



## City of Maple Ridge

**TO:** Her Worship Mayor Nicole Read and Members of Council      **MEETING DATE:** December 5, 2017  
**FROM:** Chief Administrative Officer      **MEETING:** Council  
**SUBJECT:** 2018-2022 Financial Plan Bylaw

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### **EXECUTIVE SUMMARY:**

At the November 28, 2017 Council meeting, Council directed that the Financial Plan Bylaw be brought forward at the next Council meeting and that it include the incremental requests which were first introduced at the November 14, 2017 Audit & Finance Committee meeting. This report is in line with that request.

Council adopted Financial Plan guidelines earlier this year and provided direction to include revenues to fund the operating costs and debt payments associated with a number of Parks & Recreation capital projects. These items are also included in this Financial Plan; appropriate adjustments will be made following the completion of the public approval process.

The Capital Program for 2018-2022 forms a significant part of the Financial Plan and was also presented at the November 14, 2017 Audit & Finance Committee meeting. A detailed listing of the capital projects is included in the Capital Works Program business plan which can be found on our website and was also attached to the November 14, 2017 staff 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 prescribed legislative requirements. In addition to the information that we are required to provide, we produce the 2018-2022 Financial Plan Overview Report which was provided to Council on November 28, 2017. This report provides additional context, recapitulates key information and itemizes changes to the budget since it was adopted by Council last May. The report is designed to aid the public and other interested parties to better understand what goes into the City's decision making processes and the resulting financial resource allocations.

Council has the authority to amend the Financial Plan Bylaw at any time. Typically, the first amendment is in late April once the property tax revenue due to new construction is known and the projects that were previously approved in 2017 and are still underway are included in the 2018 budget.

This Financial Plan meets the guidelines established by Council and staff are recommending approval of the associated bylaw.

**RECOMMENDATION(S):**

**That Maple Ridge 2018-2022 Financial Plan Bylaw No. 7405 - 2017 be given first, second and third readings.**

**DISCUSSION:**

**a) Background Context**

Earlier this year, Council provided direction for the Financial Plan that is now being presented to Council in the form of a bylaw. The Financial Plan provides for revenues to fund the operating costs and debt payments associated with a number of Park and Recreation capital projects. Appropriate adjustments will be made following the completion of the public approval process.

We have about \$1.6 billion invested in our infrastructure and it is important that we protect this investment. This Financial Plan includes a funding strategy for sustaining this investment.

Council has received details on the changes to the current Financial Plan. In addition, staff are recommending some incremental adjustments which were largely funded through a reallocation of existing resources. Council accepted these incrementals at the November 28, 2017 meeting and these incrementals are included in this bylaw.

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. The attached bylaw includes this information.

Public consultation is an important and legislated component of financial plan preparation. Regular feedback and interaction with the public is also considered when business plans are developed including Financial Plan Guidelines. A separate approval process is also in progress for the debt required to fund Parks & Leisure investments.

In the event that this bylaw is not adopted, the City is not authorized to make any expenditures other than those identified in the existing 2017-2021 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 priorities and commitment to providing quality services to the residents of Maple Ridge. This plan is in line with the direction set by Council and we recommend approval.

"Original Signed by *Trevor Thompson*"

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**Prepared by:** Trevor Thompson  
Manager of Financial Planning

"Original Signed by *Catherine Nolan*"

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**Approved by:** Catherine Nolan  
Interim Director of Finance

"Original Signed by *Frank Quinn*"

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**Approved by:** Frank Quinn, General Manager,  
Public Works & Development Services

"Original Signed by *Kelly Swift*"

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**Approved by:** Kelly Swift, General Manager,  
Parks, Recreation & Cultural Services

"Original Signed by *Paul Gill*"

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**Approved by:** Paul Gill  
Chief Administrative Officer

**CITY OF MAPLE RIDGE**

**BYLAW NO. 7405-2017**

A bylaw to establish the five year financial plan for the years 2018 through 2022

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**WHEREAS**, a public process in open meetings the financial plan overview was presented;

**AND WHEREAS**, the public had an opportunity to provide feedback on the 2018-2022 Financial Plan Guidelines.

**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;

**NOW THEREFORE**, the Council for the City of Maple Ridge enacts as follows:

1. This Bylaw may be cited as “Maple Ridge 2018-2022 Financial Plan Bylaw No. 7405-2017”.
2. Statement 1 attached to and forming part of this bylaw is hereby declared to be the Consolidated Financial Plan of the City of Maple Ridge for the years 2018 through 2022.
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 City 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 City of Maple Ridge.

**READ** a first time the 5<sup>th</sup> day of December, 2017.

**READ** a second time the 5<sup>th</sup> day of December, 2017.

**READ** a third time the 5<sup>th</sup> day of December, 2017.

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

**ADOPTED** the                      day of                      .

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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 2018-2022 (in \$ thousands)

	2018	2019	2020	2021	2022
<b>REVENUES</b>					
Revenues					
Development Fees					
Developer Contributed Assets	20,000	20,000	20,000	20,000	20,000
Developer Cost Charges	4,575	9,868	7,918	5,310	3,323
Developer Specified Projects	-	-	-	-	-
Parkland Acquisition	200	200	200	200	200
Contribution from Others	1,572	1,296	1,399	1,291	1,298
Development Fees Total	26,347	31,364	29,517	26,801	24,821
Property Taxes	82,924	87,434	92,200	97,236	102,558
Parcel Charges	3,110	3,208	3,309	3,413	3,521
Fees & Charges	42,075	43,732	45,350	47,055	48,853
Interest	1,883	1,898	1,913	1,928	1,943
Grants	6,505	3,904	4,324	4,535	3,896
Property Sales	1,583	1,500	2,500	-	-
Total Revenues	164,427	173,040	179,113	180,968	185,592
<b>EXPENDITURES</b>					
Operating Expenditures					
Debt & Interest Payments	2,550	2,805	2,677	3,287	3,115
Amortization	19,780	19,780	19,780	19,780	19,780
Other Expenditures	106,600	111,517	115,528	119,603	123,576
Total Expenditures	128,930	134,102	137,985	142,670	146,471
<b>ANNUAL SURPLUS</b>	<b>35,497</b>	<b>38,938</b>	<b>41,128</b>	<b>38,298</b>	<b>39,121</b>
Add Back: Amortization Expense (Surplus)	19,780	19,780	19,780	19,780	19,780
Less: Capital Expenditures	62,907	52,015	26,154	25,179	19,706
Less: Developer Contributed Capital	20,000	20,000	20,000	20,000	20,000
<b>CHANGE IN FINANCIAL POSITION</b>	<b>(27,630)</b>	<b>(13,297)</b>	<b>14,754</b>	<b>12,899</b>	<b>19,195</b>
<b>OTHER REVENUES</b>					
Add: Borrowing Proceeds	27,500	19,000	-	-	-
<b>OTHER EXPENDITURES</b>					
Less: Principal Payments on Debt	3,724	3,804	3,886	4,990	5,113
<b>TOTAL REVENUES LESS EXPENSES</b>	<b>(3,854)</b>	<b>1,899</b>	<b>10,868</b>	<b>7,909</b>	<b>14,082</b>
<b>INTERNAL TRANSFERS</b>					
Transfer From Reserve Funds					
Capital Works Reserve	150	150	150	150	150
Equipment Replacement Reserve	3,461	2,187	1,395	1,963	2,183
Fire Department Capital Reserve	692	-	-	-	-
Land Reserve	-	-	-	-	-
Local Area Service Reserve	-	-	-	-	-
Sanitary Sewer Reserve	1,651	-	-	-	-
Total Transfer From Reserve Funds	5,954	2,337	1,545	2,113	2,333
Less :Transfer To Reserve Funds					
Capital Works Reserve	2,921	2,820	4,197	1,746	4,236
Equipment Replacement Reserve	2,924	3,061	3,295	3,465	3,712
Fire Department Capital Reserve	863	999	1,141	1,288	1,441
Land Reserve	5	5	5	5	5
Local Area Service Reserve	-	-	-	-	-
Sanitary Sewer Reserve	-	-	-	-	-
Total Transfer To Reserve Funds	6,713	6,885	8,638	6,504	9,394
Transfer From (To) Own Reserves	2,948	830	(1,164)	86	(799)
Transfer From (To) Surplus	1,665	1,819	(2,611)	(3,604)	(6,222)
Transfer From (To) Surplus & Own Reserves	4,613	2,649	(3,775)	(3,518)	(7,021)
<b>TOTAL INTERNAL TRANSFERS</b>	<b>3,854</b>	<b>(1,899)</b>	<b>(10,868)</b>	<b>(7,909)</b>	<b>(14,082)</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	2018		2019		2020		2021		2022	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
<b>Revenues</b>										
Property Taxes	82,924	43.2	87,434	45.5	92,200	51.5	97,236	53.7	102,558	55.3
Parcel Charges	3,110	1.6	3,208	1.7	3,309	1.8	3,413	1.9	3,521	1.9
Fees & Charges	42,075	21.9	43,732	22.8	45,350	25.3	47,055	26.0	48,853	26.3
Borrowing Proceeds	27,500	14.3	19,000	9.9	-	-	-	-	-	-
Other Sources	36,318	18.9	38,666	20.1	38,254	21.4	33,264	18.4	30,660	16.5
<b>Total Revenues</b>	<b>191,927</b>	<b>100</b>	<b>192,040</b>	<b>100</b>	<b>179,113</b>	<b>100</b>	<b>180,968</b>	<b>100</b>	<b>185,592</b>	<b>100</b>

Other Sources include:

Development Fees Total	26,347	13.7	31,364	16.3	29,517	16.5	26,801	14.8	24,821	13.4
Interest	1,883	1.0	1,898	1.0	1,913	1.1	1,928	1.1	1,943	1.0
Grants (Other Govts)	6,505	3.4	3,904	2.0	4,324	2.4	4,535	2.5	3,896	2.1
Property Sales	1,583	0.8	1,500	0.8	2,500	1.4	-	-	-	-
	36,318	18.9	38,666	20.1	38,254	21.4	33,264	18.4	30,660	16.5

#### 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 that are as listed below:

	2018	2019	2020	2021	2022
General Purpose	1.90%	2.00%	2.00%	2.00%	2.00%
Infrastructure Replacement	0.70%	0.70%	0.70%	0.70%	0.70%
Parks & Recreation	0.60%	0.60%	0.60%	0.60%	0.60%
Drainage	0.30%	0.30%	0.30%	0.30%	0.30%
<b>Total Property Tax Increase</b>	<b>3.50%</b>	<b>3.60%</b>	<b>3.60%</b>	<b>3.60%</b>	<b>3.60%</b>

Additional information on the tax increases and the cost drivers can be found in the most recent 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 comprised of a recycling charge, a sewer charge and on some 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

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 when it makes sense, and with caution 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 previously approved borrowing can be found in the most recent Financial Plan Overview report.

#### Other Sources

This 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

The 2018 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that proceeds the Property Tax Rate Bylaw, as the 2018 property assessed values are not yet finalized. For information purposes the 2017 distribution is included.

#### Property Tax Revenue Distribution

Property Class	Taxation Revenue		Assessed Value		Tax Rate	Multiple
	('000s)		('000s)		(\$/1000)	(Rate/Res.Rate)
1 Residential	59,827	78.4%	17,905,528	92.6%	3.3412	1.0
2 Utility	570	0.8%	14,247	0.1%	40.0000	12.0
4 Major Industry	610	0.8%	23,311	0.1%	26.1634	7.8
5 Light Industry	2,852	3.7%	260,886	1.4%	10.9322	3.3
6 Business/Other	12,256	16.1%	1,121,144	5.8%	10.9322	3.3
8 Rec./ Non-Profit	47	0.1%	3,484	0.0%	13.5955	4.1
9 Farm	158	0.2%	4,643	0.0%	34.0412	10.2
Total	<u>76,320</u>	<u>100%</u>	<u>19,333,243</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. In 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 tax rates to ensure competitiveness, absolute rates, tax multiples and overall tax burden are considered. The impact that assessed values have when comparing to 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 Program

The Employment Land Investment Incentive Program is designed to encourage job creation by supporting private investment in buildings and infrastructure on identified "employment lands".

More information on this tax exemption can be found on our website.



## Statement 3

### Capital Expenditure Disclosure

The sole purpose of this statement is to meet legislative requirements and highlight the value of the DCC program; no other conclusions should be drawn from the figures as the information could be misconstrued. This disclosure is required under the Local Government Act s. 560 (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 2037 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 2023 through 2037. Projects in these years typically exceed likely funding available.

### Capital Works Program for 2023 – 2037

(in \$ thousands)

<b>Capital Works Program</b>	<b>341,499</b>
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#### Source of Funding

##### Development Fees

Development Cost Charges	154,753
Parkland Acquisition Reserve	-
Contribution from Others	3,224
	157,977

Borrowing Proceeds	-
Grants	38,130
Transfer from Reserve Funds	19,175
Revenue Funds	126,216
	183,521

	<b>341,499</b>
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