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

REPORT

To: Mayor Linda Buchanan and Members of Council
From: Leslie Garber, Deputy Director, Finance
SUBJECT: 2019 - 2028 REVISED FINANCIAL PLAN
Date: October 15, 2019 File No: 05-1715-20-0020/2019

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

RECOMMENDATION

PURSUANT to the report of the Deputy Director, Finance, dated October 15, 2019, entitled "2019 - 2028 Revised Financial Plan",

THAT "Financial Plan for the Years 2019 to 2028 Bylaw, 2019, No. 8703, Amendment Bylaw, 2019, No. 8736" (Revised Financial Plan) be brought forward for consideration.

ATTACHMENTS

1. "Financial Plan for the Years 2019 to 2028 Bylaw, 2019, No. 8703, Amendment Bylaw, 2019, No. 8736" (Revised Financial Plan) (CityDocs #1833715)

PURPOSE

This report provides high level commentary on activities that have transpired within the program budget since the preparation of the 2019 - 2028 Financial Plan and proposes funding reallocation.

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 11, 2019, Council considered and adopted the City's 2019 - 2028 Financial Plan, which

combines ten years of operational program funding and project funding. Expenditures for items not included in the plan are unlawful, 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.

Surpluses Returned to City

The North Vancouver Recreation & Culture Commission and Library are returning funds to the City.

North Vancouver Recreation & Culture Commission	\$436,700
North Vancouver City Library	41,700
Total	<u>\$478,400</u>

The surplus related to the NVRC was mainly due to greater than budgeted revenues, particularly at Delbrook, and savings in labour and benefits. 2019 budgets were adjusted to reflect these patterns, and these variances are not expected to recur. The Library Surplus primarily occurred due to staff vacancies. Staff is recommending that the returned surpluses be also used to fund the Revised Financial Plan.

2. 2019 Revised Financial Plan

2019 Revised Budget items

Reduced Permit Revenue	\$200,000
Transfer to General Reserve	208,400
Harry Jerome CRC	275,000
Polygon Gallery Operating Grant	125,000
Council Conference and Education	20,000
Total Revised Budget items	\$828,400

Funding Sources

2018 Surpluses Returned to the City	\$478,400
Civic Amenity Reserve Fund	275,000
LEC Lease of Office Space	46,200
LEC IT Agreement	28,800
Total	\$828,400

Reduced Permit Revenue - \$200,000

As part of the 2019 – 2028 Financial Plan staff recommended an increase to the budgeted permit revenue from \$2.3M to the five year average permit revenue of \$2.8M. Permit revenue for the first quarter of 2019 tracked well below historical averages and the budgeted revenue target. The low 2019 Q1 revenues are likely a rebalancing due to higher than historical volume and revenue experienced in Q4 of 2018. While permit revenues for Q2 and Q3 have normalized and are in line with quarterly expectations it is anticipated that annual permit revenues will be below budget.

Transfer to General Reserve - \$208,400

Staff is recommending that \$208,400 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 surpluses of NVRC and City Library, and previously unbudgeted revenues from LEC as mentioned earlier in the report.

Harry Jerome Community Recreation Centre - \$275,000

The following resolution was carried by Council at the July 22, 2019, regular Council meeting:

PURSUANT to the report of the Manager, Facilities and Real Estate, and the Chief Librarian, dated July 12, 2019, entitled "Library Terrace Enclosure Project – Funding Reallocation":

THAT \$275,000 of existing funding from Harry Jerome Community Recreation Community Centre project be reallocated to fund the Library Terrace Enclosure project;

THAT (Funding Appropriation #1929) an amount of \$275,000 be appropriated from the Civic Amenity Reserve Fund (Harry Jerome Community Recreation Centre Provision) for the purpose of funding the Library Terrace Enclosure project;

THAT should any of the above amount remain unexpended as at December 31, 2022, the unexpended balance shall be returned to the credit of the Civic Amenity Reserve Fund;

AND THAT the Harry Jerome Community Recreation Centre Provision be replenished as part of the Revised Financial Plan process in fall 2019.

The inclusion of this item in the Revised Financial Plan will replace the appropriated funds and make whole the Harry Jerome Community Recreation Centre provision included in the 2019 – 2028 Project Plan.

Polygon Gallery Operating Grant - \$125,000

The following resolution was carried by Council at the September 9, 2019, regular Council meeting:

THAT the correspondence from Reid Shier, Executive Director, The Polygon Gallery, dated August 30, 2019, regarding the “Project Update and Funding Request” be received;

AND THAT the City consider increasing the Polygon grant by \$125,000 for this year and monitor the need for the following year, and for staff to report back to Council on where the funds could be appropriated from.

The 2019 additional operating grant for the Polygon Gallery will be funded from the major agency surpluses returned to the City. This source of funds is one-time funding and would not be available as an ongoing funding source. Should Council wish to provide enhanced ongoing funding to the Polygon Gallery a new item request should be included as part of the City’s financial planning process. The \$125,000 would represent a 0.25% tax rate increase.

Council Conference and Education - \$20,000

Staff is recommending an increase of \$20,000 to the Council Conference and Education budget. The recommended increase is in recognition that there are several new Council members this term, who are more actively involved in conferences, and that the conferences provide valuable training and networking opportunities.

FINANCIAL IMPLICATIONS

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

STRATEGIC PLAN IMPLICATIONS

The 10-year Financial Plan is an integral piece of the planning framework included in the Council Strategic Plan.

INTER-DEPARTMENTAL IMPLICATIONS

This report has been reviewed by the City's Leadership Team.

RESPECTFULLY SUBMITTED BY



Leslie Garber
Deputy Director, Finance

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

BYLAW NO. 8736

Financial Plan for the Years 2019 to 2028

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 2019 to 2028 Bylaw, 2019, No. 8703, Amendment Bylaw, 2019, No. 8736**” (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, 2019, and ending December 31, 2028.

READ a first time on the 22nd day of October, 2019.

READ a second time on the 22nd day of October, 2019.

READ a third time on the 22nd day of October, 2019.

ADOPTED on the 28th day of October, 2019.

“Linda C. Buchanan”

MAYOR

“Karla D. Graham”

CITY CLERK

**SCHEDULE "A" TO BYLAW NO. 8736
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2019 – 2028**

(1) 2019 – 2028 Financial Plan (000's)

For the year ended December 31	2019	2020	2021	2022	2023	2024-2028
Revenue						
Property Value Tax	62,599	64,531	66,518	68,560	70,658	364,070
Parcel Taxes	3,162	3,624	4,041	4,250	4,469	25,866
Revenue from Fees and Services	36,213	37,888	40,711	44,068	47,029	269,626
Revenue from Other Sources	3,970	3,718	3,417	3,451	3,486	17,605
	105,944	109,761	114,687	120,329	125,642	677,167
Transfers						
Collections for Other Governments	49,561	50,552	51,563	52,594	53,646	273,595
Transfer from Reserves	66,790	103,292	37,776	44,421	125,837	114,223
Proceeds from Debt	-	90,000	-	-	-	-
External Contributions	20,408	10,437	7,896	2,781	1,497	6,901
Depreciation	15,100	15,402	15,710	16,024	16,344	83,355
	151,859	269,683	112,945	115,820	197,324	478,074
Total Revenues	257,803	379,444	227,632	236,149	322,966	1,155,241
Expenditures						
Operating Expenses						
General Government	21,092	21,629	22,170	22,724	23,292	119,370
Transportation and Transit	6,032	6,183	6,338	6,496	6,658	34,120
Health, Social Services, Housing	2,821	2,892	2,964	3,038	3,114	15,960
Development Services	5,798	5,943	6,092	6,244	6,400	32,800
Protective Services	27,246	27,927	28,625	29,341	30,075	154,135
Parks, Recreation and Culture	20,581	20,968	21,492	22,029	22,580	115,725
Water	10,337	11,830	12,864	14,011	15,286	88,615
Sewer	9,272	12,752	14,892	17,410	18,232	106,471
Solid Waste	4,396	2,528	1,759	1,750	1,891	10,326
	107,575	112,652	117,196	123,043	127,528	677,522
Capital Expenditures	78,817	195,109	38,114	36,327	27,595	90,570
Transfers						
Collections for Other Governments	49,561	50,552	51,563	52,594	53,646	273,595
Equity	9,424	9,549	9,788	10,033	10,284	52,705
Reserves	12,426	11,582	10,971	14,152	13,913	60,849
Debt Repayment	-	-	-	-	90,000	-
	71,411	71,683	72,322	76,779	167,843	387,149
Total Expenses	257,803	379,444	227,632	236,149	322,966	1,155,241

**SCHEDULE "A" TO BYLAW NO. 8736
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2019 – 2028**

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

	(000's)									
	2019	%	2020	%	2021	%	2022	%	2023	%
Property Value Tax	62,599	59	64,531	59	66,518	58	68,560	57	70,658	56
Parcel Taxes	3,162	3	3,624	3	4,041	4	4,250	4	4,469	4
Revenue from Fees	36,213	34	37,888	35	40,711	35	44,068	36	47,029	37
Revenue from other Sources	3,970	4	3,718	3	3,417	3	3,451	3	3,486	3
Total Revenues	105,944	100	109,761	100	114,687	100	120,329	100	125,642	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 2018 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 %	
	2017	2018
1 Residential	56.32%	56.60%
2 Utilities	0.95%	1.07%
4 Major Industry - Capped	6.97%	6.95%
4 Major Industry - Non capped	0.68%	0.67%
5 Light Industry	0.81%	0.89%
6 Business	34.24%	33.78%
8 Recreation/Non-Profit	0.03%	0.04%

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. 8736
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2019 – 2028**

(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.