



TO: His Worship Mayor Michael Morden **MEETING DATE:** December 3, 2019
and Members of Council **FILE NO:**
FROM: Chief Administrative Officer **MEETING:** C o W
SUBJECT: 2020-2024 Financial Plan Bylaw

EXECUTIVE SUMMARY:

The 2020-2024 Business Plans and the Financial Overview Report were presented to Council on November 5, 18, 19 and 20. These plans highlight the alignment of the business plans with Council's Strategic Plan. All meetings were livestreamed over the Internet.

At the November 26, 2019 Council Workshop, Council directed that the Financial Plan Bylaw include the recommended incremental requests, as amended.

The Capital Program for 2020-2024 forms a significant part of the Financial Plan and was also presented at the November 5 Committee of the Whole meeting. A listing of the capital projects is included in the Capital Program business plan which can be found on our website and was also attached to the November 5 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 2020-2024 Financial Plan Overview Report which was provided to Council on November 18, 2019. 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 2019 and are still underway are included in the 2020 budget.

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

RECOMMENDATION:

That Maple Ridge 2020-2024 Financial Plan Bylaw No. 7598-2019 be given first, second and third readings.

DISCUSSION:

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 as the timing, construction costs and operating costs become more certain.

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.

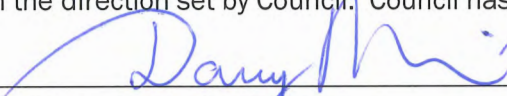
Council has received details on the changes to the current financial plan. The list of recommended incremental adjustments endorsed by Council at the meeting on November 26, 2019 is included in Appendix 1

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.


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. The attached bylaw includes this information.

CONCLUSION:

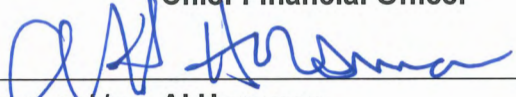
The Financial Plan is a multi-year planning, reviewing and reporting tool that represents Council's priorities and commitment to providing quality services to the residents of Maple Ridge. This plan is in line with the direction set by Council. Council has the authority to amend this bylaw at any time.



Prepared by: **Darcy Morris, BA**
Budget Analyst



Reviewed by: **Trevor Thompson, BBA, CPA, CGA**
Chief Financial Officer



Approved by: **Al Horsman**
Chief Administrative Officer

Attachments:
Incremental Adjustments

Appendix 1

Incremental Adjustments endorsed by Council November 26, 2019.

| Item (\$ in thousands) | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------------|-----------|------------|----------|----------|
| Proposed Ongoing Incremental Operating Items | | | | | |
| Administration | | | | | |
| Human Resources | | | | | |
| Manager HR | - | (74) | (151) | (155) | (159) |
| Corporate Services | | | | | |
| Finance | | | | | |
| Purchasing - Buyer Clerk | (38) | (78) | (80) | (82) | (84) |
| Succession Planning , Employee development | (50) | (50) | (100) | (150) | (150) |
| Reallocate Property Tax Farm Class | (40) | (80) | (80) | (80) | (80) |
| Reallocate Property Tax Other Class | 40 | 80 | 80 | 80 | 80 |
| Fire Department | | | | | |
| Training Officer | (81) | (167) | (171) | (175) | (179) |
| Reallocate existing Firefighter Incremental | 81 | 167 | 171 | 175 | 179 |
| Information Technology | | | | | |
| IT Security Staff | (57) | (117) | (120) | (123) | (126) |
| Engineering Services | | | | | |
| Operations - Operations Inspector | (55) | (113) | (116) | (118) | (121) |
| Engineering Technologist Projects ISRD | (54) | (110) | (112) | (115) | (118) |
| ISR Drainage Funding | 54 | 110 | 112 | 115 | 118 |
| Engineering Technologist Projects Asset Management | (54) | (110) | (112) | (115) | (118) |
| ISR, Water and Sewer Funding | 54 | 110 | 112 | 115 | 118 |
| Parks, Recreation & Culture | | | | | |
| Parks and Facilities | | | | | |
| Maintenance Heritage | (25) | (25) | (25) | (25) | (25) |
| Urban Forestry Technician | (60) | (83) | (85) | (87) | (89) |
| Park Attendant | (45) | (62) | (63) | (65) | (66) |
| Set-up take-down Ball Hockey Boards PRI | (22) | (23) | (23) | (24) | (24) |
| Aquatics - Hammond Pool Extend Season PRI | (59) | (60) | (62) | (64) | (65) |
| Leisure Centre Facility Host PRI | (42) | (43) | (44) | (45) | (46) |
| Parks & Recreation Improvement Reserve Funding | 123 | 126 | 129 | 132 | 136 |
| Vibrant Downtown Initiative CSSI | (80) | (80) | (80) | (80) | (80) |
| Planning & Development Services | | | | | |
| Manager of Community Social Safety CSSI | (60) | (123) | (126) | (129) | (132) |
| 2 Community Safety Officers CSSI | (176) | (180) | (185) | (189) | (193) |
| Taxation | | | | | |
| CSSI Additional General Tax Increase | 316 | 383 | 391 | 398 | 406 |
| Proposed One Time Operating Items funded by Accumulated Surplus | | | | | |
| Recycling - Hazardous Waste Pickup | (121) | | | | |
| Invasive Species Control Program | (200) | | | | |
| Beach Volley Ball Courts | (60) | | | | |
| Transfer From Accumulated Surplus | 381 | 36 | 119 | - | - |

Incremental Adjustments: Water Revenue Funds

| Item (\$ in thousands) | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-------|-------|-------|-------|-------|
| Proposed Ongoing Operating Items funded by Water Revenue Fund | | | | | |
| Engineering Vehicle (Capital Cost) | (35) | | | | |
| Water Utility Maintenance Workers | (175) | (225) | (231) | (236) | (242) |
| Engineering Vehicle (Capital Cost) | (50) | | | | |

CITY OF MAPLE RIDGE

BYLAW NO. 7598-2019

A bylaw to establish the five year financial plan for the years 2020 through 2024

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 2020-2024 Financial Plan Bylaw No. 7598-2019”.
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 2020 through 2024.
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 day of .

READ a second time the day of .

READ a third time the day of .

PUBLIC CONSULTATION completed on the day of .

ADOPTED the day of .

PRESIDING MEMBER

CORPORATE OFFICER

ATTACHMENT: Statement 1, Statement 2 and Statement 3

Statement 1

Consolidated Financial Plan 2020-2024 (\$ in thousands)

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|----------------|----------------|-----------------|----------------|----------------|
| REVENUES | | | | | |
| Revenues | | | | | |
| Development Fees | | | | | |
| Developer Contributed Assets | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Developer Cost Charges | 5,105 | 8,675 | 5,083 | 1,262 | 891 |
| Parkland Acquisition | 200 | 200 | 200 | 200 | 200 |
| Contribution from Others | 1,400 | 1,373 | 1,336 | 1,343 | 1,351 |
| Development Fees Total | 26,705 | 30,248 | 26,619 | 22,805 | 22,442 |
| Property Taxes | 91,675 | 96,729 | 101,782 | 107,109 | 112,724 |
| Parcel Charges | 3,337 | 3,442 | 3,552 | 3,665 | 3,782 |
| Fees & Charges | 46,940 | 49,376 | 51,978 | 54,792 | 57,822 |
| Interest | 2,413 | 2,428 | 2,443 | 2,458 | 2,473 |
| Grants | 7,174 | 6,074 | 6,081 | 5,331 | 5,331 |
| Total Revenues | 178,244 | 188,297 | 192,455 | 196,160 | 204,574 |
| EXPENDITURES | | | | | |
| Operating Expenditures | | | | | |
| Debt & Interest Payments | 2,391 | 2,559 | 2,447 | 2,340 | 3,056 |
| Amortization | 21,330 | 21,330 | 21,330 | 21,330 | 21,330 |
| Other Expenditures | 119,614 | 124,904 | 131,333 | 138,069 | 144,168 |
| Total Expenditures | 143,335 | 148,793 | 155,110 | 161,739 | 168,554 |
| ANNUAL SURPLUS | 34,909 | 39,504 | 37,345 | 34,421 | 36,020 |
| Add Back: Amortization Expense (Surplus) | 21,330 | 21,330 | 21,330 | 21,330 | 21,330 |
| Less: Capital Expenditures | 34,190 | 30,940 | 23,862 | 22,835 | 23,985 |
| Less: Developer Contributed Capital | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| CHANGE IN FINANCIAL POSITION | 2,049 | 9,894 | 14,813 | 12,916 | 13,365 |
| OTHER REVENUES | | | | | |
| Add: Borrowing Proceeds | - | - | - | - | - |
| OTHER EXPENDITURES | | | | | |
| Less: Principal Payments on Debt | 3,871 | 3,953 | 4,643 | 4,733 | 5,417 |
| TOTAL REVENUES LESS EXPENSES | (1,822) | 5,941 | 10,170 | 8,183 | 7,948 |
| INTERNAL TRANSFERS | | | | | |
| Transfer From Reserve Funds | | | | | |
| Capital Works Reserve | 382 | 350 | 150 | 150 | 150 |
| Equipment Replacement Reserve | 3,207 | 2,354 | 1,872 | 3,018 | 2,912 |
| Fire Department Capital Reserve | 119 | 136 | 195 | 254 | 313 |
| Total Transfer From Reserve Funds | 3,708 | 2,840 | 2,217 | 3,422 | 3,375 |
| Less :Transfer To Reserve Funds | | | | | |
| Capital Works Reserve | 2,518 | 999 | 2,335 | 2,029 | 4,809 |
| Equipment Replacement Reserve | 3,232 | 3,544 | 3,786 | 3,967 | 4,147 |
| Fire Department Capital Reserve | 873 | 1,020 | 1,172 | 1,325 | 1,664 |
| Land Reserve | 5 | 5 | 5 | 5 | 5 |
| Total Transfer To Reserve Funds | 6,628 | 5,568 | 7,298 | 7,326 | 10,625 |
| Transfer From (To) Own Reserves | (565) | (1,761) | (1,785) | (1,955) | (1,355) |
| Transfer From (To) Surplus | 5,307 | (1,452) | (3,304) | (2,324) | 657 |
| Transfer From (To) Surplus & Own Reserves | 4,742 | (3,213) | (5,089) | (4,279) | (698) |
| TOTAL INTERNAL TRANSFERS | 1,822 | (5,941) | (10,170) | (8,183) | (7,948) |
| BALANCED BUDGET | - | - | - | - | - |

Statement 2

Revenue and Property Tax Policy Disclosure

REVENUE DISCLOSURE

| Revenue Proportions | 2020 | | 2021 | | 2022 | | 2023 | | 2024 | |
|-------------------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| | \$ ('000s) | % | \$ ('000s) | % | \$ ('000s) | % | \$ ('000s) | % | \$ ('000s) | % |
| Revenues | | | | | | | | | | |
| Property Taxes | 91,675 | 51.4 | 96,729 | 51.4 | 101,782 | 52.9 | 107,109 | 54.6 | 112,724 | 55.1 |
| Parcel Charges | 3,337 | 1.9 | 3,442 | 1.8 | 3,552 | 1.8 | 3,665 | 1.9 | 3,782 | 1.8 |
| Fees & Charges | 46,940 | 26.3 | 49,376 | 26.2 | 51,978 | 27.0 | 54,792 | 27.9 | 57,822 | 28.3 |
| Borrowing Proceeds | - | - | - | - | - | - | - | - | - | - |
| Other Sources | 36,292 | 20.4 | 38,750 | 20.6 | 35,143 | 18.3 | 30,594 | 15.6 | 30,246 | 14.8 |
| Total Revenues | 178,244 | 100 | 188,297 | 100 | 192,455 | 100 | 196,160 | 100 | 204,574 | 100 |
| Other Sources include: | | | | | | | | | | |
| Development Fees Total | 26,705 | 15.0 | 30,248 | 16.1 | 26,619 | 13.8 | 22,805 | 11.6 | 22,442 | 11.0 |
| Interest | 2,413 | 1.4 | 2,428 | 1.3 | 2,443 | 1.3 | 2,458 | 1.3 | 2,473 | 1.2 |
| Grants (Other Govts) | 7,174 | 4.0 | 6,074 | 3.2 | 6,081 | 3.2 | 5,331 | 2.7 | 5,331 | 2.6 |
| Property Sales | - | - | - | - | - | - | - | - | - | - |
| | 36,292 | 20.4 | 38,750 | 20.6 | 35,143 | 18.3 | 30,594 | 15.6 | 30,246 | 14.8 |

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:

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| General Purpose | 2.25% | 2.25% | 2.00% | 2.00% | 2.00% |
| Infrastructure Replacement | 0.70% | 0.70% | 0.90% | 0.90% | 1.00% |
| Parks & Recreation | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% |
| Drainage | 0.30% | 0.30% | 0.10% | 0.10% | 0.00% |
| Total Property Tax Increase | 3.85% | 3.85% | 3.60% | 3.60% | 3.60% |

The Tax increase in the first two years is higher than the Financial Plan Guidelines due to the ongoing funding required to support the Community Social Safety Initiative. The final property tax rate will be adopted in May. Management will explore options to achieve the 3.60% increase that was in the Financial Plan Guidelines. 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 3

Capital Expenditure Disclosure

Fees & Charges

Fees should be reviewed annually and updated if needed. In 2020, a consolidated fees and charges bylaw will be brought to Council for consideration. 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 2020 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that precedes the Property Tax Rate Bylaw, as the 2020 property assessed values are not yet finalized. For information purposes the 2019 distribution is included.

Property Tax Revenue Distribution

| Property Class | Taxation Revenue | | Assessed Value | | Tax Rate | Multiple |
|--------------------|------------------|-------|----------------|-------|-----------|-----------------|
| | ('000s) | | ('000s) | | (\$/1000) | (Rate/Res.Rate) |
| 1 Residential | 66,349 | 78.4% | 23,423,181 | 92.4% | 2.8326 | 1.0 |
| 2 Utility | 731 | 0.9% | 18,278 | 0.1% | 40.0000 | 14.1 |
| 4 Major Industry | 653 | 0.8% | 31,591 | 0.1% | 20.6674 | 7.3 |
| 5 Light Industry | 3,275 | 3.9% | 366,459 | 1.5% | 8.9367 | 3.2 |
| 6 Business/Other | 13,409 | 15.8% | 1,500,444 | 5.9% | 8.9367 | 3.2 |
| 8 Rec./ Non-Profit | 63 | 0.1% | 5,263 | 0.0% | 12.0643 | 4.3 |
| 9 Farm | 164 | 0.2% | 4,657 | 0.0% | 35.2285 | 12.4 |
| Total | 84,644 | 100% | 25,349,873 | 100% | | |

Statement 3

Capital Expenditure 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.

In 2019 a review of the Farm Class properties revealed that the rates are relatively high compared to other municipalities. Reductions will be applied to the farm rates to make them close to the average.

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.

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 2038 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 2025 through 2039. Projects in these years typically exceed likely funding available.

Capital Works Program for 2025 – 2039

(\$ in thousands)

| | |
|------------------------------|---------|
| Capital Works Program | 364,713 |
| | |
| Source of Funding | |
| Development Fees | |
| Development Cost Charges | 172,375 |
| Parkland Acquisition Reserve | - |
| Contribution from Others | 1,244 |
| | 173,619 |
| | |
| Borrowing Proceeds | - |
| Grants | 39,276 |
| Transfer from Reserve Funds | 20,477 |
| Revenue Funds | 131,341 |
| | 191,094 |
| | 364,713 |