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

REPORT

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

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/ (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
Total	\$264.4 M	\$ 430.9M	\$ 166.5 M

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:

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

¹ 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.

² 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..

³ 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:



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 <> day of <>, 2022.

READ a second time on the <> day of <>, 2022.

READ a third time on the <> day of <>, 2022.

ADOPTED on the <> day of <>, 2022.

MAYOR

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
Revenue					
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
Transfers					
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
Total Revenues	430,880	261,380	275,640	383,546	320,260
Expenditures					
Operating Expenses					
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
Transfers					
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
Total Expenses	430,880	261,380	275,640	383,546	320,260

**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
Total Revenues	122,191	100	127,194	100	132,479	100	138,041	100	143,736	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 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**

(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.