



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

REPORT

To: Mayor Darrell R. Mussatto and Members of Council
From: Navin Chand, Manager, Financial Planning
SUBJECT: 2015 – 2024 FINANCIAL PLAN BYLAW
Date: April 8, 2015 File No: 05-1700-03-0001/2015

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

RECOMMENDATION:

PURSUANT to the report of the Manager, Financial Planning, dated April 8, 2015, entitled “2015 – 2024 Financial Plan Bylaw”:

THAT “Financial Plan for the Years 2015 to 2024 Bylaw, 2015, No. 8413” be brought forward for consideration by Council.

PURPOSE

The purpose of this report is to seek Council approval for the 2015 – 2024 Financial Plan Bylaw.

BACKGROUND:

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

DISCUSSION:

The Financial Plan Bylaw presented for Council’s endorsement meets the requirement of the Public Sector Accounting Board (PSAB) to present the budget in a format which aligns with the financial statement presentation of assets. The purpose of this requirement is to provide consistency between the budget and the actual financial

results shown on the financial statement, so that a meaningful comparison can be made. The top part of the schedule includes the operational revenues and expenses which net together to show a surplus or deficit for the year. The bottom part displays the capital items, depreciation and reserve transfers. The two parts added together equal zero, which indicates that the budget is in balance.

As required by the Province, the Financial Plan Bylaw also contains revenue and tax policy statements addressing the following issues:

1. Revenue Proportions by Funding Source
2. Distribution of Property Taxes among the Property Classes
3. Use of Permissive Tax Exemptions

The proposed 2015 – 2024 Financial Plan Bylaw reflects the endorsement by Council at the Finance Committee Meeting on March 30, 2015 for an overall tax rate increase of 3.9%. This provides for sufficient funding for general operations, increased infrastructure funding, increased amenity levy for Harry Jerome project and also funds the City staff recommended new items. The final version of the 2015 - 2024 Project Plan was also endorsed by the Finance Committee of Council on March 30, 2015

FINANCIAL IMPLICATIONS:

Financial implications have been addressed in detail during the 2015 – 2024 Financial Planning process which included separate discussions on utility rate setting (water, sewer, solid waste etc.), 2015 program plan (operating), and the 2015 – 2024 project plan (capital).

STRATEGIC PLAN IMPLICATIONS:

The preparation and approval of a Budget which forms part of the Financial Plan is consistent with the requirements of the Community Charter, with the 2015 Financial Plan Objectives, and with several of the objectives of the City's Strategic Plan, namely:

- C2 Balance economic and social needs of community;
- F1 Current and future programs, policies and operations shall fit within the City's financial capacity;
- F2 Build sufficient statutory reserves to fund the 10 Year Capital Plan.

RESPECTFULLY SUBMITTED:



Navin Chand
Manager, Financial Planning

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

BYLAW NO. 8413

Financial Plan for the Years 2015 to 2024

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

1. This Bylaw may be cited for all purposes as the **“Financial Plan for the Years 2015 to 2024 Bylaw, 2015, No. 8413”**.
2. Schedule “A” attached hereto is the Financial Plan of The Corporation of the City of North Vancouver for the period commencing January 1, 2015, and ending December 31, 2024.

READ a first time by the Council on the 13th day of April, 2015.

READ a second time by the Council on the 13th day of April, 2015.

READ a third time and passed by the Council on the 13th day of April, 2015.

RECONSIDERED and finally adopted by the Council, signed by the Mayor and City Clerk and sealed with the Corporate Seal on the 27th day of April, 2015.

“Darrell R. Mussatto”

MAYOR

“Karla D. Graham”

CITY CLERK

**SCHEDULE "A" TO BYLAW NO. 8413
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2015 - 2024**

(2) Revenue Proportions by Funding Source

(Excluding Transfers from Reserves and Collections for Other Governments)

Revenue Proportions by funding source

	(000's)									
	2015	%	2016	%	2017	%	2018	%	2019	%
Property Value Tax	51,206	57	52,642	57	54,101	56	55,583	56	57,088	56
Parcel Taxes	2,437	3	2,544	3	2,656	3	2,773	3	2,895	3
Revenue from Fees	30,927	34	32,522	35	34,096	36	35,660	36	37,324	36
Revenue from other Sources	5,352	6	4,680	5	4,755	5	4,871	5	4,898	5
Total Revenues	89,922	100	92,388	100	95,608	100	98,887	100	102,205	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 steadily 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 2015 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.

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 %	
		2014	2015
1	Residential	54.51%	55.12%
2	Utilities	0.73%	0.68%
4	Major Industry - Capped	6.65%	7.17%
4	Major Industry - Non capped	0.71%	0.70%
5	Light Industry	0.80%	0.84%
6	Business	36.56%	35.46%
8	Recreation/Non-Profit	0.04%	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.

**SCHEDULE "A" TO BYLAW NO. 8413
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2015 - 2024**

(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.

**SCHEDULE "A" TO BYLAW NO. 8413
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2015 - 2024**

(1) 2015 – 2024 Financial Plan (000's)

For the year ended December 31	2015	2016	2017	2018	2019	2020-2024
Revenue						
Property Value Tax	51,206	52,642	54,101	55,583	57,088	296,376
Parcel taxes	2,437	2,544	2,656	2,773	2,895	16,516
Licenses and Permits	3,378	3,412	3,446	3,480	3,515	17,751
Fines and Fees	3,703	3,762	3,824	3,888	3,953	20,496
Rent	659	666	673	679	686	3,466
Interest and Penalties	2,147	2,169	2,191	2,214	2,237	11,314
Sale of Services	21,040	22,513	23,962	25,399	26,933	171,012
Rebates and Recoveries	81	82	83	84	84	426
Grants	3,160	2,892	2,921	2,950	2,980	15,047
Contributions	2,111	1,706	1,751	1,837	1,834	9,144
	89,922	92,388	95,608	98,887	102,205	561,548
Collections for Other Governments	43,645	44,517	45,407	46,315	47,241	240,930
	133,567	136,905	141,015	145,202	149,446	802,478
Expenses						
General Government	23,613	24,085	24,566	25,058	25,559	130,350
Transportation and Transit	4,292	4,378	4,466	4,555	4,646	23,695
Health, Social Services, Housing	2,456	2,505	2,555	2,606	2,658	13,556
Development Services	4,645	4,738	4,833	4,930	5,029	25,648
Protective Services	23,487	23,957	24,436	24,925	25,424	129,663
Parks, Recreation and Culture	18,397	18,765	19,140	19,523	19,913	101,557
Water	8,891	9,271	9,668	10,083	10,517	66,187
Sewer	7,378	7,790	8,679	9,710	10,909	78,764
Solid Waste	4,342	4,476	4,609	4,745	4,885	26,635
	97,501	99,965	102,952	106,135	109,540	596,055
Collections for Other Governments	43,645	44,517	45,407	46,315	47,241	240,930
	141,146	144,482	148,359	152,450	156,781	836,985
Surplus(Deficit) for the year	(7,579)	(7,577)	(7,344)	(7,248)	(7,335)	(34,507)
Reserves and capital						
Capital Expenditures	(75,063)	(16,842)	(17,859)	(13,714)	(18,509)	(79,890)
Depreciation	11,300	11,526	11,757	11,992	12,232	62,995
Reserves	41,868	10,114	7,786	7,195	9,204	48,107
Contributions	29,474	2,779	5,660	1,775	4,408	3,295
	7,579	7,577	7,344	7,248	7,335	34,507
Budget Balance	0	0	0	0	0	0

**SCHEDULE "A" TO BYLAW NO. 8413
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2015 - 2024**

(2) Revenue Proportions by Funding Source

(Excluding Transfers from Reserves and Collections for Other Governments)

Revenue Proportions by funding source

	(000's)									
	2015	%	2016	%	2017	%	2018	%	2019	%
Property Value Tax	51,206	57	52,642	57	54,101	56	55,583	56	57,088	56
Parcel Taxes	2,437	3	2,544	3	2,656	3	2,773	3	2,895	3
Revenue from Fees	30,927	34	32,522	35	34,096	36	35,660	36	37,324	36
Revenue from other Sources	5,352	6	4,680	5	4,755	5	4,871	5	4,898	5
Total Revenues	89,922	100	92,388	100	95,608	100	98,887	100	102,205	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 steadily 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 2015 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.

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 %	
		2014	2015
1	Residential	54.51%	55.12%
2	Utilities	0.73%	0.68%
4	Major Industry - Capped	6.65%	7.17%
4	Major Industry - Non capped	0.71%	0.70%
5	Light Industry	0.80%	0.84%
6	Business	36.56%	35.46%
8	Recreation/Non-Profit	0.04%	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.

**SCHEDULE "A" TO BYLAW NO. 8413
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2015 - 2024**

(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.