

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2017 April 05

FROM: DIRECTOR FINANCE

FILE: 7600-20

SUBJECT: 2017 – 2021 FINANCIAL PLAN

PURPOSE: To obtain Council approval for the five year 2017 – 2021 Financial Plan.

RECOMMENDATIONS:

1. **THAT** Financial Management Committee recommend Council approve the 2017 – 2021 Financial Plan.
2. **THAT** Financial Management Committee recommend Council authorize staff to bring down the Burnaby Financial Plan Bylaw 2017 authorizing the proposed funding sources, proposed expenditures, and proposed transfers between funds as set out for each year in the planning period as shown in Schedule A attached hereto and forming part of this report.
3. **THAT** Council authorize staff to bring down the Burnaby Rates Bylaw 2017 in the amount of \$250,575,300 to provide funding for the 2017 fiscal year included within the 2017 – 2021 Financial Plan.

REPORT

The purpose of the five year 2017 – 2021 Financial Plan is to present Council's financial direction for the City. Provincial legislation requires the Financial Plan be adopted any time before the date on which the Annual Property Tax Bylaw is adopted. The Annual Property Tax Bylaw must be adopted after the adoption of the Financial Plan but before 2017 May 15.

Section 165(3.1) of the *Community Charter* requires municipal five-year financial plans to include a more explicit form of revenue and tax policy disclosure. The Financial Plan must set out the municipality's objectives and policies in relation to each of the following, for each year of the planning period:

- for each of the funding sources described in s. 165(7) (i.e. property tax, parcel tax, fees, other sources and proceeds from borrowing), the proportion of total revenue that is proposed to come from that funding source;
- the distribution of property value taxes among the property classes that may be subject to the taxes; and
- the use of permissive tax exemptions.

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The City of Burnaby's revenue and tax policy disclosure is outlined within the Burnaby Financial Plan Bylaw 2017 as Schedule B.

The Financial Plan must also set out proposed expenditures, proposed funding sources and proposed transfers to or between funds. Each year, the Financial Plan from the previous year remains in effect until the Financial Plan for the current year is adopted. The City of Burnaby's proposed expenditures, proposed funding sources and proposed transfers to or between funds is outlined within the Burnaby Financial Plan Bylaw 2017 as Schedule A.

The 2017 – 2021 Financial Plan focuses on meeting the immediate needs for current year operations and capital improvements including demands for City services, provision for the safety and security of citizens, maintaining and improving existing infrastructure for roads, water and sewer, various community facilities and investment in new technology to better meet the needs of our citizens. Estimates for the current year are as accurate as reasonably possible at the time this budget was prepared. Subsequent years' estimates may be increasingly less accurate but are an indication of priority and will be updated annually.

The Financial Plan encompasses a residential tax draw increase of 2.95%. The Library Act requires the Library surplus of \$200,000 to be carried forward to the credit of the Library Board in 2017. These funds are also used in the 2017 – 2021 Financial Plan to reduce the impact of Library service costs on property taxes in 2017.

The 2017 Operating Plan expenditures total \$469,343,100 (inclusive on \$37,612,300 in transfers) and Capital Plan expenditures total \$162,966,500. The amount of property tax levy funding included in the 2017 – 2021 Financial Plan is \$250,575,300. The Plan reflects a 2.95% residential tax increase of \$48.39 on the average residential property valued at \$1,064,132.

The 2017 – 2021 Financial Plan includes the variable tax rates for the Burnaby Rates Bylaw 2017 which establishes the authority to impose property taxes.

RECOMMENDATIONS

It is recommended that Financial Management Committee recommend Council approve the 2017 – 2021 Financial Plan.

It is recommended that Financial Management Committee recommend Council authorize staff to bring down the Burnaby Financial Plan Bylaw 2017 authorizing the proposed funding sources, proposed expenditures, and proposed transfers between funds as set out for each year in the planning period as shown in Schedule A attached hereto and forming part of this report.

It is recommended that Council authorize staff to bring down the Burnaby Rates Bylaw 2017 in the amount of \$250,575,300 to provide funding for the 2017 fiscal year included within the 2017 – 2021 Financial Plan.

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The 2017 – 2021 Financial Plan will be available online at www.burnaby.ca. The City of Burnaby is committed to “going green” by using electronic publication of documents wherever possible. Hard copies will be made available upon specific request or at Burnaby’s Public Libraries.



Noreen Kassam
DIRECTOR FINANCE

NK:BK/ml

Attachment: 1 – Burnaby Financial Plan Bylaw 2017 – Schedules A and B

Copied to: City Manager

SCHEDULE A

CITY OF BURNABY

FIVE YEAR CONSOLIDATED FINANCIAL PLAN (2017 – 2021)

PROPOSED REVENUES, PROPOSED EXPENSES AND PROPOSED TRANSFERS:

	2017	2018	2019	2020	2021
PROPOSED REVENUES:					
Taxation revenue	(259,986,900) ¹	(270,509,000)	(281,351,400)	(292,512,100)	(304,013,300)
Parcel taxes	(18,573,300)	(18,987,400)	(19,476,100)	(19,990,600)	(20,530,300)
Fees for goods and services	(114,506,700)	(117,501,000)	(120,035,000)	(122,987,500)	(126,110,700)
Return on investments	(38,529,200)	(39,379,500)	(39,643,700)	(40,036,500)	(40,300,700)
Revenue from other sources	(51,289,000)	(50,232,500)	(49,964,000)	(51,464,000)	(51,464,000)
Community benefit bonus	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)
Contributed asset revenue	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Transfers from other governments	(18,267,000)	(18,267,000)	(18,267,000)	(18,267,000)	(18,267,000)
Other capital funding sources	(873,100)	(757,600)	(757,600)	(757,600)	(757,600)
Parkland acquisition development cost charges	(2,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
TOTAL PROPOSED REVENUES	(549,025,200)	(563,634,000)	(577,494,800)	(594,015,300)	(609,443,600)
PROPOSED EXPENDITURES:					
Operating Expenditures	431,730,800	429,829,000	443,694,100	458,321,800	473,485,900
Capital Expenditures	162,966,500	185,044,900	183,625,900	192,545,300	163,839,700
TOTAL PROPOSED EXPENDITURES	594,697,300	614,873,900	627,320,000	650,867,100	637,325,600
PROPOSED TRANSFERS:					
Transfer to/(from) Capital Works Financing Reserve Fund	(149,866,800)	(154,449,000)	(167,822,700)	(165,727,900)	(132,823,500)
Transfer to/(from) Local Improvement Reserve Fund	1,106,400	828,500	1,224,600	1,229,800	1,233,200
Transfer to/(from) Corporate & Tax Sale Reserve Fund	10,561,800	10,840,900	10,927,600	11,056,600	11,143,300
Transfer to/(from) Vehicle Replacement Reserve Fund	(6,565,400)	(11,524,200)	(6,446,700)	(3,785,900)	(4,155,900)
Transfer to/(from) Non-Statutory Reserves Fund	99,091,900	103,063,900	112,292,000	100,375,600	96,720,900
TOTAL PROPOSED TRANSFERS	(45,672,100)	(51,239,900)	(49,825,200)	(56,851,800)	(27,882,000)
BALANCED BUDGET	-	-	-	-	-

¹ Taxation revenue is comprised of property taxes (\$250.6M), grant in lieu of taxes (\$5.8M), utilities taxes (\$3.1M), local improvement frontage levies (\$0.7M), special levies (\$0.09M), and assessment appeal \$0.3M.

SCHEDULE B**CITY OF BURNABY****FIVE YEAR CONSOLIDATED FINANCIAL PLAN (2017 – 2021)****STATEMENT OF POLICIES AND OBJECTIVES:**

In accordance with the *Community Charter* disclosure requirements, the City of Burnaby discloses the following information.

- the proportions of revenue proposed to come from the various funding sources
- the distribution of property taxes among property classes; and
- the use of permissive tax exemptions.

Proportion of Total Revenue

Funding Source	% of Total Revenue
Taxation revenue	47.3%
Fees for goods and services	20.9%
Revenue from other sources	9.3%
Community benefit bonus	7.3%
Return on investments	7.0%
Parcel taxes	3.4%
Transfers from other governments	3.3%
Contributed asset revenue	0.9%
Parkland acquisition development cost charges	0.4%
Other capital funding sources	0.2%
Total	100%

The proportion of total revenue raised from each funding source in 2017 is presented in the table above. Property taxes form the greatest proportion of the operating revenue for the City of Burnaby. Property taxes provide a stable and consistent source of revenue for many services that are difficult or undesirable to fund on a user-pay basis. These include services such as fire protection, policing services, transportation and so forth. For these reasons, property taxation will continue to be the major source of the City of Burnaby's revenue.

Fees for goods and services are the second largest portion of general operating revenue. Many City of Burnaby services, such as water, sewer, and recreational programs are charged on a use-pay basis which ensures they are paid for by the taxpayers receiving these services.

Distribution of 2017 Property Taxes among the Various Property Classes

Property Class	% of Tax Burden
Residential (1)	49.5%
Business (6)	39.6%
Light Industry (5)	5.7%
Others (2, 3, 4, 8 & 9)	5.2%
Total	100%

The distribution of property tax revenue among the various property classes is presented in the table above. The practice of Council has been to set tax rates in order to maintain reasonable tax stability in compliance with the *Community Charter*. This is accomplished by maintaining the proportionate relationship provided above between the property classes (property classes are defined and values determined by the British Columbia Assessment).

Use Permissive Tax Exemptions

Council passes an annual permissive exemption bylaw to exempt certain properties from property tax in accordance with guidelines set out by Council Approved Guidelines and the Community Charter. There is no legal obligation to grant exemptions. The objective of the guidelines is to ensure that the broad ranges of community organizations in Burnaby are dealt with consistently and receive equal treatment and consideration for tax exemption and that services and organizations which are most complementary extensions of municipal services for which the tax burden resulting for the exemption is a justifiable expense to the taxpayers of Burnaby. The total revenue forgone for permissive exemptions granted for the 2017 taxation year is approximately \$3,012,145.

Exemptions are reviewed on an annual basis and are granted to those organizations meeting the requirements as set out under Council Approved Guidelines and Sections 220 and 224 of the Community Charter. Council Approved Guidelines ensure that organization recommended for permissive exemption are consistent with municipal policies, plan bylaws, codes and regulations, non-profit, complimentary extensions to municipal services and programs, accessible to the public and used primarily by Burnaby residents.