



## City of Maple Ridge

**TO:** Her Worship Mayor Nicole Read  
and Members of Council  
**MEETING DATE:** April 18, 2016

**FROM:** Chief Administrative Officer  
**MEETING:** C. of W.

**SUBJECT:** 2016-2020 Financial Plan Amending Bylaw

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### EXECUTIVE SUMMARY:

Prior to setting the 2016 property tax rates, it is desirable to update our financial plan to reflect information received since the plan's adoption in January. The 2016 property assessment roll has been received from BC Assessment, which means that the 2016 property taxes can now be set.

The Property Tax Rates Bylaw must be adopted each year prior to May 15. The Financial Plan Amending Bylaw and 2016 Property Taxes Bylaw will require three readings on the Council Meeting on April 26 and final consideration at the Council Meeting on May 10.

The majority of the updates to the Financial Plan are the inclusion of funding and budgets for the projects that were included in the prior year's adopted budget but were not completed by year end. Council has approved a few additions to the budget through Council Resolutions, which are itemized later in this report.

Each year Council receives numerous reports on different aspects of property taxation. In the past, we reduced the major industrial property taxes due to these rates being high compared to other communities. Each year Council receives a report concerning our commercial property tax rates and multiples. The competitiveness of our commercial property tax rates is something that we continue to monitor.

Council has raised some concerns about the property tax burden on our business/commercial class properties. A reduction in the magnitude of the 2016 property tax increase for Business and Light Industrial class properties has been incorporated in this Financial Plan Amendment. These property classes will have an increase of 1.85% compared to the 3.15% increase in other property classes. This will result in the business class multiple, the number of times larger the business class property tax rate is compared to the residential class rate, being reduced from 2.75 to 2.71.

### RECOMMENDATION(S):

That Bylaw No. 7241-2016 be given first, second and third readings.

## **DISCUSSION:**

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

The 2016-2020 Business Plans and an overview of the financial plan were presented to Council at public meetings in December of 2015. Business Plans from all areas including the Capital Program and the 2016-2020 Financial Overview Report were provided and a Financial Plan Bylaw was adopted in January. The business plans, reports, presentations and Financial Plan Bylaw are available on our website.

### **b) Business Plan/Financial Implications:**

The financial plan is amended as follows:

1. The real growth in 2016 property tax revenue, largely due to new construction, was 1.78%. The actual growth was 2.15%; however, some of this growth will be exempt for a few years as it was under an incentive program. An estimate of 2% for real growth was included in the previous financial plan. Funding has been set aside to assist with temporary growth revenue shortfalls due to property tax exemptions for the incentive programs.
2. As in past years and as reported to Council in the year end update, funding has been provided for projects that were budgeted for in the prior year but were not completed.
3. Council approved funding from the Police Services Reserve for two separate items: to support a strategy to address systematic vehicle speeding and additional security coverage in the downtown core in 2016 of \$60,000.
4. Other cost updates for existing items resulted in some cost savings, these include employee benefits, library contract and removal of the inflation contingency for 2016.
5. These favourable adjustments provided some latitude to reduce the property tax increase for business and light industrial class properties from 3.15% to 1.85%.
6. The transfer to General Revenue Accumulated Surplus for 2016 is \$98,400 and for the following three years ranges from \$36,500 to \$56,500.

### **c) Desired Outcome:**

A financial plan that accurately reflects the planned expenditures and methods of funding and is consistent with Council's direction.

### **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.

Public consultation is an important component of preparing the financial plan. Public input during business planning this December was invited through advertisements in the local paper and through online methods. Input was accepted through many different mediums including: in person, email, voicemail, Facebook, Twitter and regular mail. Regular feedback and interactions with the public and people who we serve is also taken into account in developing the business plans.

For this amendment to the Financial Plan, as there is very little new information and few decisions being made, public consultation will consist of an advertisement placed in the local paper.

## **CONCLUSIONS:**

The Financial Plan is a multi-year planning, reviewing and reporting tool that represents Council's commitment to providing quality services to the people 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.

"Original signed by C.K. Lee"

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**Prepared by: CK Lee, CPA, CGA**  
**Financial Analyst**

"Original signed by Trevor Thompson"

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

"Original signed by Trevor Thompson" for

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**Approved by: Paul Gill, BBA, CPA, CGA**  
**General Manger, Corporate & Financial Services**

"Original signed by E.C. Swabey"

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**Concurrence: E.C. Swabey**  
**Chief Administrative Officer**

**CITY OF MAPLE RIDGE**

**BYLAW NO. 7241-2016**

A bylaw to amend Maple Ridge 2016-2020 Financial Plan Bylaw No. 7194-2015

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**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 be a process of public consultation under Section 166 of the Community Charter;

The Council for the City of Maple Ridge **ENACTS AS FOLLOWS:**

1. This Bylaw may be cited as Maple Ridge 2016-2020 Financial Plan Amending Bylaw No. 7241-2016.
2. Statement 1, Statement 2 and Statement 3 attached to and forming part of Maple Ridge 2016-2020 Financial Plan Bylaw 7194-2015 are deleted in their entirety and replaced by Statement 1, Statement 2 and Statement 3 attached and forming part of Maple Ridge 2016-2020 Financial Plan Amending Bylaw No. 7241-2016.

**READ** a first time the            day of            , 2016.

**READ** a second time the            day of            , 2016.

**READ** a third time the            day of            , 2016.

**PUBLIC CONSULTATION** completed on the            day of            , 2016.

**ADOPTED** the \_\_\_\_ day of \_\_\_\_\_, 2016.

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**PRESIDING MEMBER**

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**CORPORATE OFFICER**

ATTACHMENT: Statement 1, Statement 2 and Statement 3

## Statement 1

### Consolidated Financial Plan 2016-2020 (in \$ thousands)

	2016	2017	2018	2019	2020
<b>REVENUES</b>					
Revenues					
Development Fees					
Developer Contributed Assets	16,500	16,500	16,500	16,500	16,500
Developer Cost Charges	36,178	1,961	2,151	13,335	9,926
Developer Specified Projects	-	-	-	-	-
Parkland Acquisition	1,403	200	200	200	200
Contribution from Others	1,979	1,248	1,282	1,244	1,287
Development Fees Total	56,060	19,909	20,133	31,279	27,913
Property Taxes	74,471	78,559	82,634	86,861	91,288
Parcel Charges	2,906	2,997	3,091	3,188	3,288
Fees Charges	41,197	42,539	44,140	45,841	47,494
Interest	1,883	1,898	1,913	1,928	1,943
Grants (Other Govts)	7,042	4,829	3,691	4,855	4,531
Property Sales	1,500	1,500	1,500	1,500	1,000
Total Revenues	185,059	152,231	157,102	175,452	177,457
<b>EXPENDITURES</b>					
Operating Expenditures					
Interest Payments on Debt	1,970	2,006	1,941	1,818	1,699
Amortization	19,780	19,780	19,780	19,780	19,780
Other Expenditures	109,461	103,588	107,083	110,646	114,342
Total Expenditures	131,211	125,374	128,804	132,244	135,821
<b>ANNUAL SURPLUS</b>	<b>53,848</b>	<b>26,856</b>	<b>28,296</b>	<b>43,209</b>	<b>41,636</b>
Add Back: Amortization Expense (Surplus)	19,780	19,780	19,780	19,780	19,780
Less: Capital Expenditures	92,248	27,617	23,800	29,615	26,402
Less: Developer Contributed Capital	16,500	16,500	16,500	16,500	16,500
<b>CHANGE IN FINANCIAL POSITION</b>	<b>(35,120)</b>	<b>2,519</b>	<b>7,776</b>	<b>16,874</b>	<b>18,514</b>
<b>OTHER REVENUES</b>					
Add: Borrowing Proceeds	7,046	6,000	7,000	-	-
<b>OTHER EXPENDITURES</b>					
Less: Principal Payments on Debt	3,476	3,705	3,721	3,800	3,882
<b>TOTAL REVENUES LESS EXPENSES</b>	<b>(31,550)</b>	<b>4,814</b>	<b>11,055</b>	<b>13,074</b>	<b>14,632</b>
<b>INTERNAL TRANSFERS</b>					
Transfer from Reserve Funds					
Capital Works Reserve	10,050	3,549	-	-	-
Equipment Replacement Reserve	5,414	1,813	3,245	2,311	1,857
Fire Department Capital Reserve	2,273	-	-	-	250
Land Reserve	-	-	-	-	-
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	-	-	-	-	-
Transfer from Reserve Fund Total	17,737	5,362	3,245	2,311	2,107
Less :Transfer to Reserve Funds					
Capital Works Reserve	3,820	2,842	4,314	4,117	3,218
Equipment Replacement Reserve	2,573	2,728	2,860	2,996	3,165
Fire Department Capital Reserve	709	783	861	991	1,127
Land Reserve	5	5	5	5	5
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	30	30	30	30	30
Total Transfer to Reserve Funds	7,137	6,388	8,070	8,139	7,545
Transfer from (to) Own Reserves	24,072	(606)	(574)	(758)	(1,438)
Transfer from (to) Surplus	(3,122)	(3,182)	(5,656)	(6,488)	(7,756)
Transfer from (to) Surplus & own Reserves	20,950	(3,788)	(6,230)	(7,246)	(9,194)
<b>TOTAL INTERNAL TRANSFERS</b>	<b>31,550</b>	<b>(4,814)</b>	<b>(11,055)</b>	<b>(13,074)</b>	<b>(14,632)</b>
<b>BALANCED BUDGET</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Statement 2

### Revenue and Property Tax Policy Disclosure

#### Revenue Disclosure

Revenue Proportions	2016		2017		2018		2019		2020	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
<b>Revenues</b>										
Property Taxes	74,471	38.8	78,559	49.6	82,634	50.4	86,861	49.5	91,288	51.4
Parcel Charges	2,906	1.5	2,997	1.9	3,091	1.9	3,188	1.8	3,288	1.9
Fees & Charges	41,197	21.4	42,539	26.9	44,140	26.9	45,841	26.1	47,494	26.8
Borrowing Proceeds	7,046	3.7	6,000	3.8	7,000	4.3	-	-	-	-
Other Sources	66,485	34.6	28,136	17.8	27,237	16.5	39,562	22.6	35,387	19.9
<b>Total Revenues</b>	<b>192,105</b>	<b>100</b>	<b>158,231</b>	<b>100</b>	<b>164,102</b>	<b>100</b>	<b>175,452</b>	<b>100</b>	<b>177,457</b>	<b>100</b>

Other Sources include:

Development Fees Total	56,060	29.2	19,909	12.6	20,133	12.3	31,279	17.8	27,913	15.7
Interest	1,883	0.9	1,898	1.2	1,913	1.1	1,928	1.1	1,943	1.0
Grants (Other Gov)	7,042	3.7	4,829	3.1	3,691	2.2	4,855	2.8	4,531	2.6
Property Sales	1,500	0.8	1,500	0.9	1,500	0.9	1,500	0.9	1,000	0.6
	66,485	34.6	28,136	17.8	27,237	16.5	39,562	22.6	35,387	19.9

#### Objectives & Policies

##### Property Tax Revenue

Property Tax Revenue is the City'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 3.15% 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 1.78% in 2016 and 2% annually for 2017 through 2020. Additional information on the tax increases and the cost drivers can be found in the 2016-2020 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

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 2016-2020 Financial Plan Overview report.

### Other Sources

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 City funds

## PROPERTY TAX DISCLOSURE

### Property Tax Revenue Distribution

Property Class	Taxation Revenue		Assessed Value		Tax Rate	Multiple
	('000s)		('000s)		(\$/1000)	(Rate/Res.Rate)
1 Residential	56,532	78.3%	12,918	91.2%	4.3761	1.00
2 Utility	541	0.8%	14	0.1%	40.0000	9.14
4 Major Industry	591	0.8%	17	0.1%	34.1952	7.81
5 Light Industry	2,760	3.8%	232	1.7%	11.8801	2.71
6 Business/Other	11,565	16.0%	974	6.9%	11.8801	2.71
8 Rec./ Non-Profit	39	0.1%	3	0.0%	15.2783	3.49
9 Farm	164	0.2%	5	0.0%	33.7082	7.70
Total	<u>72,192</u>	<u>100%</u>	<u>14,162</u>	<u>100%</u>		

## **Statement 2 (cont.)**

### **Revenue and Property Tax Policy Disclosure**

#### **PROPERTY TAX DISCLOSURE**

##### Objectives & Policies

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

The City'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. For 2016 the increase was reduced from 3.15% to 1.85% to reduce the relative property tax burden for these properties.

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 2014 and 2015, property taxes charged to major industrial class properties were reduced by \$70,000 in each year.

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. These are Council Policies 5.19 through 5.24. These 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. 560; 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 2021 through 2035. Projects in these years typically exceed likely funding available.

#### Capital Works Program for 2021 – 2035

(in \$ thousands)

<b>Capital Works Program</b>	<b>304,199</b>
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#### Source of Funding

##### Development Fees

Development Cost Charges	120,537
Parkland Acquisition Reserve	-
Contribution from Others	6,622
	127,160

Borrowing Proceeds	2,091
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Grants	41,229
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##### Transfer from Reserve Funds

Capital Works Reserve	13,163
Cemetery Reserve	115
Equipment Replacement Reserve	-
Fire Department Capital Reserve	2,486
Recycling Reserve	-
	15,764

Transfer from Reserve Funds	15,764
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Revenue Funds	117,328
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<b>Source of Funding</b>	<b>303,572</b>
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