



City of Maple Ridge

TO: His Worship Mayor Michael Morden
and Members of Council

FROM: Chief Administrative Officer

SUBJECT: 2021-2025 Financial Plan Bylaw

MEETING DATE: December 8, 2020

FILE NO: 05-1825-02

MEETING: Council

EXECUTIVE SUMMARY:

Council adopted Financial Planning and Business Planning Guidelines in July which provided staff with direction in developing the 2021-2025 Corporate Plan and Financial Plan. The Guidelines provide the community with an indication of service level commitments and anticipated property tax and fee increases. Council asked that this year's business planning material include options for reducing the tax burden as well as incremental service level enhancements.

The Financial Overview, the Corporate Plan and the Capital Program were provided to Council. These were presented at the November 23 and 24 Council Workshop meetings. Given pandemic related constraints, the public participation was limited to the online and livestreamed meetings, for Council Workshops. Council asked questions and provided comments on a wide variety of work plan and financial items. Many of the items raised are either currently underway or are included in the 2021 work plan. The Council conversation allows staff to better understand the interests of Councillors and helps inform the work plans and priorities.

On the December 1, 2020 Committee of the Whole meeting, Council asked additional questions. On the December 1, 2020 Special Council meeting Council discussed elements of the Financial Plan and directed staff to bring forward the Financial Plan Bylaw with rate increases consistent with the direction set in July 2020 Business and Financial Planning Guidelines.

RECOMMENDATION:

That Maple Ridge 2021-2025 Financial Plan Bylaw No. 7687-2020 be given first, second and third readings.

DISCUSSION:

a) Background Context:

The rationale for the property tax increase of 3.6% is covered in detail in the 2021-2025 Financial Overview Report provided to Council as part of business planning and is available on our website at <https://www.mapleridge.ca/2162/Financial-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 prescribed legislative requirements. In addition to the information that we are required to provide, we produce the 2021-2025 Financial Overview Report. 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.

ALTERNATIVES:


If Council would like to increase service levels or see strategic priorities implemented more quickly, additional investments would likely be required. A one percent property tax increase equates to about \$22 on the average home and generates about \$900,000 revenue.

If no additional significant Parks and Recreation facilities are planned and future Community Amenity Contributions (CACs) are used to fund currently planned projects, the Parks, Recreation & Culture Improvement element of the property taxes could be reduced in later years of the financial plan or the magnitude of the annual increase could be slightly reduced in all years. The timing of CACs are dependent on development and as there are other variables in the funding model, future financial plans may need refinement.


In addition to property taxes, property owners also receive utility user fees. User fee increases are required to fund water, sewer and recycling operations and associated capital costs. There is a reserve or fund balance in each of these areas to assist with rate smoothing. The majority of rate increase pressures in water and sewer user fees come from the region due to large investments in infrastructure, such as treatment plants. The Water Revenue Fund has the most flexibility to manage a temporary pause in rate increases, however, doing so will likely result in larger future rate increases.

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. The next planned amendment of the Financial Plan Bylaw is in April 2021.


Prepared by: **Trevor Thompson, BBA, CPA, CGA**
Director of Finance


Approved by: **Christina Crabtree**
General Manager Corporate Services


Concurrence: **Al Horsman**
Chief Administrative Officer

CITY OF MAPLE RIDGE

BYLAW NO. 7687-2020

A bylaw to establish the five year financial plan for the years 2021 through 2025

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 2021-2025 Financial Plan Bylaw No. 7687-2020".
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 2021 through 2025.
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 2021-2025 (\$ in thousands)

	2021	2022	2023	2024	2025
REVENUES					
Revenues					
Development Fees					
Developer Contributed Assets	20,000	20,000	20,000	20,000	20,000
Developer Cost Charges	7,501	10,510	11,462	7,140	16,217
Parkland Acquisition	200	200	200	200	200
Contribution from Others	1,361	1,351	1,343	1,351	1,356
Development Fees Total	29,062	32,061	33,006	28,691	37,773
Property Taxes	96,157	101,185	106,485	112,072	117,962
Parcel Charges	3,495	3,606	3,721	3,840	3,964
Fees & Charges	49,890	52,603	55,433	58,479	61,775
Interest	2,428	2,443	2,458	2,473	2,488
Grants	7,775	4,964	5,730	6,048	12,518
Total Revenues	188,806	196,861	206,833	211,604	236,479
EXPENDITURES					
Operating Expenditures					
Debt & Interest Payments	2,349	2,237	2,129	2,846	2,721
Amortization	22,623	22,623	22,623	22,623	22,623
Other Expenditures	125,218	130,550	137,376	143,313	149,638
Total Expenditures	150,190	155,409	162,128	168,782	174,982
ANNUAL SURPLUS	38,616	41,451	44,705	42,823	61,497
Add Back: Amortization Expense (Surplus)	22,623	22,623	22,623	22,623	22,623
Less: Capital Expenditures	44,838	33,298	35,030	34,238	50,981
Less: Developer Contributed Capital	20,000	20,000	20,000	20,000	20,000
CHANGE IN FINANCIAL POSITION	(3,599)	10,776	12,298	11,207	13,139
OTHER REVENUES					
Add: Borrowing Proceeds	-	-	-	-	-
OTHER EXPENDITURES					
Less: Principal Payments on Debt	3,304	3,993	4,084	4,767	4,867
TOTAL REVENUES LESS EXPENSES	(6,903)	6,783	8,213	6,440	8,271
INTERNAL TRANSFERS					
Transfer From Reserve Funds					
Capital Works Reserve	1,050	277	277	439	250
Equipment Replacement Reserve	3,345	1,872	3,018	2,912	1,048
Fire Department Capital Reserve	136	195	254	313	322
Total Transfer From Reserve Funds	4,532	2,344	3,549	3,664	1,621
Less :Transfer To Reserve Funds					
Capital Works Reserve	1,025	1,867	353	2,927	2,891
Equipment Replacement Reserve	3,364	3,509	3,645	3,846	4,063
Fire Department Capital Reserve	1,016	1,163	1,315	1,653	1,817
Land Reserve	5	5	5	5	5
Total Transfer To Reserve Funds	5,409	6,543	5,318	8,432	8,776
Transfer From (To) Own Reserves	2,087	(1,583)	(2,566)	(1,338)	2,692
Transfer From (To) Surplus	5,694	(1,001)	(3,878)	(335)	(3,808)
Transfer From (To) Surplus & Own Reserves	7,781	(2,584)	(6,444)	(1,672)	(1,116)
TOTAL INTERNAL TRANSFERS	6,903	(6,783)	(8,213)	(6,440)	(8,271)
BALANCED BUDGET	-	-	-	-	-

Statement 2

Revenue and Property Tax Policy Disclosure

REVENUE DISCLOSURE

Revenue Proportions	2021		2022		2023		2024		2025	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
Revenues										
Property Taxes	96,157	50.9	101,185	51.4	106,485	51.5	112,072	53.0	117,962	49.9
Parcel Charges	3,495	1.9	3,606	1.8	3,721	1.8	3,840	1.8	3,964	1.7
Fees & Charges	49,890	26.4	52,603	26.7	55,433	26.8	58,479	27.6	61,775	26.1
Borrowing Proceeds	-	-	-	-	-	-	-	-	-	-
Other Sources	39,264	20.8	39,467	20.0	41,194	19.9	37,213	17.6	52,779	22.3
Total Revenues	188,806	100	196,861	100	206,833	100	211,604	100	236,479	100
Other Sources include:										
Development Fees Total	29,062	15.4	32,061	16.3	33,006	16.0	28,691	13.6	37,773	16.0
Interest	2,428	1.3	2,443	1.2	2,458	1.2	2,473	1.2	2,488	1.1
Grants (Other Govts)	7,775	4.1	4,964	2.5	5,730	2.8	6,048	2.9	12,518	5.3
Property Sales	-	-	-	-	-	-	-	-	-	-
	39,264	20.8	39,467	20.0	41,194	19.9	37,213	17.6	52,779	22.3

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:

	2021	2022	2023	2024	2025
General Purpose	2.00%	2.00%	2.00%	2.00%	2.00%
Infrastructure Replacement	0.70%	0.90%	0.90%	1.00%	1.00%
Parks & Recreation	0.60%	0.60%	0.60%	0.60%	0.60%
Drainage	0.30%	0.10%	0.10%	0.00%	0.00%
Total Property Tax Increase	3.60%	3.60%	3.60%	3.60%	3.60%

Additional information on the tax increases and the cost drivers can be found in the most recent Financial Overview Report.

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

Revenue and Property Tax Policy Disclosure

Fees & Charges

Fees should be reviewed annually and updated if needed. In 2021, 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 2021 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that precedes the Property Tax Rate Bylaw, as the 2021 property assessed values are not yet finalized. For information purposes the 2020 distribution is included.

Property Tax Revenue Distribution

Property Class	Taxation Revenue		Assessed Value (`000s)		Tax Rate (\$ per 1000)	Multiple (Rate / Res. Rate)
1 Residential	70,187,615	78.6%	22,437,061	91.0%	3.1282	1.0
2 Utility	790,333	1.0%	19,758	0.1%	40.0000	12.8
4 Major Industry	-	0.0%	-	0.0%	16.4312	5.3
5 Light Industry	4,011,387	4.5%	488,265	2.0%	8.2156	2.6
6 Business, Other	14,076,191	15.8%	1,713,349	6.9%	8.2156	2.6
8 Rec., Non-Profit	54,163	0.1%	5,128	0.0%	10.5614	3.4
9 Farm	121,216	0.1%	4,615	0.0%	26.2647	8.4
Total	89,240,904	100%	24,668,177	100%		

Statement 2

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 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 in the Farm Class rate was phased in over the next two years effectively decreasing the amount that would otherwise have been collected by half.

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 Development Cost Charges; 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 2040 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 2026 through 2040. Projects in these years typically exceed likely funding available.

Capital Program for 2026 – 2040

(\$ in thousands)

Capital Works Program	338,751
 Source of Funding	
Development Fees	
Development Cost Charges	157,020
Parkland Acquisition Reserve	-
Contribution from Others	1,244
	<hr/> 158,264
 Borrowing Proceeds	 -
Grants	28,355
Transfer from Reserve Funds	20,742
Revenue Funds	131,390
	<hr/> 180,487
	<hr/> 338,751 <hr/>