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The Corporation of **THE CITY OF NORTH VANCOUVER**
FINANCE DEPARTMENT

REPORT

To: Mayor Darrell R. Mussatto and Members of Council

From: Navin Chand, Manager, Financial Planning

SUBJECT: 2014 – 2023 FINANCIAL PLAN BYLAW

Date: April 9, 2014

File No: 1700-03

The following is a suggested recommendation only. Please refer to Council Minutes for adopted resolution.

RECOMMENDATION:

PURSUANT to the report of the Director of Finance, dated April 9, 2014, entitled “2014 – 2023 Financial Plan Bylaw”:

THAT “Financial Plan for the Years 2014 to 2023 Bylaw, 2014, No. 8364” be brought forward for consideration by Council.

PURPOSE

The purpose of this report is to seek Council approval for the 2014-2023 Financial Plan Bylaw.

BACKGROUND:

The Community Charter requires the preparation and adoption of a Financial Plan covering at least five years, including both operating and capital items, prior to May 15 each year. As well, it is a requirement that public consultation take place during the budget process.

DISCUSSION:

The Financial Plan Bylaw presented for Council’s endorsement meets the requirement of the Public Sector Accounting Board (PSAB) to present the budget in a format which aligns with the financial statement presentation of assets. The purpose of this requirement is to provide consistency between the budget and the actual financial results shown on the financial statement, so that a meaningful comparison can be made. The top part of the schedule includes the operational revenues and expenses

which net together to show a surplus or deficit for the year. The bottom part displays the capital items, depreciation and reserve transfers. The two parts added together equal zero, which indicates that the budget is in balance.

As required by the Province, the Financial Plan Bylaw also contains revenue and tax policy statements addressing the following issues:

1. Revenue Proportions by Funding Source
2. Distribution of Property Taxes among the Property Classes
3. Use of Permissive Tax Exemptions

The proposed 2014 – 2023 Financial Plan Bylaw reflects a 0% tax rate increase required for base level general operating funding. This provides for all wage increases, new capital infrastructure maintenance, energy cost increases, new items, and maintains the annual tax transfer from operations to capital. The endorsement by Council at the Finance Committee Meeting on February 24, 2014 for an additional 1.0% tax levy for Harry Jerome Recreation Project is reflected in the bylaw. A 1.0% tax rate increase generates \$400,000. In 2013, Council also approved a 1% tax rate increase to be set aside for the Harry Jerome Recreation Centre project. Therefore, \$800,000 is shown annually to be set aside for this project.

FINANCIAL IMPLICATIONS:

Financial implications have been addressed in detail during the 2014 – 2023 Financial Planning process which included separate discussions on utility rate setting (water, sewer, solid waste etc.), 2014 program plan (operating), and the 2014-2023 project plan (capital).

STRATEGIC PLAN IMPLICATIONS:

The preparation and approval of a Budget which forms part of the Financial Plan is consistent with the requirements of the Community Charter, with the 2014 Financial Plan Objectives, and with several of the objectives of the City's Strategic Plan, namely:

- C2 Balance economic and social needs of community;
- F1 Current and future programs, policies and operations shall fit within the City's financial capacity;
- F2 Build sufficient statutory reserves to fund the 10 Year Capital Plan.

RESPECTFULLY SUBMITTED:



Navin Chand
Manager, Financial Planning

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

Bylaw No. 8364

Financial Plan for the Years 2014 to 2023

The Council of The Corporation of the City of North Vancouver, in open meeting assembled, enacts as follows:

1. This Bylaw may be cited for all purposes as the **“Financial Plan for the Years 2014 to 2023 Bylaw, 2014, No. 8364”**.
2. Schedule “A” attached hereto is the Financial Plan of The Corporation of the City of North Vancouver for the period commencing January 1, 2014, and ending December 31, 2023.

READ a first time by the Council on the 14th day of April, 2014.

READ a second time by the Council on the 14th day of April, 2014.

READ a third time and passed by the Council on the 14th day of , 2014.

RECONSIDERED and finally adopted by the Council, signed by the Mayor and City Clerk and sealed with the Corporate Seal on the 28th day of April, 2014.

“Darrell R. Mussatto”

MAYOR

“Karla D. Graham”

CITY CLERK

**SCHEDULE "A" TO BYLAW NO. 8364
CITY OF NORTH VANCOUVER FINANCIAL PLAN
for the years 2014 – 2023**

(1) 2014 – 2023 Financial Plan (000's)

For the year ended December 31	2014	2015	2016	2017	2018	2019-2023
Revenue						
Property Value Tax	48,789	49,763	50,760	51,776	52,812	269,343
Parcel Taxes	2,380	2,500	2,627	2,761	2,902	16,915
Licenses and Permits	3,351	3,418	3,486	3,556	3,627	18,497
Fines and Fees	3,919	3,815	3,908	4,003	4,101	21,382
Rent	769	784	800	816	832	4,243
Interest and Penalties	2,147	2,190	2,235	2,280	2,326	11,881
Sale of Services	19,729	21,160	22,291	23,600	25,049	160,694
Rebates and Recoveries	79	81	83	84	86	439
Grants	2,842	3,426	2,889	2,946	3,005	15,327
Contributions	1,762	1,509	1,532	1,605	1,659	9,297
	<u>85,767</u>	<u>88,646</u>	<u>90,611</u>	<u>93,427</u>	<u>96,399</u>	<u>528,018</u>
Collections for Other Governments	43,464	44,333	45,220	46,124	47,047	239,938
	<u>129,231</u>	<u>132,979</u>	<u>135,831</u>	<u>139,551</u>	<u>143,446</u>	<u>767,956</u>
Expenses						
General Government	23,415	23,883	24,361	24,848	25,345	129,260
Transportation and Transit	5,076	5,178	5,282	5,388	5,496	28,030
Health, Social Services, Housing	2,608	2,660	2,713	2,767	2,822	14,392
Development Services	4,542	4,633	4,726	4,821	4,917	25,077
Protective Services	22,873	23,330	23,797	24,273	24,758	126,266
Parks, Recreation and Culture	18,101	18,463	18,832	19,209	19,593	99,925
Water	8,574	11,318	11,955	12,647	13,032	81,187
Sewer	7,286	10,190	10,148	10,870	12,026	81,491
Solid Waste	4,198	4,251	4,361	4,479	4,601	24,965
Transfer, Allocations	39	40	41	42	43	220
	<u>96,712</u>	<u>103,946</u>	<u>106,216</u>	<u>109,344</u>	<u>112,633</u>	<u>610,813</u>
Collections for Other Governments	43,464	44,333	45,220	46,124	47,047	239,938
	<u>140,176</u>	<u>148,279</u>	<u>151,436</u>	<u>155,468</u>	<u>159,680</u>	<u>850,751</u>
Surplus(Deficit) for the year	(10,945)	(15,300)	(15,605)	(15,917)	(16,234)	(82,795)
Reserves and capital						
Capital Expenditures	(96,425)	(98,354)	(100,321)	(102,327)	(104,374)	(532,308)
Depreciation	11,000	11,220	11,444	11,673	11,906	60,722
Reserves	67,330	72,813	74,269	75,754	77,269	394,072
External Contributions	29,040	29,621	30,213	30,817	31,433	160,309
	<u>10,945</u>	<u>15,300</u>	<u>15,605</u>	<u>15,917</u>	<u>16,234</u>	<u>82,795</u>
Budget Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**SCHEDULE "A" TO BYLAW NO. 8364
CITY OF NORTH VANCOUVER FINANCIAL PLAN
for the years 2014 – 2023**

(2) Revenue Proportions by Funding Source
(Excluding Transfers from Reserves and Collections for Other Governments)

Revenue Proportions by funding source

	(000's)									
	2014	%	2015	%	2016	%	2017	%	2018	%
Property Value Tax	48,789	57	49,763	56	50,760	56	51,776	55	52,812	55
Parcel Taxes	2,380	3	2,500	3	2,627	3	2,761	3	2,902	3
Revenue from Fees	29,915	34	31,367	35	32,720	36	34,255	37	35,935	37
Revenue from other Sources	4,683	6	5,016	6	4,504	5	4,635	5	4,750	5
Total Revenues	85,767	100	88,646	100	90,611	100	93,427	100	96,399	100

Background: Property Taxes are the City's major source of revenue. The City's reliance on property tax as a source of revenue has increased steadily over the past several years. This is partially due to the lack of access to other types of revenues. Where feasible, the City charges user fees for services, however this is not possible for many services. In preparing the 2014 Financial Plan the City's goal has been to maintain the current percentage of revenue coming from property taxes, however the City continues to rely heavily on this source of revenue to fund a large portion of City services.

Policy: Under Council's direction, the City will continue to look for ways to reduce the overall percentage of revenue that comes from property tax, by pursuing alternate revenue sources, and remains committed to charging user fees for services where feasible.

(3) Distribution of Property Taxes among the Property Classes

Property Class and Description		Tax Allocation %	
		2013	2014
1	Residential	54.41%	54.51%
2	Utilities	0.77%	0.73%
4	Major Industry - Capped	6.48%	6.65%
4	Major Industry - Non capped	0.73%	0.71%
5	Light Industry	0.77%	0.80%
6	Business	36.79%	36.56%
8	Recreation/Non-Profit	0.05%	0.04%

Background: Each year when setting tax rates the City's goal is to collect the same amount of overall taxes from each property class. With extraordinary residential growth in the City over the past many years this methodology has resulted in a relatively lower residential tax rate and an increase in multiples for non-residential properties.

In 2008 City Council adopted a Long Term Property Tax Strategy which will shift taxes from the business and light industrial tax classes, to the residential tax class. The goal of this policy was to move the City's tax rates and tax rate multiples to a competitive position within the Metro Vancouver Region, while maintaining principles of fairness and equity.

SCHEDULE "A" TO BYLAW NO. 8364
CITY OF NORTH VANCOUVER FINANCIAL PLAN
for the years 2014 – 2023

Adjusting down the ratio of the business tax rate to the residential rate (i.e. the tax multiple) continues to be a challenge based on the continued extraordinary growth in the residential sector.

Policy: The City will continue to review the distribution of property tax among the various property classes and consider other measures as a gauge of success.

(4) Use of Permissive Tax Exemptions

Background: Council currently allows permissive tax exemptions to organizations within the City, based on eligibility criteria as defined under the Community Charter. This includes religious institutions, not for profit societies, service organizations and providers of social housing whose services and programs align with the City's goals and objectives.

Policy: The City has adopted a policy along with a set of criteria which are based on linking taxation exemptions to desired community outcomes for the services provided. All existing permissive tax exemptions are reviewed each year and staff will continue to work with all organizations who receive a Permissive Tax Exemption to ensure that their services align with the goals and objectives of the City.

Council will continue to carefully consider the total amount of permissive exemptions granted each year, when reviewing the annual Property Tax Exemption bylaw, giving consideration to the equity of shifting the exempted tax burden to other property owners in the City.