



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

REPORT

To: Mayor Darrell R. Mussatto and Members of Council

From: Navin Chand, Acting Deputy Director of Finance

SUBJECT 2015 - 2024 REVISED FINANCIAL PLAN

Date: October 27, 2015 File No. : 05-1705-01-0001/2015

RECOMMENDATION

PURSUANT to the report of the Acting Deputy Director of Finance, dated October 27, 2015, entitled "2015 – 2024 Revised Financial Plan",

THAT "Financial Plan for the Years 2015 to 2024 Bylaw, 2015 No. 8413 Amendment Bylaw, 2015, No. 8445" (Revised Financial Plan) be brought forward for consideration.

ATTACHMENTS

1. "Financial Plan for the Years 2015 to 2024 Bylaw, 2015 No. 8413 Amendment Bylaw, 2015, No. 8445" (Revised Financial Plan)

PURPOSE

This report provides high level commentary on activities that have transpired within the program budget since the preparation of the 2015 – 2024 Financial Plan and proposes funding reallocation. In addition, this report recommends the inclusion in the 2015 – 2024 Revised Financial Plan of projects that established a need for funding in fall 2015.

BACKGROUND

The Community Charter requires the preparation and adoption of a Financial Plan covering at least five years relative to the operating funds of the municipality. On April 27, 2015, Council considered and adopted the City's 2015 - 2024 Financial Plan, which combines five

years of operational program funding and ten years of project funding. Expenditures for items not included in the plan are not lawful, but amendments to the Financial Plan are allowed, by bylaw, at any time.

DISCUSSION

There are two parts to this discussion. The first part provides a review of program operations. The second part provides information of emerging projects requiring fall funding.

1. Review of Program Operations

A review of operations and the production of a Revised Financial Plan (commonly called the "Revised Budget") has been a standard procedure for the City for many years. As a management tool, the Revised Financial Plan allows the City to make maximum use of available funds. By budgeting conservatively for Year One of the Financial Plan, the City ensures that funds will be available to meet normal operational requirements. If revenues are greater (or expenses are less) than conservative expectations, or if unexpected or unpredicted new revenues become available, the Revised Financial Plan has then been used to re-allocate these funds, so that this extra funding is put to use rather than simply building up a financial surplus. This forms a key part of the City's financial strategy of keeping taxes at a minimum level, and funding programs and projects on a priority basis only when funds are available to do so.

All Financial Plans are based on estimates, or predictions, of revenues and expenditures. New information is constantly emerging. It is common for unforeseen or unpredicted events to manifest themselves. Staff has reviewed the City's program revenues and expenditures and is not recommending any change in the operational budget. The analysis included a review of the major non-tax revenue sources such as parking revenue, investment income, permits and fees, business licenses and by-law enforcement. It is important to note that staff has confirmed that the City will achieve its 2015 target of Hiring Deferrals (\$100,000). For several years now, it has been the City's practice to budget for hiring deferrals. Positions which become vacant are routinely re-evaluated and reviewed from an operational perspective, which allows the City's staffing to be updated as required, complimenting succession planning and internal training of existing staff to meet new requirements as they emerge. In addition, general departmental savings of (\$90,000) will be met for 2015. These reductions have been achieved through challenging department managers to engage in continual cost management over the course of the budget year.

The North Vancouver Recreation Commission is returning funds (\$76,100) to the City. This amount represents the unused portion of City funding provided in 2014. The surplus related to the NVRC was mainly due to cost savings in salaries and related benefits, administrative expenses, and utilities savings. Staff is recommending that the returned surplus be used to fund a portion of the Revised Financial Plan.

2. Emerging Projects Requiring Fall Funding

2015 REVISED FINANCIAL PLAN

2015 Revised Budget items

Temporary Ice Rink at Shipyards	\$275,000
Bike Lift Feasibility Study	60,000
Recreation Capital Needs	16,100
Manager, Internal Control (RPT to RFT)	0
Total Revised Budget items	\$351,100

Funding Sources

Transfer from Civic Amenity Fund	\$275,000
2014 NVRC Surplus returned to City	76,100
Total	\$351,100

Provision for Temporary Ice Rink at Shipyards - \$275,000

This is a funding provision for a pilot project to install a temporary ice surface from approximately December 2015 to February 2016. A separate report has been prepared for the November 2, 2015 Regular Council Agenda on this project. If Council approves the project, this will allow appropriation of funding once the project is further defined.

Bike Lift Feasibility Study - \$60,000

At the October 5, 2015 Council Meeting, Council approved the following motion:

PURSUANT to the report of the Deputy City Engineer, dated September 30, 2015, entitled "Urban Bike Lift":

THAT Council approve entering into negotiations with the project team that built the Trondheim bicycle lift to provide a feasibility study to better understand the costs and opportunities of installing an urban bike lift(s) in the City, provided suitable terms can be arranged;

AND THAT funding for this project be included in the upcoming revised project budget.

The \$60,000 funding request is to ensure that staff complies with Council's instructions.

Recreation Capital Needs - \$16,100

During the William Griffin Recreation Centre closure and redevelopment period, the City has set aside the related operational savings for recreation capital needs. \$104,200 and \$131,300 have been set aside in 2014 and 2015 respectively, totalling \$235,500. In the same spirit, Finance recommends also transferring this remaining 2014 recreation surplus.

Manager, Internal Control - \$0

The 2015 Financial Plan, approved by Council on April 27, 2015 included staffing complement increases. Finance was approved for an additional regular part-time (RPT) Manager of Internal Control, chiefly to prepare independent internal audits of practices and processes throughout the organization. Finance requests that this position be changed from RPT to regular full-time (RFT). Additional tasks including a more fulsome variance analysis process have been identified for this position which would require to be filled on a full-time basis. The hiring process will start immediately after approval from Council. Deferral of hiring has provided Finance with the ability to fund full-time in 2015 with no financial impact.

FINANCIAL IMPLICATIONS

The bylaw recommended for adoption in this report incorporates the adjustments discussed in this report.

STRATEGIC PLAN IMPLICATIONS

Re-allocation of funds through the Revised Financial Plan process is consistent with the City's Strategic Plan, which has as its Vision: "To be a vibrant and highly livable community that strives to balance the social, economic and environmental needs of our community".

The Financial Goal of our Strategic Plan discusses achievement of financial sustainability and cost containment. The Revised Financial Plan is one tool to accomplish this goal.

INTER-DEPARTMENTAL IMPLICATIONS

This report has been reviewed by MPC.

RESPECTFULLY SUBMITTED BY

Navin Chand
Acting Deputy Director of Finance

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

Bylaw No. 8445

A Bylaw to Revise the Financial Plan for the Years 2015 to 2024

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 2015 to 2024 Bylaw, 2015, No. 8413, Amendment Bylaw, 2015, No. 8445” (Revised Financial Plan)**.
2. Schedule “A” attached hereto is the Financial Plan of The Corporation of the City of North Vancouver for the period commencing January 1, 2015 and ending December 31, 2024.

READ a first time by the Council on the 2nd day of November, 2015.

READ a second time as amended by the Council on the 2nd day of November, 2015.

READ a third time as amended and passed by the Council on the 2nd day of November, 2015.

ADOPTED by the Council, signed by the Mayor and City Clerk and affixed with the Corporate Seal on the 16th day of November, 2015.

“Darrell R. Mussatto”

MAYOR

“Karla D. Graham”

CITY CLERK

**SCHEDULE "A" TO BYLAW NO. 8445
CITY OF NORTH VANCOUVER FINANCIAL PLAN
for the years 2015 – 2024**

(1) 2015 – 2024 Financial Plan (000's)

For the year ended December 31	2015	2016	2017	2018	2019	2020-2024
Revenue						
Property Value Tax	51,206	52,642	54,101	55,583	57,088	296,376
Parcel taxes	2,437	2,544	2,656	2,773	2,895	16,516
Licenses and Permits	3,378	3,412	3,446	3,480	3,515	17,751
Fines and Fees	3,703	3,762	3,824	3,888	3,953	20,496
Rent	659	666	673	679	686	3,466
Interest and Penalties	2,147	2,169	2,191	2,214	2,237	11,314
Sale of Services	21,040	22,513	23,962	25,399	26,933	171,012
Rebates and Recoveries	81	82	83	84	84	426
Grants	3,160	2,892	2,921	2,950	2,980	15,047
Contributions	2,187	1,706	1,751	1,837	1,834	9,144
	89,998	92,388	95,608	98,887	102,205	561,548
Collections for Other Governments	43,645	44,517	45,407	46,315	47,241	240,930
	133,643	136,905	141,015	145,202	149,446	802,478
Expenses						
General Government	23,613	24,085	24,566	25,058	25,559	130,350
Transportation and Transit	4,292	4,378	4,466	4,555	4,646	23,695
Health, Social Services, Housing	2,456	2,505	2,555	2,606	2,658	13,556
Development Services	4,645	4,738	4,833	4,930	5,029	25,648
Protective Services	23,487	23,957	24,436	24,925	25,424	129,663
Parks, Recreation and Culture	18,397	18,765	19,140	19,523	19,913	101,557
Water	8,891	9,271	9,668	10,083	10,517	66,187
Sewer	7,378	7,790	8,679	9,710	10,909	78,764
Solid Waste	4,342	4,476	4,609	4,745	4,885	26,635
	97,501	99,965	102,952	106,135	109,540	596,055
Collections for Other Governments	43,645	44,517	45,407	46,315	47,241	240,930
	141,146	144,482	148,359	152,450	156,781	836,985
Surplus(Deficit) for the year	(7,503)	(7,577)	(7,344)	(7,248)	(7,335)	(34,507)
Reserves and capital						
Capital Expenditures	(75,398)	(16,842)	(17,859)	(13,714)	(18,509)	(79,890)
Depreciation	11,300	11,526	11,757	11,992	12,232	62,995
Reserves	42,127	10,114	7,786	7,195	9,204	48,107
Contributions	29,474	2,779	5,660	1,775	4,408	3,295
	7,503	7,577	7,344	7,248	7,335	34,507
Budget Balance	0	0	0	0	0	0

**SCHEDULE "A" TO BYLAW NO. 8445
CITY OF NORTH VANCOUVER FINANCIAL PLAN
for the years 2015 – 2024**

(2) Revenue Proportions by Funding Source

(Excluding Transfers from Reserves and Collections for Other Governments)

Revenue Proportions by funding source

	(000's)									
	2015	%	2016	%	2017	%	2018	%	2019	%
Property Value Tax	51,206	57	52,642	57	54,101	56	55,583	56	57,088	56
Parcel Taxes	2,437	3	2,544	3	2,656	3	2,773	3	2,895	3
Revenue from Fees	30,927	34	32,522	35	34,096	36	35,660	36	37,324	36
Revenue from other Sources	5,428	6	4,680	5	4,755	5	4,871	5	4,898	5
Total Revenues	89,998	100	92,388	100	95,608	100	98,887	100	102,205	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 2015 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 %	
		2014	2015
1	Residential	54.51%	55.12%
2	Utilities	0.73%	0.68%
4	Major Industry - Capped	6.65%	7.17%
4	Major Industry - Non capped	0.71%	0.70%
5	Light Industry	0.80%	0.84%
6	Business	36.56%	35.46%
8	Recreation/Non-Profit	0.04%	0.03%

Background: 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.

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.

**SCHEDULE “A” TO BYLAW NO. 8445
CITY OF NORTH VANCOUVER FINANCIAL PLAN
for the years 2015 – 2024**

(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.