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

REPORT

To: Mayor Darrell R. Mussatto and Members of Council

From: Leslie Garber, Manager, Financial Reporting

SUBJECT: 2016 - 2025 REVISED FINANCIAL PLAN

Date: October 12, 2016 File No. : 05-1705-01-0001/2016

RECOMMENDATION

PURSUANT to the report of the Manager, Financial Planning, dated October 12, 2016, entitled "2016 – 2025 Revised Financial Plan",

THAT "Financial Plan for the Years 2016 to 2025 Bylaw, 2016, No. 8478, Amendment Bylaw, 2016, No. 8508" (Revised Financial Plan) be brought forward for consideration.

ATTACHMENTS

1. "Information Report of the Director of Strategic Initiatives and Services dated October 5, 2016 – Presentation House Theatre Seating Request for the 2017-2026 Project Plan
2. "Financial Plan for the Years 2016 to 2025 Bylaw, 2016, No. 8478, Amendment Bylaw, 2016, No. 8508" (Revised Financial Plan) ([CityDocs #1445082](#))

PURPOSE

This report provides high level commentary on activities that have transpired within the program budget since the preparation of the 2016 – 2025 Financial Plan and proposes funding reallocation. In addition, this report recommends the inclusion in the 2016 – 2025 Revised Financial Plan of projects that established a need for funding in fall 2016.

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 May 2, 2016, Council considered and adopted the City's 2016 - 2025 Financial Plan, which combines ten years of operational program funding and project funding. Expenditures for items not included in the plan are not lawful, 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. New information is constantly emerging. 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. It is important to note that staff has confirmed that the City will achieve its 2016 target of Hiring Deferrals (\$100,000). For several years now, it has been the City's practice to budget for hiring deferrals. Positions which become vacant are routinely re-evaluated and reviewed from an operational perspective, which allows the City's staffing to be updated as required, complimenting succession planning and internal training of existing staff to meet new requirements as they emerge. In addition, general departmental savings of (\$90,000) will be met for 2016. These reductions have been achieved through challenging department managers to engage in continual cost management over the course of the budget year.

Staff has reviewed wages and departmental costs and due to a variety of vacancies and hiring deferrals that have occurred in 2016 has identified corporate-wide savings in addition

to the \$190,000 mentioned above. Staff is recommending that departmental savings of \$105,500 be reallocated to fund a portion of the Revised Financial Plan.

The North Vancouver Recreation & Culture Commission and Library are returning funds to the City, \$36,000 and \$13,000 respectively. The return of the surplus funds is in accordance with the City's Funded Agencies Surplus Policy. Staff is recommending that the returned surpluses be also used to fund a portion of the Revised Financial Plan.

2. 2016 Revised Financial Plan

2016 Revised Budget items

Replenishment of HJRC project provision	\$1,950,000
Presentation House Theatre Seating	165,000
Museum Additional Grant	78,500
Library Additional Grant	76,000
Total Revised Budget items	\$2,269,500

Funding Sources

Transfer from Civic Amenity Fund	\$2,115,000
Net Departmental Savings	105,500
2015 NVRC Surplus returned to City	36,000
2015 Library Surplus returned to City	13,000
Total	\$2,269,500

Replenishment of provision for Harry Jerome project - \$1,950,000

At the April 4, 2016 Council Meeting, Council approved funding appropriation #1617 of \$1,950,000 from the Civic Amenity Reserve Fund, specifically from the Harry Jerome project provision, for the purpose of funding the Spirit Trail - Mosquito Creek project. At that time staff were also directed to present to Council in the Revised Financial Plan a plan to replenish the appropriated funds. The Civic Amenity Reserve Fund currently has an unappropriated balance sufficient enough to replenish the \$1,950,000 to the Harry Jerome project provision returning it to \$11,350,000 as included in the 2016 – 2025 Project Plan.

Presentation House Theatre Seating System - \$165,000

The attached Information Report from the Director Strategic Initiatives and Services (Attachment 1) details the request and rationale for Presentation House Theatre seating funding. This request removes the project from the 2017 – 2026 Project Plan process and thus circumvents the long standing project ranking process done by Council and will reduce funding availability for other 2017 – 2026 Project Plan projects. Funding for the project will come from the Civic Amenity Reserve.

Should Council approve the request and wish to proceed with a funding appropriation for the project, the following active clauses should be added to the staff recommendation:

THAT pending final adoption of "Financial Plan for the Years 2016 to 2025 Bylaw, 2016, No. 8478, Amendment Bylaw, 2016, No. 8508", (Funding Appropriation #1632) an amount of \$165,000 be appropriated from the Civic

Amenity Reserve Fund to fund the Presentation House Theatre Seating project;

AND THAT should any of the above amounts remain unexpended after December 31, 2019, the unexpended balance shall be returned to the credit of the said Fund.

Museum Additional Grant - \$78,500

An actuarial valuation of the City's post-employment benefits as of December 31, 2015 was performed in early 2016. As the valuation of certain benefit entitlements, not previously valued for NVMA staff, was treated retroactively the adjustment to the liability for NVMA was larger than a single year valuation variation. The adjustment is to be funded 50/50 with the District of North Vancouver. The City's portion is \$78,500.

Library Additional Grant - \$76,000

The Library is requesting an additional operating grant as they have been negatively impacted by increased annual post-employment benefit service costs and decreased collection purchasing power related to the declining Canadian dollar.

FINANCIAL IMPLICATIONS

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

STRATEGIC PLAN IMPLICATIONS

Re-allocation of funds through the Revised Financial Plan process is consistent with the City's Strategic Plan, which has as its Vision: "To be a vibrant and highly livable community that strives to balance the social, economic and environmental needs of our community".

The Financial Goal of our Strategic Plan discusses achievement of financial sustainability and cost containment. The Revised Financial Plan is one tool to accomplish this goal.

INTER-DEPARTMENTAL IMPLICATIONS



This report has been reviewed by Directors' Team.

RESPECTFULLY SUBMITTED BY



Leslie Garber
Manager, Financial Planning



		
Department Manager	Director	CAO

The Corporation of **THE CITY OF NORTH VANCOUVER**
OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

INFORMATION REPORT

To: Mayor Darrell R. Mussatto and Members of Council

From: Barbara Pearce, Director of Strategic Initiatives & Services

SUBJECT: PRESENTATION HOUSE THEATRE SEATING REQUEST

Date: October 6, 2016 File No: 7710-01

ATTACHMENTS:

Correspondence from the Artistic Director, Presentation House Theatre

DISCUSSION:

Presentation House Theatre ("PHT") has submitted a project sheet for the 2017-2026 Project Plan for a seating replacement project. The total cost of the project is \$360,000, and PHT anticipates receipt of a Federal Grant (Canada Cultural Spaces Fund) in the amount of \$165,000 contingent upon approval of matching funding from the City of North Vancouver, and a second grant of \$30,000 from the BC Collaborative Spaces Program.

Presentation House Theatre intended for this submission to be considered in the context of the City's project plan process, but due to the timeframe of that process, have requested a decision on their request in advance of the 2017-2026 Project Plan approvals.

The attached document presents a case for the replacement of the seats of the theatre, which are at end of life. The proposal is to purchase a flexible seating solution that could relocate to a new facility should PHT relocate.

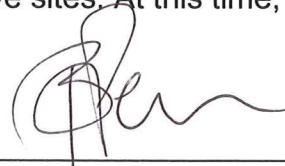
FINANCIAL IMPLICATIONS:

The project sheet submitted by PHT was included for the purposes of Council's consideration with all other submissions for the 2017-2026 Project Plan. However, after submission, the requirement for funding approval in order to receive the Federal grant necessitated presenting the request to Council prior to consideration of all other project plan requests. Approving this request now reduces the funding available for the 2017-2026 Project Plan.

INTER-DEPARTMENTAL IMPLICATIONS:

Presentation House Theatre is a tenant in the city-owned Presentation House Complex. The other tenants, Presentation House Gallery and the North Vancouver Museum, are actively working on plans to relocate to alternative sites. At this time, there is no plan for the relocation of the theatre.

RESPECTFULLY SUBMITTED:



Barbara Pearce
Director, Strategic Initiatives & Services

Presentation House Theatre – New Flexible Seating System

PH Theatre is requesting City Council to make a decision regarding our request for funding for an upgraded Flexible Seating System now, rather than waiting until the project plan process is completed.

In order to complete the eligibility of our application for matching funds from Heritage's Cultural Spaces Canada Fund, we need to have an indication of support from the City for the matching funds by Early November. This will enable us to access funds from their 2016/2017 budget, for which our project is currently ear marked for.

WHO WE ARE: MANDATE, HISTORY AND MISSION OF PRESENTATION HOUSE THEATRE

Presentation House Theatre Society's mandate is:

1. To create meaningful connections between people, through the development, production and presentation of professional theatre for children, youth and adults
2. To create community by using the professional theatre experience to build bridges between generations and cultures
3. Operate and manage Presentation House, a North Shore Performing Arts Cultural Centre.

"Laugh, Cry, Think, Learn"

History and Mission

Since 1978 Presentation House Cultural Society has overseen the animation and maintenance of the Presentation House Arts Centre and operated Presentation House Theatre (PHT), an intimate 160-seat theatre, situated in the rapidly expanding community of North Vancouver. The theatre space is well-equipped, suitable for creation, production and presentation of theatre, music and dance. The Anne MacDonald Studio has sprung wooden floors and is ideal for creation, workshops, and performing arts classes. The facility has a variety of meeting rooms and common areas accessible to a range of arts practitioners, stimulating connections and creativity.



PHT produces and presents theatre for families, children and adults. A typical season also includes a small series of professional music and dance, and hosts several local arts groups and companies, averaging 60 events throughout the year. Programming includes culturally diverse artists, relevant to the people who inhabit the North Shore.

Located between two bridges and home to three of Canada's most famous suspension bridges, we believe in building bridges that create a shared experience in the performing arts. We build bridges between professional artists and the community, generations, diverse cultures, artists and artistic aesthetics.

We believe that the performing arts play a vital role in creating community, that exploration and play are at the core of creativity, and that buildings are "enablers" where people dream, practice and perform. We are committed to bringing professional artists and audience together, transforming lives and encouraging us all to learn more about ourselves, and our community. Presentation House Theatre plays a vital role in the cultural life of the North Shore by defining and building community, developing, producing and presenting an entertaining, engaging mix of theatre, dance and music, and by creating meaningful connections through the performing arts.

OUR PROJECT

TO REPLACE OUR EXSISTING PERMANENT SEATING SYSTEM WITH A REMOVABLE, FLEXIBLE SYSTEM

“Imagine a flexible, movable seating system that could be set up in our theatre one day for a theatrical event for 180 people, then moved to the Waterfront Pipe Shop the next week for an interactive performance event for 60 people, then the next week moved outside for an outdoor theatrical experience for 140 people.”

The current seating system in our theatre was installed when the theatre opened in 1977. They are used seats from a closed movie theatre. For the past decade, patrons have identified the seating as being a major drawback to their experience in our space. As the seating was installed on a built-in riser system, it has limited the use of our theatre: Only certain productions fit into our current layout, limiting our producing and presenting programming. The inflexibility has limited the use of the theatre as an incubator space for new creations and performance experiences. It has limited the community’s use of the space, as the seating is substandard and limited is inflexibility.

Since 2011, Presentation House Theatre (PHT) has gone through a transformation, in terms of its artistic vision and programming. We refocused our programming to include theatre for young audiences, and engaged in international partnerships, while continuing our commitment to long-time local audiences, and relationships. The results have been positive. We have tripled our attendance and box office revenues. We have partnered with companies and co-produced work from Germany, Italy, Australia and, next season, England. Much of this work has explored innovations in audience interaction (*Cat Killer, I Wish, Baking Time*). The need for a flexible space for us to continue to innovate and grow our new found audiences has become urgent.



Our strategy is to upgrade the seating with a flexible, movable system that will:

- Improve our audience’s experience in our theatre
- Increase the kind of programming we can present in our space
- Increase the use of the space for our partners in our community and internationally
- Increase the variety of activities programmed in our space
- Increase earned revenues from the use of the space
- Able to move this seating into a new purpose-built facility in the future.

FEASIBILITY

PHT completed a business plan in 2011, which identified our needs going into the future. The plan identified opportunities for the theatre, if we had a more flexible space. We revised the plan in 2014, after having achieved several of the goals laid out in our original plan. The revised plan outlined the potential increase in earned revenue (based on our new audience base, partnerships, and activities) if we were able to increase the flexibility of our theatre space. In 2012, we began an adaptive space planning process with the **City of North Vancouver**. Our needs were identified, but implementation of renewed seating was put on hold until the relocation of the Museum of North Vancouver was confirmed. Now that a plan is in place for the Museum, we are able to move forward.

As of March 2016, PH Theatre has:

- Requested bids from two theatre design consultants for the project.
- Worked with the City to identify two contractors to do the removal of the old seating system and prepare the room for the new seating, and will be requesting bids from them.
- Submitted a project sheet to the City of North Vancouver, outlining the scope and cost of the project. The project has been reviewed by city and NVRC staff, and is currently waiting for Council funding approval.

PHT submitted on June 15, 2016, an application to **Canada Cultural Spaces Fund (CCSF)** for the amount **\$165,000**. The CCSF will match the amount approved by the City of North Vancouver. We have a request for funds pending from BC Collaborative Spaces Program of **\$30,000**, which will contribute to support the cost of the acquisition of the equipment.

THE PLAN

Our plan is to remove the old seating and riser system, prepare the space for a flexible system, purchase a new seating system and install it. Our season in the theatre runs until Mid May, which includes our longstanding renters. We usually have a 6-week break in our space from Mid May until the end of June, when we host some of the North Shore Jazz Festival. During that time, our space is used to develop new work for the following season. Next season, we are collaborating with **Mortal Coil Society** on a large outdoor, site-specific creation of Canada 150. This project will begin rehearsing in our newly reconfigurable space in early July, right after the Jazz Festival. Our plan is to use our 6-week window from Mid May to the end of June to do the work. The space will be ready to host the Jazz Festival events at the end of June. Then we will be able to reconfigure the space for rehearsals of the Canada 150 site-specific project.

The total project cost is \$36,000.

Funding breakdown;

City of North Vancouver	\$165,000.00
Heritage Canada CCSF	\$165,000.00
BC Collaborative Spaces Program	\$30,000.00

The application to the Heritage Canada Cultural Spaces Fund was submitted on June 15, 2016, along with a project sheet to the City of North Vancouver. The application to the CCSF is in the final stages of approval, waiting for a letter confirming the matching funds of \$165,000.00 from the City of North Vancouver. The funds from Heritage Canada must be spent by March 31st, 2017. However, the full project does not need to be completed at that this time. In order to meet the CCSF deadline of fund dispersal, we need to have the approval of the major funding partner in place by the first week in November.

TIMELINE

- **October 2016** – Contract theatre consultant to: spec out seating system, prepare plans for configurations that meet fire and occupancy codes, consult with architect on potential work to prepare theatre space for installation.
- **January 2017** - Purchase appropriate seating system
- **Mid-May 2017** – Begin removal of old seating system and renovation of space. (1 month)
- **Mid-June 2017** – Installation of the new seating system and training of staff for reconfiguration and storage.

We will be contracting an outside consultant to search, spec and install the seating. We will also use an outside contractor for the removal of the existing seating. Our Facilities Coordinator, **Giselle Clarke-Trenaman** will act as **Project Manager**, and oversee both aspects of the project. Giselle has been coordinating the maintenance of our facility and the installation of additional lighting equipment in our Ann MacDonald Studio. She also hires our technical staff and oversees the building of all our productions.

Marc-André Boyes-Manseau, our Managing Director, will oversee the financial management of the project. Marc-André has experience in working on Cultural Space Improvements in his capacity as **Manager of The Nanaimo Art Gallery** (Nanaimo) and of **La Nouvelle Scène** (Ottawa). He has also managed our **REDPATCH** project, funded by Heritage Canada.

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

BYLAW NO. 8508

A Bylaw to Revise the Financial Plan for the Years 2016 to 2025

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 2016 to 2025 Bylaw, 2016, No. 8478, Amendment Bylaw, 2016, No. 8508” (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, 2016, and ending December 31, 2025.

READ a first time by the Council on the 17th day of October, 2016.

READ a second time by the Council on the 17th day of October, 2016.

READ a third time and passed by the Council on the 17th day of October, 2016.

ADOPTED by the Council, signed by the Mayor and City Clerk and affixed with the Corporate Seal on the 24th day of October, 2016.

“Darrell R. Mussatto”

MAYOR

“Karla D. Graham”

CITY CLERK

**SCHEDULE "A" TO BYLAW NO. 8508
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2016 – 2025**

(1) 2016 – 2025 Financial Plan (000's)

For the year ended December 31	2016	2017	2018	2019	2020	2021-2025
Revenue						
Property Value Tax	53,811	55,931	58,121	60,385	62,724	325,700
Parcel Taxes	2,494	2,569	2,646	2,725	2,807	15,351
Revenue from Fees and Services	32,482	33,409	34,379	35,442	36,565	198,247
Revenue from Other Sources	4,208	4,204	4,250	4,296	4,343	22,012
	92,995	96,113	99,396	102,848	106,439	561,310
Transfers						
Collections for Other Governments	43,413	44,281	45,167	46,070	46,991	239,655
Transfer from Reserves	69,983	32,281	23,813	21,512	20,962	113,496
External Contributions	18,832	2,611	6,964	1,340	1,273	5,107
Depreciation	12,500	12,750	13,005	13,265	13,530	69,005
	144,728	91,923	88,949	82,187	82,756	427,263
Total Revenues	237,723	188,036	188,345	185,035	189,195	988,573
Expenditures						
Operating Expenses						
General Government	18,379	19,038	19,609	20,197	20,803	107,135
Transportation and Transit	5,109	5,262	5,420	5,583	5,750	29,615
Health, Social Services, Housing	2,712	2,794	2,878	2,964	3,053	15,725
Development Services	4,510	4,645	4,784	4,928	5,076	26,140
Protective Services	24,970	25,719	26,491	27,286	28,105	144,740
Parks, Recreation and Culture	18,315	18,705	19,266	19,844	20,439	105,260
Water	9,289	9,668	10,079	10,508	11,112	67,348
Sewer	7,798	8,121	8,486	8,868	9,258	52,545
Solid Waste	4,466	4,597	4,731	4,868	5,011	27,277
	95,548	98,549	101,744	105,046	108,607	575,785
Capital Expenditures	82,549	28,783	24,250	16,284	15,149	75,305
Transfers						
Collections for Other Governments	43,413	44,281	45,167	46,070	46,991	239,655
Equity	6,902	6,646	6,845	7,050	7,262	37,400
Reserves	9,311	9,777	10,339	10,585	11,186	60,428
	59,626	60,704	62,351	63,705	65,439	337,483
Total Expenses	237,723	188,036	188,345	185,035	189,195	988,573

**SCHEDULE "A" TO BYLAW NO. 8508
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2016 – 2025**

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

	(000's)									
	2016	%	2017	%	2018	%	2019	%	2020	%
Property Value Tax	53,811	58	55,931	58	58,121	58	60,385	59	62,724	59
Parcel Taxes	2,494	3	2,569	3	2,646	3	2,725	3	2,807	3
Revenue from Fees	32,482	35	33,409	35	34,379	35	35,442	34	36,565	34
Revenue from other Sources	4,208	4	4,204	4	4,250	4	4,296	4	4,343	4
Total Revenues	92,995	100	96,113	100	99,396	100	102,848	100	106,439	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 2016 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 %	
	2015	2016
1 Residential	55.12%	55.92%
2 Utilities	0.68%	0.66%
4 Major Industry - Capped	7.17%	7.30%
4 Major Industry - Non capped	0.70%	0.70%
5 Light Industry	0.84%	0.83%
6 Business	35.46%	34.56%
8 Recreation/Non-Profit	0.03%	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. 8508
CITY OF NORTH VANCOUVER FINANCIAL PLAN
FOR THE YEARS 2016 – 2025**

(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.