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Meeting2020 May 11

Council REPORT

TO: CITY MANAGER **DATE:** 2020 May 06
FROM: DIRECTOR FINANCE **FILE:** 7600-20
SUBJECT: **2020 – 2024 FINANCIAL PLAN, 2020 RATES BYLAW AND ALTERNATIVE MUNICIPAL TAX COLLECTION SCHEME BYLAW**
PURPOSE: To obtain Council approval for the five year 2020 – 2024 Financial Plan, 2020 property value tax rates, and alternative municipal tax collection scheme bylaw.

RECOMMENDATIONS:

1. **THAT** Council approve the 2020 – 2024 Financial Plan.
2. **THAT** Council authorize the City Solicitor to bring forward the Burnaby Financial Plan Bylaw 2020 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 Attachment 1 to this report.
3. **THAT** Council authorize the City Solicitor to bring forward the Burnaby Rates Bylaw 2020 that outlines the General Municipal and Regional Districts property value tax rates, as shown in Attachment 2 to this report.

REPORT

1.0 INTRODUCTION

This report is being provided to Council for approval of the 2020 – 2024 Financial Plan and to authorize the City Solicitor to bring forward the Burnaby Financial Plan Bylaw 2020 and Burnaby Rates Bylaw 2020.

The 2020 – 2024 Financial Plan reflects a 1.75% property tax rate increase for 2020 which has been reduced from the 2020 – 2024 Provisional Financial Plan proposed property tax rate increase of 3.5%. Due to the current implications of the COVID-19 pandemic, expenditures have been curtailed and capital projects delayed wherever possible without impacting service levels, thus allowing for the reduction in the property tax rate increase. Due to the uncertainty and duration of the COVID-19 pandemic, overall financial and service level impacts are difficult to determine at this time. Therefore, the 2020 – 2024 Financial Plan reflects the standard service levels and operational requirements that meets the demand for City services. As a result, the reduction in expenditures to reflect the lower property tax rate increase has been reflected at a corporate level only at this time. Once the financial impact of the pandemic is known, the City may amend the Financial Plan, reflecting the change in each area of the document as well as through a Financial Plan bylaw amendment. Section 165(2) allows for the amendment of the financial plan bylaw at any time.

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2.0 POLICY SECTION

The City of Burnaby 2020 – 2024 Annual Financial Plan aligns with the following goals and sub-goals of the Corporate Strategic Plan:

A Thriving Organization

- Organizational culture –
Ensure that our core values are reflected in our policies, programs and service delivery
- 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 2020-2024 FINANCIAL PLAN

3.1 Financial Plan Bylaw

The purpose of the five year 2020 – 2024 Financial Plan is to present Council’s financial direction for the City. Provincial legislation requires the Financial Plan Bylaw be adopted any time before the date on which the Annual Property Tax Rates Bylaw is adopted, which must be before May 15 of any respective year.

Section 165(4) of the *Community Charter* requires the Financial Plan to set out the proposed expenditures, proposed funding sources and proposed transfers to or between funds (Attachment 1, Schedule A). Each year, the Financial Plan from the previous year remains in effect until the Financial Plan for the current year is adopted.

The 2020 Operating Plan expenditures within the Financial Plan total \$547,809,600 (inclusive of \$28,950,100 in transfers) and the 2020 Capital Plan expenditures total \$253,533,500. The Financial Plan Bylaw 2020 groups the operating transfers within the Transfer to/(from) Non-Statutory Reserves and therefore, operating expenditures of \$518,859,500 are reflected.

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Section 165(3.1) of the *Community Charter* requires the five-year Financial Plan 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 section 165(7) of the *Community Charter* (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 2020 (Attachment 1, Schedule B).

3.2 Tax Rates Bylaw

The Burnaby Tax Rates 2020 Bylaw is required to establish the property value tax rates for general municipal and regional districts tax revenue, in accordance with section 197 of the *Community Charter*. The City's municipal tax rates will generate property tax revenue amounting to \$282,667,029, which reflects a rate increase of 1.75%, or an additional \$31.39 of property taxes on the average residential property valued at \$1,069,625. Regional District - Metro Vancouver Regional District (MVRD) tax rates are established by the City of Burnaby based on the annual MVRD requisition.

Attachment 2 provides the applicable General Municipal tax rates and the Regional District tax rates used for the purpose of calculating property taxes.

3.3 Alternative Municipal Tax Collection Scheme Bylaw

At the 2020 April 27 Open meeting, Council approved the recommendation from the Financial Management Committee to maintain the City's current tax due of July 3 for 2020 property taxes, but not impose a penalty for late payment until October 1. The penalty amount would then be 10% of unpaid taxes as of September 30. This would make the penalty date for residential property consistent with that for commercial and industrial properties, as recently mandated by the Province. All taxpayers will however be encouraged to pay their property taxes by the July 3 due date.

To implement the July 3 tax due date and October 1 penalty date for the 2020 tax year, the adoption of an Alternative Municipal Tax Collection Scheme Bylaw under section 235 of the *Community Charter* is required, as well as the repeal of Burnaby Property Tax Payment Bylaw 1999. In 2021, a new bylaw would need be brought forward to address property tax due dates and penalties for the 2021 and subsequent tax years.

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4.0 RECOMMENDATION

It is recommended that Council approve the 2020 – 2024 Financial Plan and authorize the City Solicitor to bring forward:

- (a) the Burnaby Financial Plan Bylaw 2020 outlining the proposed funding sources, proposed expenditures, and proposed transfers between funds as set out for each year in the planning period, as shown in Attachment 1, Schedule A, to this report; and
- (b) the Burnaby Rates Bylaw 2020 that outlines the General Municipal and Regional Districts tax rates, as shown in Attachment 2 to this report.

At the 2020 April 27 Council meeting, Council authorized the City Solicitor to bring forward the Burnaby Alternative Municipal Tax Collection Scheme Bylaw for the 2020 tax year which reflects a July 3 property tax due date and imposes a 10% penalty on October 1 for any unpaid taxes. As a result, the Burnaby Property Tax Payment Bylaw 1999 will be repealed. The necessary bylaws and amendments are included on the Council agenda for Council consideration of first, second and third readings and final adoption.

The 2020 – 2024 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 requests or at Burnaby City Hall.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RG/md

Attachments: 1 – Burnaby Financial Plan Bylaw 2020 – Schedule A and B
2 – Burnaby Tax Rates 2020 – Schedule 1 and 2

SCHEDULE A

CITY OF BURNABY

FIVE YEAR CONSOLIDATED FINANCIAL PLAN (2020 – 2024)

PROPOSED REVENUES, PROPOSED EXPENDITURES AND PROPOSED TRANSFERS:

Financial Plan Bylaw - 2020 to 2024

ANNUAL (Rounded)	2020 Annual	2021 Annual	2022 Annual	2023 Annual	2024 Annual
PROPOSED REVENUES:					
Taxation Revenue	(291,242,400) ¹	(305,720,600)	(320,774,400)	(336,426,900)	(352,702,000)
Parcel Taxes	(18,805,700)	(19,193,200)	(19,588,400)	(19,991,500)	(20,402,700)
Sale of Goods and Services	(122,667,500)	(125,831,800)	(129,059,600)	(132,851,400)	(137,469,100)
Investment Income	(50,650,800)	(50,782,300)	(50,916,300)	(51,053,000)	(51,192,400)
Other Revenue	(87,163,400)	(52,812,100)	(54,060,500)	(54,257,700)	(55,045,800)
Community Benefit Bonus	(55,000,000)	(105,000,000)	(145,000,000)	(65,000,000)	(80,000,000)
Contributed Asset Revenue	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Transfers from Other Governments	(24,621,700)	(24,824,800)	(25,170,400)	(28,167,500)	(25,342,700)
Transfers from Restricted Funds and Development Cost Charges	(9,033,200)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
TOTAL PROPOSED REVENUES	(664,184,700)	(692,164,800)	(752,569,600)	(695,748,000)	(730,154,700)
PROPOSED EXPENDITURES:					
Operating Expenditures	518,859,500	528,958,200	552,566,700	576,309,700	600,692,800
Capital Expenditures	253,533,500	288,004,300	329,357,900	308,412,800	318,533,700
TOTAL PROPOSED EXPENDITURES	772,393,000	816,962,500	881,924,600	884,722,500	919,226,500
PROPOSED TRANSFERS:					
Transfer to/(from) Capital Works Financing Reserve Fund	(58,391,500)	(89,262,400)	(65,581,600)	(60,418,100)	(59,435,200)
Transfer to/(from) Local Improvement Reserve Fund	1,424,700	957,200	968,900	980,900	1,008,100
Transfer to/(from) Corporate & Tax Sale Reserve Fund	41,396,600	5,082,900	4,082,900	3,082,900	3,082,900
Transfer to/(from) Vehicle Replacement Reserve Fund	(1,711,700)	(6,061,100)	(8,339,000)	(1,603,000)	(4,916,000)
Transfer to/(from) Non-Statutory Reserves	(90,926,400)	(35,514,200)	(60,486,400)	(131,017,200)	(128,811,800)
TOTAL PROPOSED TRANSFERS	(108,208,300)	(124,797,700)	(129,355,000)	(188,974,500)	(189,071,800)
Total Proposed Expenditures And Transfers	664,184,700	692,164,800	752,569,600	695,748,000	730,154,700
Balanced Budget	-	-	-	-	-

1 Taxation revenue is comprised of property taxes (\$282.7M), grant in lieu of taxes (\$6.1M), utilities taxes(\$3.2M) and local improvement frontage levies (\$0.6M) and assessment appeal \$1.4M.

SCHEDULE B

CITY OF BURNABY

FIVE YEAR CONSOLIDATED FINANCIAL PLAN (2020 – 2024)

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	43.8%
Sales of goods and services	18.5%
Other revenue	13.1%
Community benefit bonus	8.3%
Investment income	7.6%
Transfers from other governments	3.7%
Parcel taxes	2.8%
Transfers from restricted funds and development cost charges	1.4%
Contributed asset revenue	0.8%
Total	100%

The proportion of total revenue raised from each funding source in 2020 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 metered water, metered 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 2020 Property Taxes among the Various Property Classes

Property Class	% of Tax Burden
Residential (1)	50.1%
Business (6)	39.2%
Light Industry (5)	5.8%
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 the final revised assessment roll received from BC Assessment.

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 sections 220 and 224 of 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 equally and consistently with regards to 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.

The tax burden resulting for the exemption must be a justifiable expense to the taxpayers of Burnaby. The total revenue forgone for permissive exemptions granted for the 2020 taxation year is approximately \$2,045,700.

Schedule 1 – General Municipal

Property Class	Tax Rates (dollars of tax per \$1,000 taxable value)
1 Residential	1.7039
2 Utility	18.3376
3 Supportive Housing	1.7039
4 Major Industry	24.1554
5 Light Industry	5.0624
6 Business and Other	5.2995
7 Managed Forest Land	0.0000
8 Recreation/Non Profit	0.6342
9 Farm	5.4510

Schedule 2 – Regional Districts

Property Class	Tax Rates (dollars of tax per \$1,000 taxable value)
1 Residential	0.0492
2 Utility	0.1722
3 Supportive Housing	0.0492
4 Major Industry	0.1673
5 Light Industry	0.1673
6 Business and Other	0.1205
7 Managed Forest Land	0.1476
8 Recreation/Non Profit	0.0492
9 Farm	0.0492