

**Support Material for Feb 27/2002
Presentation on 2002-2006
Financial Plan**

(Corrie Kost)

Financial Plan Process:

The April 24/2001 report by Mayor Don Bell contains some excellent suggestions. Some have been incorporated into this year's process. Others have not. The budget book format still needs a lot of improvement – I wish council were better consulted on this. In my opinion the format does not meet the needs of the most important group – the citizens of the District. Without proper disclosure public involvement is largely a waste of time – both for the public, and council.

I have also attached a short document "Putting Property Taxes in Perspective" which may be of interest to members of council.

Consumer Price Index:

1.8 % not 2.65% should be used.

Page A2 states "last year's base tax was increased by 2.65% to reflect the rise in the Vancouver area consumer price index over the year 2000". Page A6 makes some questionable ASSUMPTIONS – a CPI of 2.65% for 2002 and 2.85% thereafter and that the actual CPI increased 3.2% from Sep 2000 to Sep 2001. In fact the Vancouver CPI (1992=100) stood at 115.1 in Sep/2000 and 117.5 in Sep/2001 – an increase of only 2.4% Why pick Sept-Sept? Note that the Oct/2000 to Oct/2001 was only 1.4%, and the Nov/2000 to Nov/2001 was even lower at 0.4% Results from Stats Canada (attached) indicated 1.8% (AVERAGE change Jan 2001 to Jan 2002) – this is what we should use. We are, after all, talking about 2002 budget compared to 2001. The average CPI change in Vancouver for last 8 years has been 1.4% The use of 2.85% is thus historically not warranted.

A complete month-to-month 1968-2001 CPI for Vancouver/BC/& Canada is attached.

Comparison of 2001-2005 with 2002-2006 Financial Plans:

Comparison of many of the "Actual" expenses for 1999 in the 2001-2005 plan do not agree with the same items quoted in the 2002-2006 plan. How can this be? (Eg. Page C3 of 2002-2006 compared to page B5 of 2001-2005 Financial Plan).

Heritage Funds used for Maintenance:

2001 was to be final year of such "misuse" of HF. Reliance on HF for infrastructure renewals is not sustainable. The District needs to reverse its current policy and increase taxes 2% / year for two years to attain the original goal of a \$6million contribution to capital from operating funds. At the current trend this will not happen till year 200

The table below shows what has transpired for the 3 budget years of this council for Contribution to Capital from Operating Fund (in \$millions)

Plan Years	1999	2000	2001	2002	2003
2000-2004	\$4.39	\$5.33	\$6.00	\$6.00	\$6.00
2001-2005	\$4.39	\$4.01	\$4.15	\$4.60	\$5.07
2002-2006	\$4.39	\$4.01	\$4.15	\$4.20	\$4.70

Northlands Golf Course:

\$500,000 should go to Heritage Fund

Close to \$500,000 /year in "surplus after operations and capital projects" (Jan 29/2002 Northlands Golf Course Advisory Committee Meeting Notes and Page C12.15 of 2002-2006 Financial Plan) is being transferred to general revenue. These funds should have been used to repay the Heritage Funds. They are thus in essence being taken out of the Heritage Fund and used for general revenue which is contrary to the Local Government Act. Estimated surplus for 2001 was given as \$450,000, and \$500,000 for year 2002 (\$573,300 and \$483,300 respectively on page C12.15)

The plan to "defer" interest repayment is a misnomer as it is NOT being added to the outstanding principal. As noted on page C12.15 Northlands only plans to repay the original principal of \$11,800,000 over 40 years. Assuming a conservative "real" earning (interest rate) of 3% above inflation this means foregoing about \$8,500,000 in interest over 40 years!

Revenue from Property Taxes:

An indicator of revenue that will be derived from residential taxes is the "Property Taxes Revenues" on page C14. In 2001 they were \$46,171,844 and this year they are **projected to increase by 7.9%** to \$49,826,167. Growth will minimally reduce this 7.9% figure. Conclusion: residential taxes will rise about 7%

Capital Projects of 2001:

The questions:

How many Capital Projects funded for 2001 have not been completed?

Where is this shown in the Financial Plan? Note that B2 and B2.1 do not list 1999, 2000, or even 2001 figures! For example: Capital expenditures budgeted for 2001 were \$23,021,322 (Page B2 of document 213949 – Feb 2001 Financial Plan 2001-2005). This included \$7.9million for Lynn Valley Library. Since this was not spent – where is carry-over shown?

Marine Dr/Capilano Rd improvements at \$300,000 seems to have not yet been completed, although another \$400,000 (\$200,000 from Translink) is set for this year. A Financial Statement for 2001 (even a preliminary one) would sure help.

Infrastructure Renewals:

The questions:

How much money is scheduled for infrastructure renewal?

How much money is required (in staff's opinion)?

Services:

The questions:

Are services being maintained at or above current levels?

For example, is there a change in hours of service for our libraries?

Lower Capilano Field House:

The questions;

What is state of funding for this outstanding item?

Will Referendum Funds be used for this?

Capilano/Marine Dr. Intersection Improvements

The questions:

What is state of funding/work?

What is contribution from Translink etc?

Animal Shelter (Pound):

Questions:

What are costs of running the new pound compared to when SPCA ran the facilities?

Lynn Valley Library Financial Plan:

\$4,755,000 from Heritage Fund

\$2,070,000 for 19,300 sq-ft of retail office space

Questions:

Where is plan showing revenue, over what time period, to repay Heritage Fund and interests?

Dollarton Bridge / Cutter Island Park Dedication Bylaw Issue:

Questions:

What is state of this project?

Where is it shown in 5 year plan?

What commitments were implied by 1996 Referendum?

Debris Flow Hazards – mitigation costs:

Where is this in the 5 year plan?

Sidewalk Program:

The 1999-2010 Sidewalk program, totalled \$1.52million (Dec 1/98 report from Bob West-Sells Doc # 144278v1)

Question:

What are planned expenditures and are they in keeping with the 10 year plan?

Building Inspection Fees:

Page 11 of Dec 10/2001 Inventory of Municipal Services indicates a “net cost” of \$686,661.

Does this mean user fees are too low?

Are our fees (which are supposed to cover costs) in line with those charged in other municipalities? If they are high – why?

Police & Fire Protection:

One of the largest expenditures – 22% of the

\$100million budget funds these two basic services.

Council should examine the historical and projected

budgets for these major items to see if they are in line with the priorities/needs of the community. A detailed

accounting for both organizations should be examined at least once during the term of council.

North Vancouver Recreation Comm:

Function	% recovered by fees
Fitness & Wellness	91%
Aquatics	55%
Sport	79%
Personal & Social Devel.	51%
Arena	50%
Centennial Theatre	46%

Artificial Turf Financial Plan:

Question: Is a fair plan in place?

Ten year financial plan (approx life of turf before replacement at \$750,000 is required) should be in place to illustrate just how (little) user fees account for total costs. Comparison of % subsidies for various recreational activities (table above) should enable public/council to address inequities.

Efficiencies/Performance Down?:

From page C14.11.1

Cost/Visit for Fitness/Wellness was:

\$2,212,365 / 940,489 = \$2.35 in yr 2001

\$2,383,526 / 968,704 = \$2.46 in yr 2002

So despite business growth of 3%, unit COSTS went up 4.7%

On page C14.11.4 – Personal & Social Development, the performance indicator of the “number programs cancelled” was some 47.6% last year. Is it credible that this can be reduced to just 20% this year? Why has there been almost a 55% increase on the cost/visit since 1999?

Garbage/Recycling Fees:

The big saving last year was the \$2.50 reduction in moving from a 3 can limit to a 2 can limit. This 33% service cut saved us 1.5%! This year we see a \$5.20 increase AND we need to spend an average of ~\$20 /household to compensate for cancellation of use of clear-plastic bags for yard waste. All this despite the fact that GVRD charges/ton are frozen AND the total tonnage (garbage+yard trimmings) has steadily gone down (17,601 for 1999, 17,424 for 2000, and 17,234 tons for year 2001). In addition, TOTAL tonnage (garbage+YT collected and dropped off + Recycled) has decreased from 34,043 tons in 2000 to 33,634 tons in 2001 – despite a noted 3% increase in single family units serviced (page D9.1)

So, we produce less total waste despite increasing population, we expend greater efforts on our part, and have been burdened with additional cost BUT still we end up paying more for this utility!

I suggest one area where council needs to seriously examine cost effectiveness – the \$675,115 for just our share of the cost of the North Shore Recycling Program.

Water Utility:

Questions:

What are the reserves for ALL (including water) reserve funds?

Last year we saw both a contribution to surplus of \$334,447 AND a contribution from surplus of \$1,481,395. Please clarify.

Does this year’s contribution from surplus of \$1,008,824 (page D3) mean our water reserve fund will decrease by this amount, or does page B2, with a figure of \$780,000 reflect the appropriate surplus transfer? Or both?

Sewer and Drainage Utility:

Seems we are withdrawing a record \$830,533 as a “contribution from surplus” (pages D5 and B2) AND \$590,340 to the General Operating Fund – **a total of \$1,420,873 “drained” from this account.** Is this correct?

Note the extra-ordinary **growth in revenues: up almost 24% since year 2000, and user charges and fees up 17%**, with even more to come.

Waterfront Plan in perspective;

I find it odd that this council, largely elected on the basis of rejecting the Waterfront Plan and fiscal responsibility, is, for a second year in a row, proposing tax increase double what would have been required for the Waterfront Trail. To clarify: Waterfront Plan: \$41 /year per household. Tax increases last year: \$99 /household. Tax increases this year; about \$90/household. One more point, unlike the 50 year Waterfront Plan, these taxes are scheduled to stay forever.

Conclusion:

There are numerous areas of concern with many unanswered questions. Reply to these questions should prove both informative and useful for council deliberations on the Financial Plan.

CONSUMER PRICE INDEX (1992 = 100) - MONTHLY

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Ave. % change	
VANCOUVER														
1988	82.5	82.3	83.2	83.4	83.5	83.4	84.1	84.1	84.5	84.8	85.1	84.8	83.9	3.6
1989	85.5	85.9	86.4	86.1	87.0	87.2	87.8	88.1	88.5	89.0	89.2	89.3	87.7	4.5
1990	90.3	90.9	91.2	91.4	91.8	92.2	92.5	92.7	93.2	93.6	94.3	94.0	92.4	5.4
1991	96.5	96.7	96.8	96.8	96.9	97.3	97.3	97.4	97.4	97.4	97.8	97.3	97.4	5.4
1992	98.4	98.6	99.1	99.5	99.7	99.7	100.2	100.4	100.2	100.7	101.5	101.6	100.0	2.7
1993	102.5	102.8	102.7	102.9	103.5	103.2	103.7	104.1	104.3	104.3	104.8	104.6	103.5	3.5
1994	105.1	105.3	105.2	104.9	105.1	105.5	105.8	106.0	106.2	106.2	106.5	106.6	105.5	1.9
1995	107.5	107.7	108.1	107.9	108.1	108.3	109.1	108.8	108.6	108.6	108.9	108.7	107.9	2.3
1996	109.1	109.2	109.3	109.3	109.5	109.3	109.2	108.9	109.1	109.1	109.3	109.3	108.9	0.9
1997	109.5	109.8	110.0	109.7	110.0	110.1	109.8	110.0	110.0	109.7	109.9	109.5	109.7	0.7
1998	109.9	109.9	110.3	110.2	110.7	110.8	111.0	110.6	110.2	110.4	110.1	110.1	110.4	0.5
1999	110.2	110.2	110.4	111.2	111.2	111.7	112.0	111.8	112.4	111.9	111.7	111.8	111.4	0.9
2000	111.6	111.8	112.8	112.9	113.3	113.8	114.9	114.9	115.1	115.1	115.2	115.0	113.9	2.2
2001	115.3	113.9	114.0	115.7	116.3	117.0	117.0	117.0	117.5	116.5	115.6	115.8	116.0	1.8
VICTORIA														
1988	83.1	82.8	83.3	83.9	83.9	83.9	84.3	84.7	85.0	85.0	85.2	85.3	84.2	3.8
1989	85.8	86.2	86.5	87.0	87.6	87.7	88.4	88.6	89.0	89.5	89.9	89.9	88.0	4.5
1990	90.3	91.0	91.5	91.7	92.1	92.6	93.0	93.3	93.5	93.8	94.5	94.6	92.7	5.3
1991	97.3	97.6	97.9	97.7	97.9	98.3	98.2	98.1	98.1	98.0	98.5	98.0	98.0	5.7
1992	98.6	99.0	99.2	99.5	99.8	100.0	100.5	100.5	100.2	100.7	101.2	100.9	100.0	2.0
1993	101.8	102.3	102.4	102.4	102.8	102.8	103.0	103.2	103.8	103.6	104.0	104.0	103.0	3.0
1994	104.0	104.0	104.1	104.5	104.7	105.0	105.4	105.4	105.6	106.0	106.2	106.3	105.1	2.0
1995	106.6	107.0	107.3	107.5	107.8	107.8	108.5	108.4	108.0	107.8	108.0	107.8	107.7	2.5
1996	108.2	108.2	108.5	108.8	108.9	108.9	108.8	108.7	108.9	109.0	108.9	108.9	108.7	0.9
1997	109.1	109.4	109.7	109.7	110.0	110.0	110.0	110.1	110.0	109.7	109.7	109.4	109.7	0.9
1998	109.8	109.7	109.9	109.8	110.3	110.4	110.2	110.3	109.9	110.2	109.9	109.7	110.0	0.3
1999	109.9	110.0	110.2	110.9	111.0	111.4	111.9	111.8	112.0	111.7	111.4	111.5	111.1	1.0
2000	111.1	111.3	112.2	112.3	112.7	113.1	113.7	113.6	113.9	114.0	114.1	113.9	113.0	1.7
2001	113.8	111.3	112.4	114.2	114.8	115.4	115.4	115.2	115.7	115.2	114.4	114.3	114.3	1.2
BRITISH COLUMBIA														
1988	82.6	82.6	83.2	83.5	83.6	83.5	84.2	84.2	84.6	84.7	85.1	84.8	83.9	3.6
1989	85.5	85.9	86.4	86.4	87.2	87.4	88.0	88.3	88.7	89.2	89.4	89.5	87.7	4.5
1990	90.3	90.9	91.4	91.5	91.9	92.5	92.7	92.8	93.2	93.6	94.3	94.1	92.4	5.4
1991	96.7	96.9	97.1	97.0	97.1	97.6	97.6	97.5	97.6	97.6	98.0	97.5	97.4	5.4
1992	98.4	98.7	99.2	99.6	99.7	99.8	100.2	100.4	100.2	100.7	101.3	101.4	100.0	2.7
1993	102.4	102.6	102.7	102.8	103.3	103.1	103.5	103.9	104.1	104.2	104.6	104.5	103.5	3.5
1994	104.9	105.0	105.0	104.7	105.0	105.3	105.7	105.8	106.0	106.1	106.4	106.6	105.5	1.9
1995	107.0	107.4	107.7	107.6	107.8	107.9	108.6	108.4	108.1	108.1	108.4	108.3	107.9	2.3
1996	108.6	108.6	108.8	108.9	109.0	109.0	108.9	108.8	109.0	109.0	109.1	109.0	108.9	0.9
1997	109.3	109.6	109.7	109.6	110.0	110.0	109.8	110.0	110.0	109.7	109.7	109.4	109.7	0.7
1998	109.7	109.5	109.8	109.8	110.3	110.4	110.4	110.4	110.0	110.1	109.9	109.7	110.0	0.3
1999	109.9	110.1	110.3	111.0	111.1	111.5	112.0	111.8	112.2	111.8	111.5	111.6	111.2	1.1
2000	111.3	111.4	112.3	112.4	112.8	113.2	114.2	114.1	114.3	114.5	114.5	114.3	113.3	1.9
2001	114.5	112.6	113.3	115.0	115.6	116.3	116.3	116.1	116.7	115.8	114.9	114.8	115.2	1.7
CANADA														
1988	83.0	83.3	83.8	84.0	84.5	84.7	85.2	85.4	85.5	85.9	86.1	86.1	84.8	4.0
1989	86.6	87.1	87.6	87.8	88.8	89.2	89.8	89.9	90.0	90.3	90.6	90.6	89.0	5.0
1990	91.3	91.9	92.2	92.2	92.7	93.1	93.5	93.6	93.8	94.6	95.2	95.1	93.3	4.8
1991	97.6	97.6	98.0	98.0	98.4	98.9	99.0	99.1	98.9	98.8	99.1	98.7	98.5	5.6
1992	99.1	99.2	99.5	99.6	99.8	100.0	100.2	100.2	100.2	100.3	100.8	100.8	100.0	1.5
1993	101.2	101.5	101.4	101.4	101.6	101.6	101.9	102.0	102.0	102.2	102.7	102.5	101.8	1.8
1994	102.5	101.7	101.6	101.6	101.4	101.6	102.0	102.1	102.2	102.0	102.6	102.7	102.0	0.2
1995	103.1	103.6	103.8	104.1	104.4	104.4	104.6	104.4	104.5	104.4	104.7	104.5	104.2	2.2
1996	104.8	104.9	105.3	105.6	105.9	105.9	105.9	105.9	106.1	106.3	106.8	106.8	105.9	1.6
1997	107.0	107.2	107.4	107.4	107.5	107.7	107.7	107.9	107.8	107.9	107.7	107.6	107.6	1.6
1998	108.2	108.3	108.4	108.3	108.7	108.8	108.8	108.8	108.6	109.0	109.0	108.7	108.6	0.9
1999	108.9	109.1	109.5	110.1	110.4	110.5	110.8	111.1	111.4	111.5	111.4	111.5	110.5	1.7
2000	111.4	112.0	112.8	112.4	113.0	113.7	114.1	113.9	114.4	114.6	115.0	115.1	113.5	2.7
2001	114.7	115.2	115.6	116.4	117.4	117.5	117.1	117.1	117.4	116.8	115.8	115.9	116.4	2.6

Note: Some percentage changes may differ from previously published data on the time base 1986=100 due to rounding.

Produced by: BCSTATS

Source: Statistics Canada

Putting Property Taxes in Perspective

(by Corrie Kost)

$$\text{Municipal Taxes (\$)} = \frac{\text{Assessed Value (\$)} \times \text{Mill Rate}}{1000}$$

Now Mill Rates vary from place to place because of two factors

- How much Municipal Taxes are required to finance the basket of municipal services
- Average Assessed Value of the properties.

For example, in Regina the 2001 Mill rate is 39.0638 (see http://www.cityregina.com/content/info_services/taxation/assessment/calc_taxes.php3)

The average Mill Rate for the Lower mainland is about 7.0. Now in the Lower Mainland, the application of the Mill Rate used in Regina would result in taxes about 5 times what we currently pay. Just because the Mill Rate is high does not mean one pays any more taxes for the same services. It likely means that the assessed values (eg. in Regina) are low.

The only objective way to see if you are getting relative (to adjacent municipalities) good value for your taxes is to determine:

- a) How do the basket of services (fire, police, roads, parks, library, etc) compare with those of adjacent municipalities?
- b) How much does the average home have to pay to get them?
On the above basis, assuming that service levels of the municipalities are roughly on par with each other, you could conclude that the District of North Vancouver taxes are high – being second only to West Vancouver.

In my opinion, this is an objective way to evaluate if you are getting good value for your taxes.

There are additional factors however, which influence the Residential Mill Rates. If one is lucky to have a strong commercial and/or industrial tax base – which are usually taxed at much higher Mill Rates than Residential components, then the Residential Mill Rates can be kept lower than those municipalities (like West Vancouver) who have relatively far fewer Industrial and Commercial components. Comparison with other municipalities having a similar mix to ours again shows we have higher than normal taxes.

Another factor which can keep the taxes down is if the Municipality has a significant endowment/trust/heritage fund in place to pay for new capital projects on a sustainable basis. The City of Vancouver has about \$1Billion in such

funds. The District of North Vancouver has virtually none. The reasons for this are arguable. That we have been either

- Living beyond our means and/or
 - Poorly managing our finances
- are reasonable conclusions.

Another indicator of our financial health is the state of our reserve funds. There are/were many such reserve funds in the District –

- Riverside reserve fund
- Heritage Reserve Fund
- Water Reserve Fund
- Sewer Reserve Fund
- Capital reserve Fund
- Etc

A review of these reserve funds indicate that –

- last year they went down \$4million
 - this year they will go down another \$2.5million
- I let the reader draw their own conclusions.

Can we do better? You bet we can! This is where community groups such as ourselves can make a difference. To do this we need access to all the details of the District's budget. We need reports like those available in the City of North Vancouver (~250 pages!). We need an open and consultative process as is mandated by the Local Government Act. We need to lobby the Provincial Government for a fair shake on taxes from Crown corporations. Finally we need to do some hard work and make some tough choices.