



City of Maple Ridge

TO: Her Worship Mayor Nicole Read and Members of Council **MEETING DATE:** April 24, 2018
FROM: Chief Administrative Officer **MEETING:** Council
SUBJECT: 2018-2022 Financial Plan Amending Bylaw

EXECUTIVE SUMMARY:

Prior to setting the 2018 property tax rates, it is desirable to update the 2018-2022 Financial Plan to reflect information received since the plan's adoption this past January. The changes to the plan, as summarized in this report, have been incorporated into the amended Financial Plan Bylaw that is attached.

With these changes, the 3.5% tax increase for 2018 has been reduced to 2.98%. The tax increase for 2019 is now projected at 3.5%, as compared to 3.6% in the Financial Plan that is currently in place. The decrease in 2019 is modest due to the payroll tax that we have provided for. Were it not for this tax, the tax increase for 2019 would have been projected at 2.9%. The bottom line General Revenue Surplus is now projected at \$38,000 for 2018, a very modest amount given our annual operating budget of about \$100 million.

RECOMMENDATION:

That Maple Ridge 2018-2022 Financial Plan Amending Bylaw No. 7452-2018 be given first, second and third readings.

DISCUSSION:

a) Background Context

Prior to setting the 2018 property tax rates, it is desirable to update the 2018-2022 Financial Plan to reflect information received since the plan's adoption this past January. The changes to the plan, as summarized in this report, have been incorporated into the amended Financial Plan Bylaw that is attached.

The tax increase unanimously approved by Council in January as well as the increase now suggested for 2018, is as follows:

	January, 2018	April, 2018
General Purposes	1.90%	1.53%
Infrastructure	0.70%	0.70%
Parks & Recreation	0.60%	0.45%
Drainage	<u>0.30%</u>	<u>0.30%</u>
Total	3.50%	2.98%

The following changes have been incorporated into this financial plan amendment:

1. Increased costs related to the proposed payroll tax have been built into the plan starting in 2019;
2. Gaming revenue projections have been increased beginning in 2018;
3. Allowance for inflation has been reduced from earlier projections;
4. Investment revenue projections have been increased;
5. The cash flow model for the Parks & Recreation investments has been updated to reflect revised spending projections;
6. Projects that were approved in prior years and are still underway along with the associated funding sources have been provided for;
7. Growth projections have been reduced by a modest amount;
8. The property tax increases for drainage and infrastructure have been adjusted in 2022.

In addition, the following items approved by Council are reflected in this plan:

1. City's contribution towards the Youth Wellness Centre;
2. Additional funding for upcoming municipal elections;
3. Additional funding for the renovations to the Leisure Centre;
4. Lighting and electrical improvements in Memorial Peace Park;
5. Additional funding for synthetic sports fields;
6. Advancement of the Youth Action Park project from 2019 to 2018;
7. Updating of costs related to Fire Hall #4, as outlined in the staff report dated April 23, 2018, noting that these costs are funded from the Fire Department Capital Acquisition Reserve and do not affect the annual tax increase.

The property tax increases in the 2018-2022 Financial Plan have updated as following:

PREVIOUS	2018	2019	2020	2021	2022
General	1.90%	2.00%	2.00%	2.00%	2.00%
Infrastructure	0.70%	0.70%	0.70%	0.70%	0.70%
Parks and Recreation	0.60%	0.60%	0.60%	0.60%	0.60%
Drainage	0.30%	0.30%	0.30%	0.30%	0.30%
Total Increase	3.50%	3.60%	3.60%	3.60%	3.60%
Growth	2.00%	2.00%	2.00%	2.00%	2.00%

PROPOSED	2018	2019	2020	2021	2022
General	1.53%	1.90%	2.00%	2.00%	2.00%
Infrastructure	0.70%	0.70%	0.70%	0.70%	0.90%
Parks and Recreation	0.45%	0.60%	0.60%	0.60%	0.60%
Drainage	0.30%	0.30%	0.30%	0.30%	0.10%
Total Increase	2.98%	3.50%	3.60%	3.60%	3.60%
Growth	1.99%	1.90%	1.85%	1.80%	1.75%

CONCLUSIONS:

With all of these changes, the 3.5% tax increase previously planned for 2018 has been reduced to 2.98%. The tax increase for 2019 is now projected at 3.5%, as compared to 3.6% in the Financial Plan that is currently in place. The decrease in 2019 is modest due to the payroll tax that we have provided for. Were it not for this tax, the tax increase for 2019 would have been projected at 2.9%. The bottom line General Revenue Surplus is now projected at \$38,000 for 2018, a very modest amount, given our annual operating budget of about \$100 million.

“Original signed by Trevor Thompson”

Prepared by: Trevor Thompson, CPA, CGA
Chief Financial Officer

“Original signed by Kelly Swift”

Approved by: Kelly Swift, MBA, BGS
General Manager Parks, Recreation & Culture

“Original signed by Frank Quinn”

Approved by: Frank Quinn, MBA, P.Eng.
General Manager Public Works & Development Services

“Original signed by Paul Gill”

Concurrence: Paul Gill, CPA, CGA
Chief Administrative Officer

CITY OF MAPLE RIDGE

BYLAW NO. 7452-2018

A bylaw to amend Maple Ridge 2018-2022 Financial Plan Bylaw No.7405-2017

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 Amending Bylaw No. 7452-2018”.
2. Statement 1, Statement 2 and Statement 3 attached to and forming part of Maple Ridge 2018-2022 Financial Plan Bylaw No. 7405-2017 are deleted in their entirety and replaced by Statement 1, Statement 2 and Statement 3 attached and forming part of Maple Ridge 2018-2022 Financial Plan Amending Bylaw No. 7452-2018.

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 2018-2022 (in \$ thousands)

	2018	2019	2020	2021	2022
REVENUES					
Revenues					
Development Fees					
Developer Contributed Assets	20,000	20,000	20,000	20,000	20,000
Developer Cost Charges	35,599	9,493	7,918	5,310	3,323
Developer Specified Projects	-	-	-	-	-
Parkland Acquisition	1,164	200	200	200	200
Contribution from Others	2,417	1,296	1,399	1,291	1,298
Development Fees Total	59,180	30,989	29,517	26,801	24,821
Property Taxes	82,598	86,924	91,529	96,341	101,369
Parcel Charges	3,110	3,208	3,309	3,413	3,521
Fees & Charges	42,043	43,712	45,329	47,036	48,836
Interest	2,133	2,148	2,313	2,328	2,343
Grants	11,777	4,390	4,800	5,000	4,350
Property Sales	1,583	1,500	2,500	-	-
Total Revenues	202,424	172,871	179,297	180,919	185,240
EXPENDITURES					
Operating Expenditures					
Debt & Interest Payments	2,547	2,803	2,674	3,284	3,112
Amortization	19,780	19,780	19,780	19,780	19,780
Other Expenditures	116,545	112,012	115,891	120,031	124,058
Total Expenditures	138,872	134,595	138,345	143,095	146,950
ANNUAL SURPLUS	63,552	38,276	40,952	37,824	38,290
Add Back: Amortization Expense (Surplus)	19,780	19,780	19,780	19,780	19,780
Less: Capital Expenditures	172,904	51,185	26,075	25,126	19,652
Less: Developer Contributed Capital	20,000	20,000	20,000	20,000	20,000
CHANGE IN FINANCIAL POSITION	(109,572)	(13,129)	14,657	12,478	18,418
OTHER REVENUES					
Add: Borrowing Proceeds	44,537	19,000	-	-	-
OTHER EXPENDITURES					
Less: Principal Payments on Debt	3,709	3,786	3,871	4,972	5,097
TOTAL REVENUES LESS EXPENSES	(68,744)	2,085	10,786	7,506	13,321
INTERNAL TRANSFERS					
Transfer From Reserve Funds					
Capital Works Reserve	11,688	150	150	150	150
Equipment Replacement Reserve	8,732	2,131	1,395	1,963	2,183
Fire Department Capital Reserve	11,624	-	-	-	-
Land Reserve	-	-	-	-	-
Local Area Service Reserve	779	-	-	-	-
Sanitary Sewer Reserve	1,651	-	-	-	-
Total Transfer From Reserve Funds	34,474	2,281	1,545	2,113	2,333
Less :Transfer To Reserve Funds					
Capital Works Reserve	3,273	2,705	4,179	1,686	4,192
Equipment Replacement Reserve	2,999	3,138	3,378	3,554	3,806
Fire Department Capital Reserve	863	915	1,052	1,195	1,342
Land Reserve	5	5	5	5	5
Local Area Service Reserve	-	-	-	-	-
Sanitary Sewer Reserve	-	-	-	-	-
Total Transfer To Reserve Funds	7,140	6,763	8,614	6,440	9,345
Transfer From (To) Own Reserves	39,157	637	(1,315)	(45)	(904)
Transfer From (To) Surplus	2,253	1,760	(2,402)	(3,134)	(5,405)
Transfer From (To) Surplus & Own Reserves	41,410	2,397	(3,717)	(3,179)	(6,309)
TOTAL INTERNAL TRANSFERS	68,744	(2,085)	(10,786)	(7,506)	(13,321)
BALANCED BUDGET	-	-	-	-	-

Statement 2

Revenue and Property Tax Policy Disclosure

REVENUE DISCLOSURE

Revenue Proportions	2018		2019		2020		2021		2022	
	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)	%
Revenues										
Property Taxes	82,598	33.4	86,924	45.3	91,529	51.0	96,341	53.3	101,369	54.7
Parcel Charges	3,110	1.3	3,208	1.7	3,309	1.8	3,413	1.9	3,521	1.9
Fees & Charges	42,043	17.0	43,712	22.8	45,329	25.3	47,036	26.0	48,836	26.4
Borrowing Proceeds	44,537	18.0	19,000	9.9	-	-	-	-	-	-
Other Sources	74,673	30.2	39,027	20.3	39,130	21.8	34,129	18.9	31,514	17.0
Total Revenues	246,961	100	191,871	100	179,297	100	180,919	100	185,240	100
Other Sources include:										
Development Fees Total	59,180	24.0	30,989	16.2	29,517	16.5	26,801	14.8	24,821	13.4
Interest	2,133	0.9	2,148	1.1	2,313	1.3	2,328	1.3	2,343	1.3
Grants (Other Govts)	11,777	4.8	4,390	2.3	4,800	2.7	5,000	2.8	4,350	2.3
Property Sales	1,583	0.6	1,500	0.8	2,500	1.4	-	-	-	-
	74,673	30.2	39,027	20.3	39,130	21.8	34,129	18.9	31,514	17.0

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	1.53%	1.90%	2.00%	2.00%	2.00%
Infrastructure Replacement	0.70%	0.70%	0.70%	0.70%	0.90%
Parks & Recreation	0.45%	0.60%	0.60%	0.60%	0.60%
Drainage	0.30%	0.30%	0.30%	0.30%	0.10%
Total Property Tax Increase	2.98%	3.50%	3.60%	3.60%	3.60%

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) has been sent to the Inspector of Municipalities for approval. 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 and our website for information on the new parks and recreation infrastructure which Council has recently adopted Loan Authorization Bylaws for.

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

Property Tax Revenue Distribution

Property Class	Taxation Revenue		Assessed Value		Tax Rate	Multiple
	('000s)		('000s)		(\$/1000)	(Rate/Res.Rate)
1 Residential	63,001	78.5%	21,027,290	92.7%	2.9961	1.0
2 Utility	616	0.8%	15,393	0.1%	40.0000	13.4
4 Major Industry	628	0.8%	26,537	0.1%	23.6677	7.9
5 Light Industry	2,981	3.7%	302,845	1.3%	9.8429	3.3
6 Business/Other	12,860	16.0%	1,306,484	5.8%	9.8429	3.3
8 Rec./ Non-Profit	50	0.1%	4,018	0.0%	12.5402	4.2
9 Farm	157	0.2%	4,627	0.0%	34.0106	11.4
Total	80,293	100%	22,687,195	100%		

Statement 2 (cont.)

Revenue and Property Tax Policy 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)

Capital Works Program	341,499
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Source of Funding

Development Fees

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

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

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	341,499
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