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| <br>Department<br>Manager | <br>Director | <br>CAO |
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The Corporation of **THE CITY OF NORTH VANCOUVER**  
**FINANCE DEPARTMENT**

**REPORT**

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To: Mayor Linda Buchanan and Members of Council

From: Larry Sawrenko, Chief Financial Officer

Subject: 2022 – 2026 FINANCIAL PLAN BYLAW

Date: March 23, 2022 File No: 05-1700-03-0001/2022

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*The following is a suggested recommendation only. Refer to Council Minutes for adopted resolution.*

**RECOMMENDATION**

PURSUANT to the report of the Chief Financial Officer, dated March 23, 2022, entitled “2022 – 2026 Financial Plan Bylaw”:

THAT “Financial Plan for the Years 2022 to 2026 Bylaw, 2022, No. 8918” be considered.

**ATTACHMENTS**

1. Financial Plan for the Years 2022 to 2026 Bylaw, 2022, No. 8918 (CityDocs #2157546)

**SUMMARY**

In 2022, Council endorsed many components of the City’s 2022-2026 Financial Plan. There are however, a few additional components of the Plan that have not yet been considered by Council. These additional components are included and discussed in this report, which also includes a complete 2022 – 2026 Financial Plan Bylaw for Council’s consideration.

**BACKGROUND**

The Community Charter requires the preparation and adoption of a Financial Plan covering five years, including both operating and capital items, prior to May 15 each year.

It is a requirement that Council oversee a process of public consultation regarding the proposed financial plan before it is adopted. During the City’s 2022-2026 Financial Plan process, the public was kept informed through the use of the City’s social media channels and CityView eNews; staff reports have been made available on the City’s website; opportunities to provide public input were provided both online, through Let’s Talk CNV, and in person at Council Meetings.

The 2022-2026 Financial Plan Bylaw is comprised of several components that have already been endorsed by Council individually throughout the financial planning process. One key component is the Harry Jerome Community Recreation Centre Financial Plan endorsed by Council January 31, 2022, as that strategy set some overall parameters for the Financial Plan. Other components directly included in the 2022-2026 Financial Plan are:

- 2022 Operating Budget – endorsed March 28, 2022
- 2022-2031 Capital Plan – endorsed March 28, 2022
- 2022 Cemetery Operating Budget – endorsed March 28, 2022
- 2022 Water Budget – endorsed November 22, 2021
- 2022 Sewerage & Drainage Budget – endorsed November 22, 2021
- 2022 Solid Waste Budget – endorsed November 22, 2021

The remaining components of the recommended 2022-2026 Financial Plan are discussed below.

**DISCUSSION**

The recommended 2022-2026 Financial Plan includes 2022 expenditures totalling \$431.8 million, which are comprised of the following:

|  | 2021             | 2022             | Increase/<br>(Decrease) |
|--|------------------|------------------|-------------------------|
| Operating Budget                       | \$85.1           | \$89.4           | \$4.3                   |
| Capital Plan                           | 66.3             | 215.0            | 148.7                   |
| Cemetery Operating Budget              | 0.4              | 0.4              | -                       |
| Water Budget                           | 13.8             | 14.3             | 0.5                     |
| Sewerage & Drainage Budget             | 14.2             | 15.9             | 1.7                     |
| Solid Waste Budget                     | 3.6              | 3.9              | 0.3                     |
| Collection for Other Organizations (1) | 48.4             | 57.3             | 8.9                     |
| Other Items (2)                        | 32.6             | 34.7             | 2.1                     |
| <b>Total</b>                           | <b>\$264.4 M</b> | <b>\$ 430.9M</b> | <b>\$ 166.5 M</b>       |

1 - Collections for Other Organizations

The City collects approximately \$57.3 million in taxes on behalf of other organizations, which include BC Assessment, Metro Vancouver, Translink, Lower Lonsdale Business Improvement Association (“LLBIA”) and the Municipal Finance Authority. The City also collects the Provincial School Tax from its property owners. These taxes are generally

set by the individual other governments and agencies and taxation levels are outside of the City’s control. The exception is the LLBIA levy, which was approved by Council as a part of “Lower Lonsdale Business Improvement Area Service Bylaw, 2021, No. 8879” at its meeting on October 18, 2021.

2 - Other Items:

The Community Charter requires that all proposed expenditures be set out in the Financial Plan, including non-cash depreciation expenses and transfers to or between funds:

|  | <b>2021</b>     | <b>2022</b>     | <b>Increase</b> |
|--|-----------------|-----------------|-----------------|
| Depreciation <sup>1</sup>                    | \$16.8          | \$17.4          | \$0.6           |
| Non-statutory Reserve Transfers <sup>2</sup> | 15.8            | 16.2            | 0.4             |
| Shipyards Operating Adjustment <sup>3</sup>  | -               | 1.1             | 1.1             |
| <b>Total</b>                                 | <b>\$32.6 M</b> | <b>\$34.7 M</b> | <b>\$2.1 M</b>  |

<sup>1</sup> Depreciation items are accounting entries driven by past capital spending and are not future capital expenditures, which are included in the City’s other budgets and capital plans.

<sup>2</sup> The non-statutory reserve amount includes funds for unexpected or emergency expenditures or are set aside for specific known future spending, such as projects funded by the COVID restart grant..

<sup>3</sup> The Shipyards Operating Adjustment is due to a change in accounting methodology to improve budgetary control. The 2022 Operating Budget of \$89.4M (Attachment 1) includes the Shipyard’s revenues and expenses on a net basis (ie a net expense amount for the Shipyards operations of \$0.9M). This Shipyards Operating Adjustment, new for 2022, allows total Shipyards revenues (\$1.1M) and expenditures (\$2.0M) to be shown in the Financial Plan separately. Given 2021 was the Shipyards initial year in the operating budget and revenues and expenses were difficult to predict, only the \$0.9 net amount was included in the 2021 Operating Budget.

Schedule A to Bylaw No. 8918 (**Attachment 1**) is a financial summary of the combined plans, over five years.

Revenues indicate the major sources of funding; Property Value Tax, Levies (Storm and Eco), Fees & Services, Other Sources, and Transfers. The 2022-2026 Financial Plan projects the percentage of revenue coming from property taxes to decrease gradually, due to the assumptions in place surrounding growth of revenue from Fees and Services, particularly within Utilities, where rate increases need to account for significant future costs from Metro Vancouver.

Expenditures are laid out in three categories:

- Operating Expenditures, which are displayed by functional area, include annual operating expenses and projects, and depreciation. Expenses are projected to increase at inflationary levels while considering historical trends.
- Capital Expenditures, which represents the value of both general and utility capital projects included in the budgets and capital plans.
- Transfers, which include:

- Collections for Other Governments, which are outgoing payments of the taxes collected on behalf of other governments. This transfer is projected to increase based on historical trends.
- Equity, which are non-statutory reserve amounts for unexpected or emergency expenditures or are set aside for specific known future spending, such as projects funded by the COVID restart grant. In years 2023 and onwards, after normalizing for one-off components in 2022, equity is assumed to grow in a manner consistent with the inflationary assumptions elsewhere in the plan.
- Reserve, which indicate the planned transfer of funds from operating to the City's statutory and capital reserves primarily to fund capital infrastructure and amenities. Transfer to reserves are expected to slightly fluctuate year over year until 2026, where proceeds of debt are moved into capital reserves for use on the North Shore Neighbourhood House project in 2027.
- Repayment of Debt, which is the financing costs as well as repayment of principle borrowing for the Harry Jerome Community Recreation Centre.

As required by the Province, the Financial Plan Bylaw (**Attachment 1**) also contains revenue and tax policy statements addressing the following topics:

1. Revenue Proportions by Funding Source
  - Property Taxes are the City's major source of revenue, accounting for 59% of total revenues. The City will continue to look for ways to reduce the overall percentage of revenue that comes from property tax but for the purposes of this plan no new material user fees are assumed.
2. Distribution of Property Taxes among the Property Classes
  - It is the goal of the City's Long Term Property Tax Strategy that the City's business to residential tax rate ratio be at or below the median for the region. The City's ratio been at the regional median for the past few years and the Financial Plan assumes no material changes to the current distribution.
3. Use of Permissive Tax Exemptions ("PTE's")
  - The Community Charter gives Council the authority to exempt certain lands or improvements or both, of property located in the City of North Vancouver from municipal taxation. The City's PTE's have been on average about 1.5% of the total municipal tax levy in previous years. The policy statement in the Financial Plan is a summary of the City's PTE Policy, as approved by Council.

## FINANCIAL IMPLICATIONS

Financial implications have been addressed in detail during the Financial Planning process and throughout this report.

## INTER-DEPARTMENTAL IMPLICATIONS

The 2022 – 2026 Financial Plan Bylaw is a reflection of the policies of the City, and the work plans of all City departments. In developing this budget, Finance staff rely on their close working relationship with staff in other departments and the City's shared-cost agencies.

### **STRATEGIC PLAN, OCP OR POLICY IMPLICATIONS**

The preparation and approval of a Financial Plan Bylaw is consistent with the requirements of the Community Charter, with several of the objectives of the City's 2014 Official Community Plan and was prepared with consideration of the 2018-2022 Council Strategic Plan, and the City's Corporate Business Plan Outcomes.

RESPECTFULLY SUBMITTED:

  
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Larry Sawrenko  
Chief Financial Officer

**THE CORPORATION OF THE CITY OF NORTH VANCOUVER**

**BYLAW NO. 8918**

**Financial Plan for the Years 2022 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 2022 to 2026 Bylaw, 2022, No. 8918**”.
2. Schedule “A” attached hereto is the Financial Plan of The Corporation of the City of North Vancouver for the period commencing January 1, 2022, and ending December 31, 2026.

READ a first time on the 4<sup>th</sup> day of April, 2022.

READ a second time on the 4<sup>th</sup> day of April, 2022.

READ a third time on the 4<sup>th</sup> day of April, 2022.

ADOPTED on the 11<sup>th</sup> day of April, 2022.

“Linda C. Buchanan”

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MAYOR

“Karla D. Graham”

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CORPORATE OFFICER

**SCHEDULE "A" TO BYLAW NO. 8918  
CITY OF NORTH VANCOUVER FINANCIAL PLAN  
FOR THE YEARS 2022 – 2026**

(1) 2022 – 2026 Financial Plan (\$000's)

| For the year ended December 31    | 2022           | 2023           | 2024           | 2025           | 2026           |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                    |                |                |                |                |                |
| Property Value Tax                | 72,040         | 74,281         | 76,587         | 78,957         | 81,391         |
| Levies (Storm and Eco)            | 3,940          | 4,137          | 4,344          | 4,532          | 4,698          |
| Revenue from Fees and Services    | 42,504         | 45,190         | 47,926         | 50,894         | 53,952         |
| Revenue from Other Sources        | 3,707          | 3,586          | 3,622          | 3,658          | 3,695          |
|                                   | 122,191        | 127,194        | 132,479        | 138,041        | 143,736        |
| <b>Transfers</b>                  |                |                |                |                |                |
| Collections for Other Governments | 57,308         | 58,454         | 59,623         | 60,815         | 62,031         |
| Transfer from Reserves            | 105,967        | 52,633         | 59,292         | 164,151        | 40,873         |
| Proceeds from Debt                | 109,000        | 0              | 0              | 0              | 46,799         |
| External Contributions            | 19,014         | 5,351          | 6,143          | 2,074          | 7,987          |
| Transfer from Capital Assets      | 17,400         | 17,748         | 18,103         | 18,465         | 18,834         |
|                                   | 308,689        | 134,186        | 143,161        | 245,505        | 176,524        |
| <b>Total Revenues</b>             | <b>430,880</b> | <b>261,380</b> | <b>275,640</b> | <b>383,546</b> | <b>320,260</b> |
| <b>Expenditures</b>               |                |                |                |                |                |
| <b>Operating Expenses</b>         |                |                |                |                |                |
| General Government                | 23,580         | 24,169         | 24,773         | 25,392         | 26,027         |
| Transportation and Transit        | 7,787          | 7,981          | 8,181          | 8,386          | 8,596          |
| Health, Social Services, Housing  | 3,347          | 3,431          | 3,517          | 3,605          | 3,695          |
| Development Services              | 7,103          | 7,281          | 7,463          | 7,650          | 7,841          |
| Protective Services               | 30,072         | 30,824         | 31,595         | 32,385         | 33,195         |
| Parks, Recreation and Culture     | 25,741         | 26,384         | 27,044         | 27,720         | 28,413         |
| Water                             | 11,262         | 16,987         | 17,225         | 18,200         | 18,944         |
| Sewer                             | 11,657         | 17,908         | 20,983         | 23,546         | 25,082         |
| Solid Waste                       | 3,850          | 3,914          | 4,023          | 4,135          | 4,250          |
|                                   | 124,399        | 138,879        | 144,804        | 151,019        | 156,043        |
| Capital Expenditures              | 217,998        | 33,585         | 41,294         | 32,022         | 24,922         |
| <b>Transfers</b>                  |                |                |                |                |                |
| Collections for Other Governments | 57,308         | 58,454         | 59,623         | 60,815         | 62,031         |
| Equity                            | 17,243         | 16,612         | 17,027         | 17,453         | 17,889         |
| Reserves                          | 13,307         | 12,600         | 11,642         | 12,612         | 59,375         |
| Debt Servicing                    | 625            | 1,250          | 1,250          | 109,625        | 0              |
|                                   | 88,483         | 88,916         | 89,542         | 200,505        | 139,295        |
| <b>Total Expenses</b>             | <b>430,880</b> | <b>261,380</b> | <b>275,640</b> | <b>383,546</b> | <b>320,260</b> |

**SCHEDULE "A" TO BYLAW NO. 8918  
CITY OF NORTH VANCOUVER FINANCIAL PLAN  
FOR THE YEARS 2022 – 2026**

(2) Revenue Proportions by Funding Source  
(Excluding Transfers)

|                                | (\$000's)      |            |                |            |                |            |                |            |                |            |
|--------------------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
|                                | 2022           | %          | 2023           | %          | 2024           | %          | 2025           | %          | 2026           | %          |
| Property Value Tax             | 72,040         | 59         | 74,281         | 58         | 76,587         | 58         | 78,957         | 57         | 81,391         | 57         |
| Levies (Storm and Eco)         | 3,940          | 3          | 4,137          | 3          | 4,344          | 3          | 4,532          | 3          | 4,698          | 3          |
| Revenue from Fees and Services | 42,504         | 35         | 45,190         | 36         | 47,926         | 36         | 50,894         | 37         | 53,952         | 37         |
| Revenue from Other Sources     | 3,707          | 3          | 3,586          | 3          | 3,622          | 3          | 3,658          | 3          | 3,695          | 3          |
| <b>Total Revenues</b>          | <b>122,191</b> | <b>100</b> | <b>127,194</b> | <b>100</b> | <b>132,479</b> | <b>100</b> | <b>138,041</b> | <b>100</b> | <b>143,736</b> | <b>100</b> |

**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 trend 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. The 2022-2026 Financial Plan projects the percentage of revenue coming from property taxes to decrease gradually, due to the assumptions in place surrounding growth of revenue from Fees and Services, particularly within Utilities where rate increases need to account for significant future costs from Metro Vancouver.

**Policy:** 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 % |        |
|--------------------------------|-----------------------------|------------------|--------|
|                                |                             | 2021             | 2022   |
| 1                              | Residential                 | 56.27%           | 56.36% |
| 2                              | Utilities                   | 0.55%            | 0.49%  |
| 4                              | Major Industry - Capped     | 10.38%           | 10.69% |
| 4                              | Major Industry - Non capped | 0.60%            | 0.62%  |
| 5                              | Light Industry              | 0.93%            | 1.02%  |
| 6                              | Business                    | 31.23%           | 30.77% |
| 8                              | Recreation/Non-Profit       | 0.04%            | 0.05%  |

**Background:** In 2008 City Council adopted a Long Term Property Tax Strategy to shift taxes from the business and light industrial tax classes to the residential tax class. The goal of this strategy 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. The City's tax rates and tax rate multiples are now competitive within the region.

**Policy:** The City will continue to distribute property taxes among the various property classes to keep tax rates and tax rate multiples competitive within the Metro Vancouver Region, while maintaining the principles of fairness and equity.

**SCHEDULE “A” TO BYLAW NO. 8918  
CITY OF NORTH VANCOUVER FINANCIAL PLAN  
FOR THE YEARS 2022 – 2026**

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(4) Use of Permissive Tax Exemptions

**Background:** Council currently allows permissive tax exemptions to organizations within the City, in accordance with eligibility criteria defined under the Community Charter. This criteria shows various types of institutions as eligible, including religious institutions, providers of social housing, and not for profit societies and service organizations.

**Policy:** The City has adopted a policy that includes a set of criteria for approving permissive tax exemptions. This criteria links taxation exemptions to desired community needs and outcomes. Applications are also assessed on whether or not uses are available to a significant portion of community residents, if there is ongoing involvement of community volunteers, if benefiting organizations have competent management, and if funding comes from multiple sources. Council also carefully considers the total amount of permissive tax 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.

All existing permissive tax exemptions are reviewed each year and staff 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.