



City of Maple Ridge

TO: Her Worship Mayor Nicole Read and Members of Council **MEETING DATE:** December 5, 2016
FROM: Chief Administrative Officer **MEETING:** Committee of the Whole
SUBJECT: 2017-2021 Financial Plan Bylaw

EXECUTIVE SUMMARY:

Municipal Council received presentations on the 2017-2021 Business Financial Plans and the Financial Overview Report at public meetings held on November 28, 29 and 30. A Financial Plan overview was presented again on the evening of November 30th. That meeting was livestreamed over the Internet and a public question and answer period followed.

As part of its deliberations, Council voted on each of the incremental packages that were recommended by staff and shown on Page 18 of the Financial Overview Report. Council supported the staff recommendations with the following exceptions:

1. The Social Planning incremental request was approved contingent upon Council approving a plan to be developed at a future Workshop.
2. Council also approved an additional incremental expense for increased security in the downtown core (\$20,000) to be funded from Accumulated Surplus.

Council's direction is incorporated into the attached Financial Plan Bylaw. Final consideration of this bylaw will not occur until the New Year, thus allowing additional time for public input.

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. This includes 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 2017-2021 Financial Plan Bylaw No. 7300 - 2016 be given first, second and third readings.

DISCUSSION:

a) Background Context

The 2017–2021 Financial Plan was presented to Council at public meetings along with the Business Plans from all areas. The Financial Plan Bylaw incorporates the following direction from Council:

1. General Purpose Property Tax Increase: 1.90% in 2017 and 2018 and 2.00% per year in 2019 through 2021
2. Infrastructure Sustainability Property Tax Increase: 0.70% per year
3. Parks, Recreation and Culture Property Tax Increase: 0.25% per year
4. Storm Water Property Tax Increase: 0.30% per year
5. Water Levy Increase: 4.50% per year
6. Sewer Levy Increase: 3.60% per year
7. Recycling Levy Increase: 1.67% in 2017 and 2018 and 2.75% per year in 2019 through 2021
8. Growth in Property Tax Revenue Assumption: 2.00% per year
9. Incremental Adjustments (as outlined in pages 14 to 18 of the Financial Overview Report 2017 – 2021) were approved with the following amendments:
 - a. The incremental for additional staffing in Social Planning (page 15) was approved, but no spending will occur until further Council discussion.
 - b. An additional incremental adjustment of \$20,000 for security was approved, and will be funded through Accumulated Surplus.
10. Provision for costs associated with growth as outlined on page 12 of the Financial Overview Report, subject to available funding
11. Capital Works Program totaling \$32.9 million 2017, \$27.8 million in 2018, \$24.9 million in 2019, \$26.5 million in 2020 and \$23.5 million in 2021
12. Cost and revenue adjustments from page 13 of the Financial Overview Report, which reconciles the 2016-2020 Financial Plan with the 2017 - 2021 Financial Plan

The financial strategy for additional Parks, Recreation & Culture investments (discussed on page 38 of the Financial Overview Report) was presented to Council, and feedback from the community will be sought during the public consultation process.

We have about \$1.6 billion invested in our infrastructure and it is important that we protect this investment. This financial plan continues the dedicated funding strategy 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 2017 is 2.0%.

Future budget amendments will include the actual growth revenue as well as projects that were approved in 2016 and are still in progress. The previously approved funding sources will also be included in the plan, placing no burden on 2017 property taxes.

b) Desired Outcome

A financial plan that accurately reflects planned expenditures and methods of funding that are consistent with corporate strategic plans, policies and Council direction.

c) Strategic Alignment

All departments submitted Business Plans which considered relevant strategic and master plans. 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 described 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 financial plan preparation. Regular feedback and interaction with the public is also considered when business plans are developed. 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 by phone, email and social media like Facebook and Twitter.

f) Alternatives

Council is required to adopt a five year Financial Plan Bylaw prior to May 15 each year. There are very tangible benefits to adopting the bylaw early in the year. Work plans can proceed with more certainty and construction projects can be tendered to secure companies availability in seasonal construction windows, maximizing competition and likely reducing costs.

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 2016-2020 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. 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 property tax revenue due to the amount of real growth.

"Original signed by C.K. Lee"

Prepared by: C.K. Lee, Financial Analyst

"Original signed by Trevor Thompson"

Approved by: Trevor Thompson, Manager of Financial Planning

"Original signed by Trevor Thompson"

**Approved by: Paul Gill, General Manager
Corporate and Financial Services**

"Original signed by Christine Carter"

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

"Original signed by David Boag"

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

"Original signed by E.C. Swabey"

**Approved by: E.C. Swabey
Chief Administrative Officer**

CITY OF MAPLE RIDGE

BYLAW NO. 7300-2016

A bylaw to establish the five year financial plan for the years 2017 through 2021

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;

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

1. This Bylaw may be cited as “Maple Ridge 2017-2021 Financial Plan Bylaw No. 7300-2016”.
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 2017 through 2021.
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 , 20 .

READ a second time the day of , 20 .

READ a third time the day of , 20 .

PUBLIC CONSULTATION completed on the day of , 20 .

ADOPTED the day of , 20 .

PRESIDING MEMBER

CORPORATE OFFICER

ATTACHMENT: Statement 1, Statement 2 and Statement 3

Statement 1

Consolidated Financial Plan 2017-2021 (in \$ thousands)

	2017	2018	2019	2020	2021
REVENUES					
Revenues					
Development Fees					
Developer Contributed Assets	20,000	20,000	20,000	20,000	20,000
Developer Cost Charges	4,478	1,189	5,703	8,906	7,447
Developer Specified Projects	-	-	-	-	-
Parkland Acquisition	200	200	200	200	200
Contributions from Others	1,300	1,338	1,307	1,329	1,321
Development Fees Total	25,978	22,727	27,210	30,435	28,968
Property Taxes	78,526	82,600	86,828	91,255	95,917
Parcel Charges	3,012	3,085	3,181	3,282	3,385
Fees & Charges	40,256	41,793	43,409	44,994	46,664
Interest	1,898	1,913	1,928	1,943	1,958
Grants (Other Govts)	4,500	3,899	3,709	4,168	4,379
Property Sales	1,500	1,500	1,500	1,000	-
Total Revenues	155,670	157,517	167,765	177,077	181,271
EXPENDITURES					
Operating Expenditures					
Interest Payments on Debt	2,006	1,940	1,815	1,687	1,554
Amortization Expense	19,780	19,780	19,780	19,780	19,780
Other Expenditures	103,333	106,439	109,898	113,589	117,317
Total Expenditures	125,119	128,159	131,493	135,056	138,651
ANNUAL SURPLUS	30,551	29,358	36,272	42,021	42,620
Add Back: Amortization Expense (Surplus)	19,780	19,780	19,780	19,780	19,780
Less: Capital Expenditures	32,952	27,831	24,859	26,520	23,530
Less: Developer Contributed Capital	20,000	20,000	20,000	20,000	20,000
CHANGE IN FINANCIAL POSITION	(2,621)	1,307	11,193	15,281	18,870
OTHER REVENUES					
Add: Borrowing Proceeds	6,000	7,000	-	-	-
OTHER EXPENDITURES					
Less: Principal Payments on Debt	3,706	3,723	3,803	3,886	3,972
TOTAL REVENUES LESS EXPENSES	(327)	4,584	7,390	11,395	14,898
INTERNAL TRANSFERS					
Transfer from Reserve Funds					
Capital Works Reserve	3,849	150	150	150	150
Equipment Replacement Reserve	2,298	3,921	2,307	1,671	1,603
Fire Department Capital Reserve	585	-	-	-	-
Land Reserve	-	-	-	-	-
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	-	-	-	-	-
Transfer from Reserve Fund Total	6,732	4,071	2,457	1,821	1,753
Less :Transfer to Reserve Funds					
Capital Works Reserve	1,915	3,364	3,803	2,292	2,626
Equipment Replacement Reserve	2,760	2,893	3,028	3,192	3,358
Fire Dept. Capital Acquisition	783	861	991	1,127	1,267
Land Reserve	5	5	5	5	5
Local Improvement Reserve	-	-	-	-	-
Sanitary Sewer Reserve	30	30	30	30	30
Total Transfer to Reserve Funds	5,493	7,153	7,857	6,646	7,286
Transfer from (to) Own Reserves	(74)	(271)	(826)	(1,303)	(1,109)
Transfer from (to) Surplus	(838)	(1,231)	(1,164)	(5,267)	(8,256)
Transfer from (to) Surplus & own Reserves	(912)	(1,502)	(1,990)	(6,570)	(9,365)
TOTAL INTERNAL TRANSFERS	327	(4,584)	(7,390)	(11,395)	(14,898)
BALANCED BUDGET	-	-	-	-	-

Statement 2

Revenue and Property Tax Policy Disclosure

REVENUE DISCLOSURE

Revenue Proportions	2017		2018		2019		2020		2021	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
Revenues										
Property Taxes	78,526	48.6	82,600	50.2	86,828	51.8	91,255	51.5	95,917	52.9
Parcel Charges	3,012	1.9	3,085	1.9	3,181	1.9	3,282	1.9	3,385	1.9
Fees & Charges	40,256	24.9	41,793	25.4	43,409	25.9	44,994	25.4	46,664	25.7
Borrowing Proceeds	6,000	3.7	7,000	4.3	-	-	-	-	-	-
Other Sources	33,876	21.0	30,039	18.3	34,347	20.5	37,546	21.2	35,305	19.5
Total Revenues	161,670	100	164,517	100	167,765	100	177,077	100	181,271	100

Other Sources include:

Development Fees Total	25,978	16.1	22,727	13.8	27,210	16.2	30,435	17.2	28,968	16.0
Interest	1,898	1.2	1,913	1.2	1,928	1.1	1,943	1.1	1,958	1.1
Grants (Other Govts)	4,500	2.8	3,899	2.4	3,709	2.2	4,168	2.4	4,379	2.4
Property Sales	1,500	0.9	1,500	0.9	1,500	0.9	1,000	0.6	-	-
	33,876	21.0	30,039	18.3	34,347	20.5	37,546	21.2	35,305	19.5

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:

	2017	2018	2019	2020	2021
General Purpose	1.90%	1.90%	2.00%	2.00%	2.00%
Infrastructure Replacement	0.70%	0.70%	0.70%	0.70%	0.70%
Parks & Recreation	0.25%	0.25%	0.25%	0.25%	0.25%
Drainage	0.30%	0.30%	0.30%	0.30%	0.30%
Total Property Tax Increase	3.15%	3.15%	3.25%	3.25%	3.25%

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 2017 property tax revenue and updated rates will be included in a Financial Plan Amending Bylaw that proceeds the Property Tax Rate Bylaw, as the 2017 property assessed values are not yet finalized. For information purposes the 2016 distribution is included.

Property Tax Revenue Distribution

Property Class	Taxation Revenue ('000s)		Assessed Value ('000s)		Tax Rate (\$/1000)	Multiple (Rate/Res.Rate)
1 Residential	56,532	78.3%	12,918,297	91.2%	4.3761	1.00
2 Utility	541	0.8%	13,516	0.1%	40.0000	9.14
4 Major Industry	591	0.8%	17,291	0.1%	34.1952	7.81
5 Light Industry	2,760	3.8%	232,323	1.7%	11.8801	2.71
6 Business/Other	11,565	16.0%	973,520	6.9%	11.8801	2.71
8 Rec./ Non-Profit	39	0.1%	2,577	0.0%	15.2783	3.49
9 Farm	164	0.2%	4,852	0.0%	33.7082	7.70
Total	<u>72,192</u>	<u>100%</u>	<u>14,162,376</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 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 2022 through 2035. Projects in these years typically exceed likely funding available.

Capital Works Program for 2022 – 2035

(in \$ thousands)

Capital Works Program	336,703
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Source of Funding

Development Fees

Development Cost Charges	145,877
Parkland Acquisition Reserve	-
Contribution from Others	3,304
	149,181

Borrowing Proceeds

Grants	42,664
Transfer from Reserve Funds	18,792
Revenue Funds	126,066
	187,522

	336,703
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