

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2019 April 04

FROM: DIRECTOR FINANCE

FILE: 7600-20

SUBJECT: 2019 - 2023 FINANCIAL PLAN

PURPOSE: To obtain Council approval for the five year 2019 - 2023 Financial Plan.

RECOMMENDATIONS:

1. **THAT** the Financial Management Committee recommend Council approve the 2019 - 2023 Financial Plan.
2. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to bring forward the Burnaby Financial Plan Bylaw 2019 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** the Financial Management Committee recommend Council authorize the City Solicitor to bring forward the Burnaby Rates Bylaw 2019 in the amount of \$273,684,819.

REPORT**1.0 INTRODUCTION**

This report is being provided to the Financial Management Committee to recommend Council to approve the 2019 – 2023 Financial Plan and to authorize the City Solicitor to bring forward the Burnaby Financial Plan Bylaw 2019 and Burnaby Rates Bylaw 2019.

2.0 POLICY SECTION

Goal

- A Thriving Organization
 - Financial viability – maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets.
 - Communication – practice open and transparent communication among staff, Council and the community.

3.0 BACKGROUND

The purpose of the five year 2019 – 2023 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 2019 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.

The City of Burnaby’s revenue and tax policy disclosure is outlined within the Burnaby Financial Plan Bylaw 2019 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 2019 as Schedule A.

The 2019 – 2023 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

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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 2019 Operating Plan expenditures total \$511,018,800 (inclusive of \$28,183,800 in transfers) and the 2019 Capital Plan expenditures total \$254,620,700. The Financial Plan bylaw in Schedule A below requires that operating transfers be grouped with all transfers.

The amount of property tax levy funding is \$273,684,819. The Burnaby Rate Bylaw will accommodate any changes to the levy based on the final assessment roll, as it provides the authority to impose property taxes. The Plan reflects a 2.5% average residential tax increase of \$43.33 on the average residential property valued at \$1,176,300.

4.0 RECOMMENDATIONS

It is recommended that the Financial Management Committee recommend Council approve the 2019 – 2023 Financial Plan.

It is recommended that the Financial Management Committee recommend Council authorize the City Solicitor to bring forward the Burnaby Financial Plan Bylaw 2019 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 the Financial Management Committee recommend Council authorize the City Solicitor to bring forward the Burnaby Rates Bylaw 2019 in the amount of \$273,684,819.

The 2019 – 2023 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 City Hall.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RG/ml

Attachment: 1 – Burnaby Financial Plan Bylaw 2019 – Schedules A and B

Copied to: City Manager

SCHEDULE A

CITY OF BURNABY

FIVE YEAR CONSOLIDATED FINANCIAL PLAN (2019 – 2023)

PROPOSED REVENUES, PROPOSED EXPENSES AND PROPOSED TRANSFERS:

Financial Plan Bylaw - 2019 to 2023

ANNUAL (Rounded)	2019 Annual	2020 Annual	2021 Annual	2022 Annual	2023 Annual
PROPOSED REVENUES:					
Taxation Revenue	(281,708,600) ¹	(293,073,500)	(304,777,700)	(316,831,000)	(329,244,400)
Parcel Taxes	(19,059,100)	(18,728,000)	(19,289,800)	(19,829,200)	(20,425,200)
Sales of Goods and Services	(120,536,300)	(125,377,100)	(129,837,400)	(135,182,200)	(141,052,800)
Investment Income	(47,462,800)	(47,577,600)	(47,694,700)	(47,814,200)	(47,936,000)
Other Revenue	(53,148,000)	(53,559,700)	(54,166,500)	(54,989,600)	(55,829,000)
Community Benefit Fund	(95,000,000)	(95,000,000)	(95,000,000)	(95,000,000)	(95,000,000)
Contributed Asset Revenue	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Transfers from Other Governments	(31,964,600)	(21,305,200)	(20,940,700)	(21,129,500)	(21,322,200)
Transfer from Restricted Funds and Development Cost Charges	(14,248,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
TOTAL PROPOSED REVENUES	(668,127,400)	(662,621,100)	(679,706,800)	(698,775,700)	(718,809,600)
PROPOSED EXPENDITURES:					
Operating Expenditures	482,835,000	491,764,000	514,108,000	538,200,400	560,141,900
Capital Expenditures	254,620,700	244,479,100	233,655,200	245,521,400	252,597,600
TOTAL PROPOSED EXPENDITURES	737,455,700	736,243,100	747,763,200	783,721,800	812,739,500
PROPOSED TRANSFERS:					
Transfer to/(from) Capital Works Financing Reserve Fund	(139,300,800)	(141,635,400)	(134,305,900)	(105,874,900)	(112,418,000)
Transfer to/(from) Local Improvement Reserve Fund	630,800	813,600	828,500	843,700	859,100
Transfer to/(from) Corporate & Tax Sale Reserve Fund	20,142,100	8,620,500	7,620,500	6,620,500	6,620,500
Transfer to/(from) Equipment Replacement Reserve Fund	(16,714,000)	(17,164,300)	(8,903,000)	(10,177,000)	(10,596,000)
Transfer to/(from) Non-Statutory Reserves	65,913,600	75,743,500	66,703,400	23,641,500	21,604,400
TOTAL PROPOSED TRANSFERS	(69,328,300)	(73,622,000)	(68,056,400)	(84,946,100)	(93,929,900)
TOTAL PROPOSED EXPENDITURES AND TRANSFERS	668,127,400	662,621,100	679,706,800	698,775,700	718,809,600
BALANCED BUDGET	-	-	-	-	-

¹ Taxation revenue is comprised of property taxes (\$273.1M), grant in lieu of taxes (\$6.0M), utilities taxes(\$3.3M), local improvement frontage levies (\$0.6M), special levies (\$0.1M), and assessment appeal \$1.4M.

SCHEDULE B**CITY OF BURNABY****FIVE YEAR CONSOLIDATED FINANCIAL PLAN (2019 – 2023)****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	42.2%
Sales of goods and services	18.0%
Community benefit fund	14.2%
Other revenue	8.0%
Investment income	7.1%
Transfers from other governments	4.8%
Parcel taxes	2.9%
Transfer from restricted funds and development cost charges	2.1%
Contributed asset revenue	0.7%
Total	100%

The proportion of total revenue raised from each funding source in 2019 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.

Sales of 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 2019 Property Taxes among the Various Property Classes

Property Class	% of Tax Burden
Residential (1)	49.5%
Business (6)	39.6%
Light Industry (5)	6.0%
Others (2, 3, 4, 8 & 9)	4.9%
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).

The above distribution of property taxes is based on an estimated assessment roll; however, the Burnaby Rate Bylaw will reflect the final assessment roll to impose property taxes.

Use Permissive Tax Exemptions

Council passes an annual permissive tax 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 these 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 2019 taxation year is approximately \$2,902,622.

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 organizations recommended for permissive tax exemptions are consistent with municipal policies, plans, bylaws, codes and regulations, defined as non-profit organizations, are complimentary extensions to municipal services and programs, accessible to the public and used primarily by Burnaby residents.