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

REPORT

To: Mayor Linda Buchanan and Members of Council

From: Ben Themens, Director of Finance

Subject: 2020 - 2029 REVISED FINANCIAL PLAN

Date: November 4, 2020 File No: 05-1715-20-0020/2020

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

RECOMMENDATION

PURSUANT to the report of the Director of Finance, dated November 4, 2020, entitled "2020 - 2029 Revised Financial Plan":

THAT an increase of 0.4 Full-Time Equivalent position to the approved Community and Partner Engagement Department authorized complement be approved;

AND THAT "Financial Plan for the Years 2020 to 2029 Bylaw, 2020, No. 8771, Amendment Bylaw, 2020, No. 8797" (Revised Financial Plan) be brought forward for consideration.

ATTACHMENTS

1. "Financial Plan for the Years 2020 to 2029 Bylaw, 2020, No. 8771, Amendment Bylaw, 2020, No. 8797" ([CityDoc#1950679](#))

SUMMARY

This report provides high level commentary on activities that have transpired within the program budget since the preparation of the 2020 - 2029 Financial Plan and proposes funding reallocations.

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 20, 2020, Council considered and adopted the City's 2020 - 2029 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.

On March 17, 2020, a Public Health Emergency was declared in British Columbia following the outbreak of the COVID-19 pandemic. As part of the measures implemented to control the outbreak, businesses, schools, event venues, recreation and community centres were temporarily closed. The pandemic has had a significant impact on City revenues, mainly from reductions in fines and fees (including parking); facility rents and fees (including shipyard); and senior government grants. As a result, spending reductions were identified to reduce the potential annual deficit.

The following items are unrelated to the COVID-19 pandemic budget adjustments.

2. 2020 Revised Financial Plan

2020 Revised Budget items

¹ Temporary Staffing – Engineering Development	\$145,800
² Human Resources Program Funding	50,000
³ Building Permit Process Mapping	50,000
⁴ Annual Municipal Report Production	20,000
⁵ Digital Communications Coordinator 0.4 FTE	-
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	\$265,800

Funding Sources

⁶ 2019 Surpluses Returned to the City	142,400
⁷ 2020 Staff Savings	123,400
Total	<hr/>
	\$265,800

¹Temporary Staffing – Engineering Development - \$145,800

Development Services has two expiring temporary positions, a Technical Assistant and a Development Technician 2. These positions support planning, subdivision, and building applications as well as oversee the street use and asset delivery related to developments.

Temporary funding for these positions has been in place for a number of years and has been funded by extraordinary permit revenue. The positions were created to alleviate pressure on regular full-time staff resources as the City experienced increased development activity. The funding allocated to the positions will be depleted by December 31, 2020, and the \$145,800 will extend this date to December 31, 2021.

Since the positions were created, development applications have remained higher in volume and complexity than historical levels, and there has been a demonstrated ongoing need for the positions. Therefore, it is anticipated that both of these positions will be requested as New Items in the 2021 Financial Plan.

²Human Resources Program Funding - \$50,000

The ongoing Public Health Emergency has created unforeseen challenges for the Human Resources department, which have required the use of external consultants.

³Building Permit Process Mapping - \$50,000

An amount of \$50,000 is being requested to provide funding to facilitate the mapping of the building permit process with the goal of understanding the timing of tasks completed by City staff during the permit lifecycle. This information will be valuable in developing/improving permit revenue recognition practices to more appropriately match revenues with the associated expenses.

⁴Annual Municipal Report Production - \$20,000

An amount of \$20,000 is being requested to engage an outside consultant to produce the City's Annual Municipal Report (AMR). Since 2004, under the Community Charter, municipalities are required to annually produce and make available for public inspection an AMR. This task was under the responsibility of the Corporate Services Department from 2004 to 2010. Following the retirement of the Director of the Corporate Services Department, Finance took over this responsibility assigning it to its staff. The staff member that has been preparing the AMR for the past four years is currently filling two roles since the retirement of one of her direct reports in April. Complications have arisen with the filling of the position. This makes it challenging for Finance to undertake this work this year.

Finance suggests that the preparation of the AMR be assigned to a consultant this year. In addition to addressing workload issues, this would provide an opportunity to better align the AMR with the City Strategic Plan.

⁵Digital Communications Coordinator - \$0

The Community and Partner Engagement Department is requesting that the approved complement for the position of Digital Communications Coordinator be increased from 0.6 Full-Time Equivalent (FTE) to 1.0 FTE. The change has no dollar impact to funding requirements as funding for the work is currently included in the department's program budget and tasks are performed by various auxiliary staff. Funding of the additional 0.4 regular FTE position will be provided from existing budget and specifically allocated to fund the increase in authorized complement. Approval of the requested change will allow for the position to be posted without delay and filled as a regular full-time position.

For information, 0.4 FTE of the position translates to \$35,200 in annual wage and fringe benefit costs.

⁶2019 Surpluses Returned to City - \$142,400

Earlier this year, the North Vancouver Recreation & Culture Commission and Library have returned funding to the City.

North Vancouver Recreation & Culture Commission	\$105,500
North Vancouver City Library	36,900
Total	<u>\$142,400</u>

The surplus related to the NVRC was mainly due to greater than budgeted revenues due to newly added programs as a result of increased demand. Various other revenues, such as investment income and insurance proceeds also had favourable variances in the year. The Library Surplus primarily occurred due to staff vacancies. Staff is recommending that the returned surpluses be used to fund the Revised Financial Plan.

2020 Staff Savings - \$123,400

In efforts to be conservative, the City has gradually moved towards budgeting for positions at the highest step of the applicable pay band. As natural turnover occurs, and positions are replaced with new staff at lower steps, positive variances are expected to occur. An amount is budgeted within each department for these anticipated step savings, these savings are those over and above the citywide target.

FINANCIAL IMPLICATIONS

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

INTER-DEPARTMENTAL IMPLICATIONS

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

STRATEGIC PLAN, OCP OR POLICY IMPLICATIONS

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

RESPECTFULLY SUBMITTED:



Ben Themens
Director of Finance

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

BYLAW NO. 8797

Financial Plan for the Years 2020 to 2029

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 2020 to 2029 Bylaw, 2020, No. 8771, Amendment Bylaw, 2020, No. 8797**” (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, 2020, and ending December 31, 2029.

READ a first time on the 16th day of November, 2020.

READ a second time on the 16th day of November, 2020.

READ a third time on the 16th day of November, 2020.

ADOPTED on the 23rd day of November, 2020.

“Linda C. Buchanan”

MAYOR

“Karla D. Graham”

CORPORATE OFFICER

**SCHEDULE "A" TO BYLAW NO. 8797
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2020 – 2029**

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

For the year ended December 31	2020	2021	2022	2023	2024	2025-2029
Revenue						
Property Value Tax						
General Property Tax	65,700	67,695	69,746	71,851	74,015	381,185
Levies (Storm and Eco)	3,530	3,994	4,147	4,305	4,470	24,753
Revenue from Fees and Services	36,616	38,177	40,290	42,785	45,608	263,910
Revenue from Other Sources	3,751	3,496	3,531	3,566	3,602	18,190
	<u>109,597</u>	<u>113,362</u>	<u>117,714</u>	<u>122,507</u>	<u>127,695</u>	<u>688,038</u>
Transfers						
Collections for Other Governments	56,071	57,192	58,336	59,503	60,693	309,535
Transfer from Reserves	72,751	112,587	55,951	52,158	124,417	155,558
Proceeds from Debt	0	90,000	0	0	0	0
External Contributions	19,148	6,892	4,921	17,200	2,855	7,618
Transfer from Capital Assets	15,700	16,014	16,334	16,661	16,994	86,670
	<u>163,670</u>	<u>282,685</u>	<u>135,542</u>	<u>145,522</u>	<u>204,959</u>	<u>559,381</u>
Total Revenues	273,267	396,047	253,256	268,029	332,654	1,247,419
Expenditures						
Operating Expenses						
General Government	20,742	21,335	21,868	22,415	22,975	117,745
Transportation and Transit	6,874	7,046	7,222	7,403	7,588	38,890
Health, Social Services, Housing	3,057	3,133	3,211	3,291	3,373	17,285
Development Services	6,143	6,297	6,454	6,615	6,780	34,750
Protective Services	28,519	29,232	29,963	30,712	31,480	161,335
Parks, Recreation and Culture	21,573	22,112	22,665	23,232	23,813	122,040
Water	10,516	14,712	15,904	17,501	18,402	104,057
Sewer	10,177	14,580	16,546	18,071	20,135	114,941
Solid Waste	3,856	3,354	3,448	3,545	3,645	19,827
	<u>111,457</u>	<u>121,801</u>	<u>127,281</u>	<u>132,785</u>	<u>138,191</u>	<u>730,870</u>
Capital Expenditures	83,934	202,134	53,393	61,705	25,861	126,641
Transfers						
Collections for Other Governments	56,071	57,192	58,336	59,503	60,693	309,535
Equity	9,191	9,085	9,312	9,545	9,784	50,145
Reserves	12,614	5,835	4,934	4,491	8,125	30,228
Repayment of Debt					90,000	
	<u>77,876</u>	<u>72,112</u>	<u>72,582</u>	<u>73,539</u>	<u>168,602</u>	<u>389,908</u>
Total Expenses	273,267	396,047	253,256	268,029	332,654	1,247,419

**SCHEDULE "A" TO BYLAW NO. 8797
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2020 – 2029**

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

	(000's)									
	2020	%	2021	%	2022	%	2023	%	2024	%
Property Value Tax										
General Property Tax	65,700	60	67,695	60	69,746	59	71,851	59	74,015	58
Levies (Storm and Eco)	3,530	3	3,994	3	4,147	4	4,305	3	4,470	3
Revenue from Fees	36,616	34	38,177	34	40,290	34	42,785	35	45,608	36
Revenue from other Sources	3,751	3	3,496	3	3,531	3	3,566	3	3,602	3
Total Revenues	109,597	100	113,362	100	117,714	100	122,507	100	127,695	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. 8797
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2020 – 2029**

(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.