



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

REPORT

To: Mayor Darrell R. Mussatto and Members of Council
From: Leslie Garber, Manager, Financial Reporting
SUBJECT: 2017 - 2026 REVISED FINANCIAL PLAN
Date: September 27, 2017 File No. : 05-1705-01-0001/2017

RECOMMENDATION

PURSUANT to the report of the Manager, Financial Planning, dated September 27, 2017, entitled "2017 - 2026 Revised Financial Plan",

THAT "Financial Plan for the Years 2017 to 2026 Bylaw, 2017, No. 8547, Amendment Bylaw, 2017, No. 8580" (Revised Financial Plan) be brought forward for consideration.

ATTACHMENTS

1. "Financial Plan for the Years 2017 to 2026 Bylaw, 2017, No. 8547, Amendment Bylaw, 2017, No. 8580" (Revised Financial Plan)

PURPOSE

This report provides high level commentary on activities that have transpired within the program budget since the preparation of the 2017 - 2026 Financial Plan and proposes funding reallocation. In addition, this report recommends the inclusion in the 2017 - 2026 Revised Financial Plan of projects that established a need for funding in fall 2017.

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 10, 2017, Council considered and adopted the City's 2017 - 2026 Financial Plan, which combines ten years of operational program funding and 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 is a summary of the changes in revenues and expenditures which staff has identified, and which staff is recommending be re-allocated in the proposed Revised Financial Plan.

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, particularly for Year One of the Financial Plan, the City ensures that funds will be allocated efficiently 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 including budgeted departmental savings due to vacancies and other found efficiencies. New information is constantly emerging and it is common for unforeseen or unpredicted events to manifest themselves. Staff has reviewed the City's program revenues and expenditures and is recommending a few reallocations of 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.

The North Vancouver Recreation & Culture Commission and Library are returning funds to the City, \$266,000 and \$25,000 respectively for a total of \$291,000. The return of the surplus funds is in accordance with the City's Funded Agencies Surplus Policy. Staff is recommending that part of the returned surpluses be also used to fund a portion of the Revised Financial Plan.

2. 2017 Revised Financial Plan

2017 Revised Budget items

Temporary Staffing	\$768,500
Mosquito Creek Bridge Replacement	750,000
Transfer to General Reserve	291,000
Total Revised Budget items	\$1,809,500

Funding Sources

Permit Revenues	\$768,500
Small Communities Build Canada Fund Grant	500,000
2016 Surpluses returned to City	291,000
General Reserve	250,000
Total	\$1,809,500

Temporary Staffing - \$768,500

The Community Services Department is requesting temporary funding to address workload concerns.

Position	Cost
Extension of Existing TFT's (5) to June 2019	\$425,100
TFT Senior Development Technician – New 2 Year Funding	192,900
TFT Plan Checking Assistant – New 2 Year Funding	150,500
Total	\$768,500

In 2016 the Community Development and Engineering Departments requested and were granted funding for five temporary positions to respond to the increased development activity being experienced in the City. The source of the funding for the temporary positions was extraordinary permit revenues and the funding for these positions will expire in 2018.

The temporary positions are:

- Engineering Technical Assistant
- Development Technician
- Plumbing & Gas Inspector
- Building Inspector
- Plan Checker

Development activity within the City is continuing at high levels. In addition to the continued increased development levels, the complexity of developments is also greater due to downloading from senior levels of government; greater expectations from the public; and changing technologies. As a result of the continued pressure from development, the Community Services Department is requesting additional funding to extend the above temporary positions to mid-2019.

In addition to extending the existing temporary positions, the Community Services Department is requesting funding for a temporary Senior Development Technician to address the development processing backlog within the Development Servicing Group. The

new Senior Development Technician position will assist in handling the large complex development sites. This includes responding to planning applications, conducting building permit plan checks, conducting off-site work inspections, and processing of subdivision applications. The Development Services team also ensures public and private realm integration. Overtime is currently being incurred, and will continue, and application processing times will continue to increase until the development processing backlog is addressed.

The Community Services Department is also requesting funding for a temporary Plan Checking Assistant. The Plan Checking Assistant would allow Community Services to complete zoning plan checks on smaller scale developments (single family homes), thereby freeing up Planning Technicians and speeding up Building Permit processing times; undertake reviews of Sign Bylaw applications, thereby freeing up Plan Checkers; undertake zoning reviews of Business License applications, creating more efficient and timely licensing processes; and assist in answering front counter inquiries, thereby further improving customer service experiences by industry and the public. With the addition of a TFT Plan Checking Assistant, Planning Technicians within the Planning Department and other staff groups working on development would have increased capacity to perform more specialized and complex work duties. This will increase both the Community Services Department's and the Planning Department's ability to respond in a timely matter to development applications while volumes remain high.

Council in the past has set aside a portion of anticipated excess permit revenues to fund temporary staffing requirements. The 2017 permit revenues are forecast to exceed the \$2M budget sufficiently to fund this request. The funding allocated here would be sufficient to satisfy funding of the positions to 2019 without the need to fund this staffing from the City's tax base.

Mosquito Creek Bridge Replacement - \$750,000

The Marine Drive Bridge over Mosquito Creek was constructed in 1952. A detailed inspection of the bridge was performed in 2015 which revealed an exposed and heavily corroded steel tendon in one of the girders. The report recommended the replacement of the bridge within 3 to 5 years.

In April 2016 staff applied for funding to the Build Canada Fund. In March 2017 the Province announced that the City has been awarded grant funding of \$3.9M through the Small Communities Federal/Provincial Build Canada Fund for the replacement of the Marine Drive Bridge over Mosquito Creek. The \$3.9M represents 2/3 funding of the budgeted replacement cost of \$5.8M. The City has received an initial grant disbursement of \$1.6M.

Per the terms of the grant, the project must be completed by March 2020. As the project was not included in year 1 of the 2017- 2026 Project Plan, funding is being requested as part of the 2017 - 2026 Revised Financial Plan in order for staff to begin the planning and tendering processes to meet the March 2020 completion deadline.

The \$750,000 requested is comprised of \$250,000 of City funding and \$500,000 of funding from the Small Communities Build Canada Fund grant. The balance of the project funding will be included as part of the 2018 - 2027 Project Plan.

Transfer to General Reserve - \$291,000

Staff is recommending that \$291,000 be transferred to the General Reserve Fund. This reserve fund can be used to fund streets/transportation, parks, facilities and other infrastructure projects included in the project plan. This will be funded from the returned surplus from both the NVRC and City Library as mentioned earlier in the report.

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 the City's 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 Major Projects Committee.

RESPECTFULLY SUBMITTED BY



Leslie Garber
Manager, Financial Planning

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

BYLAW NO. 8580

A Bylaw to Revise the Financial Plan for the Years 2017 to 2026

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

1. This Bylaw shall be known and cited for all purposes as **“Financial Plan for the Years 2017 to 2026 Bylaw, 2017, No. 8547, Amendment Bylaw, 2017, No. 8580” (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, 2017, and ending December 31, 2026.

READ a first time on the 2nd day of October, 2017.

READ a second time on the 2nd day of October, 2017.

READ a third time on the 2nd day of October, 2017.

ADOPTED on the 16th day of October, 2017.

“Darrell R. Mussatto”

MAYOR

“Karla D. Graham”

CITY CLERK

**SCHEDULE "A" TO BYLAW NO. 8580
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2017 – 2026**

(1) 2017 – 2026 Financial Plan (000's)

For the year ended December 31	2017	2018	2019	2020	2021	2022-2026
Revenue						
Property Value Tax	56,216	57,956	59,748	61,589	63,478	327,105
Parcel Taxes	2,776	3,045	3,299	3,452	3,534	19,053
Revenue from Fees and Services	33,335	34,458	35,518	36,663	37,768	212,111
Revenue from Other Sources	4,672	4,428	4,475	4,524	4,573	23,168
	96,999	99,887	103,040	106,228	109,353	581,437
Transfers						
Collections for Other Agencies	44,103	44,985	45,885	46,803	47,739	240,705
Transfer from Reserves	62,984	37,310	25,000	22,794	23,646	122,720
External Contributions	19,520	2,007	4,542	1,866	653	10,599
Depreciation	13,600	13,872	14,149	14,432	14,721	75,075
	140,207	98,174	89,576	85,895	86,759	449,099
Total Revenues	237,206	198,061	192,616	192,123	196,112	1,030,536
Expenditures						
Operating Expenses						
General Government	18,387	18,846	19,317	19,800	20,295	104,010
Transportation and Transit	5,896	6,044	6,195	6,350	6,509	33,360
Health, Social Services, Housing	2,893	2,965	3,039	3,115	3,193	16,365
Development Services	4,513	4,625	4,741	4,860	4,982	25,535
Protective Services	25,743	26,387	27,047	27,723	28,416	145,630
Parks, Recreation and Culture	19,315	19,798	20,293	20,800	21,320	109,265
Water	9,642	9,993	10,461	10,987	11,694	71,171
Sewer	8,208	8,644	9,033	10,708	11,007	62,701
Solid Waste	4,583	4,718	4,859	5,004	5,153	28,110
	99,180	102,020	104,985	109,347	112,569	596,147
Capital Expenditures	75,661	32,240	22,442	16,742	16,723	95,404
Transfers						
Collections for Other Agencies	44,103	44,985	45,885	46,803	47,739	240,705
Equity	7,544	7,628	7,819	8,014	8,214	42,095
Reserves	10,718	11,188	11,485	11,217	10,867	56,185
	62,365	63,801	65,189	66,034	66,820	338,985
Total Expenses	237,206	198,061	192,616	192,123	196,112	1,030,536

**SCHEDULE "A" TO BYLAW NO. 8580
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2017 – 2026**

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

	(000's)									
	2017	%	2018	%	2019	%	2020	%	2021	%
Property Value Tax	56,216	58	57,956	58	59,748	58	61,589	58	63,478	58
Parcel Taxes	2,776	3	3,045	3	3,299	3	3,452	3	3,534	3
Revenue from Fees	33,335	34	34,458	35	35,518	35	36,663	35	37,768	35
Revenue from other Sources	4,672	5	4,428	4	4,475	4	4,524	4	4,573	4
Total Revenues	96,999	100	99,887	100	103,040	100	106,228	100	109,353	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 gradually 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 2016 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 and infrastructure.

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 %	
	2016	2017
1 Residential	55.92%	56.32%
2 Utilities	0.66%	0.95%
4 Major Industry - Capped	7.30%	6.97%
4 Major Industry - Non capped	0.70%	0.68%
5 Light Industry	0.83%	0.81%
6 Business	34.56%	34.24%
8 Recreation/Non-Profit	0.03%	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.

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CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2017 – 2026**

(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.