-2018 (in \$ thousands)

	2014	2015	2016	2017	2018
REVENUES					
Revenues					
Development Fees					
Developer Contributed Assets	16,500	16,500	16,500	16,500	16,500
Developer Cost Charges	(6,897)	9,606	11,418	7,158	5,954
Developer Specified Projects	-	-	-	-	-
Parkland Acquisition	200	200	200	200	200
Contributions from Others	1,245	1,256	1,275	1,249	1,238
Development Fees Total	11,048	27,562	29,393	25,107	23,892
Property Taxes	68,346	71,722	75,352	79,483	83,575
Parcel Charges	2,857	2,957	3,058	3,163	3,243
Fees & Charges	36,461	37,961	39,955	41,614	42,896
Interest	1,853	1,853	1,853	1,853	1,853
Grants (Other Govts)	4,035	4,983	3,920	4,308	3,420
Property Sales	-	4,250	-	-	-
Total Revenues	124,600	151,288	153,531	155,528	158,879
EXPENDITURES					
Operating Expenditures					
Interest Payments on Debt	2,240	2,435	2,300	2,161	2,077
Amortization Expense	19,391	20,124	20,929	21,766	22,637
Other Expenditures	97,743	98,238	101,755	106,453	110,395
Total Expenditures	119,374	120,797	124,984	130,380	135,109
ANNUAL SURPLUS	5,226	30,491	28,547	25,148	23,770
Add Back: Amortization Expense (Surplus)	19,391	20,124	20,929	21,766	22,637
Less: Capital Expenditures	18,483	30,179	27,330	20,811	21,414
Less: Developer Contributed Capital	16,500	16,500	16,500	16,500	16,500
CHANGE IN FINANCIAL POSITION	(10,366)	3,936	5,646	9,603	8,493
OTHER REVENUES					
Add: Borrowing Proceeds	11,400	-	-	-	-
OTHER EXPENDITURES					
Less: Principal Payments on Debt	2,661	3,955	4,047	4,144	4,183
TOTAL REVENUES LESS EXPENSES	(1,627)	(19)	1,599	5,459	4,310
INTERNAL TRANSFERS					
Transfer from Reserve Funds					
Capital Works Reserve	2,149	549	549	549	701
Equipment Replacement Reserve	3,097	2,272	3,092	1,074	3,474
Fire Department Capital Reserve	583	250	1,750	-	-
Land Reserve	-	4,250	-	-	-
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	-	-	-	-	-
Transfer from Reserve Fund Total	5,829	7,321	5,391	1,623	4,175
Less :Transfer to Reserve Funds					
Capital Works Reserve	916	819	1,361	790	1,345
Equipment Replacement Reserve	2,271	2,359	2,450	2,602	2,729
Fire Dept. Capital Acquisition	1,342	738	822	952	1,082
Land Reserve	5	4,255	5	5	5
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	30	30	30	30	30
Total Transfer to Reserve Funds	4,564	8,201	4,668	4,379	5,191
Transfer from (to) Own Reserves	568	(920)	(4)	(1,825)	(2,213)
Transfer from (to) Surplus	(206)	1,819	(2,318)	(878)	(1,081)
Transfer from (to) Surplus & own Reserves	362	899	(2,322)	(2,703)	(3,294)
TOTAL INTERNAL TRANSFERS	1,627	19	(1,599)	(5,459)	(4,310)
BALANCED BUDGET	-	-	-	-	-

Statement 2

Revenue and Property Tax Policy Disclosure

Revenue Disclosure

Revenue Proportions	2014		2015		2016		2017		2018	
	\$ ('000s)	%	\$ ('000s)	%						
Revenues										
Property Taxes	68,346	51%	71,722	49%	75,352	49%	79,483	51%	83,575	52%
Parcel Charges	2,857	2%	2,957	2%	3,058	2%	3,163	2%	3,243	2%
Fees & Charges	36,461	27%	37,961	26%	39,955	26%	41,614	27%	42,896	27%
Borrowing Proceeds	11,400	8%	-	0%	-	0%	-	0%	-	0%
Other Sources	16,936	12%	34,398	23%	36,166	23%	31,268	20%	29,165	18%
Total Revenues	136,000	100%	147,038	100%	154,531	100%	155,528	100%	159,879	99%
Other Sources include:										
Development Fees Total	11,048	8%	27,562	19%	29,393	19%	25,107	16%	23,892	15%
Interest	1,853	1%	1,853	1%	1,853	1%	1,853	1%	1,853	1%
Grants (Other Govts)	4,035	3%	4,983	3%	3,920	3%	4,308	3%	3,420	2%
Property Sales	-	0%	4,250	3%	-	0%	-	0%	-	0%
	16,936	12%	34,398	26%	36,166	23%	31,268	20%	29,165	18%

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 3.25% annually for:

- General Purposes
- Infrastructure Sustainability
- Parks and Recreation Master Plan implementation
- Drainage Improvements

Additional property tax revenue due to new construction is also included in the Financial Plan at 1.65% in 2014 and 2% annually for 2015 through 2018. Additional information on the tax increases and the cost drivers can be found in the 2014-2018 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 can be found in the 2014-2018 Financial Plan Overview report.

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

- Development fees which fund capital projects from the DCC Reserve
- Contribution from others in relation to capital
- Grants which are sought from various agencies and may be leveraged with District funds

PROPERTY TAX DISCLOSURE

The 2014 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that proceeds the Property Tax Rate Bylaw, as the 2014 property assessed values are not yet finalized. For information purposes the 2013 distribution is included.

Property Tax Revenue Distribution

Property Class	Taxation Revenue		Assessed Value		Tax Rate	Multiple
	('000s)		('000s)		(\$/1000)	(Rate/Res.Rate)
1 Residential	48,981	77.6%	11,435,396	91.3%	4.2833	1.0
2 Utility	506	0.8%	12,642	0.1%	40.0000	9.3
4 Major Industry	669	1.1%	17,972	0.1%	37.2342	8.7
5 Light Industry	2,623	4.2%	214,481	1.7%	12.2307	2.9
6 Business/Other	10,163	16.1%	830,954	6.6%	12.2307	2.9
8 Rec./ Non-Profit	36	0.1%	2,976	0.0%	12.0983	2.8
9 Farm	147	0.2%	5,287	0.0%	27.8646	6.5
Total	<u>63,126</u>	<u>100%</u>	<u>12,519,706</u>	<u>100%</u>		

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, as the types of businesses in each class are similar.

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 the 2014 - 2018 Financial plan, property taxes charged to major industrial class properties have been reduced; it starts at \$70,000 in 2014, increasing by \$70,000 in each year of the plan.

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.

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 both Bylaw 6789-2011 and 7010-2013.

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 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 2035 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 2019 through 2035. Projects in these years typically exceed likely funding available.

Capital Works Program for 2019 – 2035

(in \$ thousands)

Capital Works Program	327,177
 Source of Funding	
Development Fees	
Development Cost Charges	127,540
Parkland Acquisition Reserve	-
Contribution from Others	6,756
	134,296
 Borrowing Proceeds	 6,319
Grants	41,987
 Transfer from Reserve Funds	
Capital Works Reserve	8,935
Cemetery Reserve	115
Equipment Replacement Reserve	2,303
Fire Department Capital Reserve	-
Infrastructure Sustainability	
Reserve	310
Transfer from Reserve Funds	11,663
 Revenue Funds	 132,911
 Source of Funding	 327,177