



PROPOSED 2016 BUDGET

Presentation for Open Houses
District of West Vancouver

January 21, 27, & 28, 2016

Emphasis in 2016 is on:

- Long Term Financial Planning
- Asset Management
- Assessment Changes

Long Term Financial Planning Asset Management

The key to successful long term asset management financing is the use of reserves

Reserves bring clarity, flexibility, and accountability to the management and funding of assets

Statutory reserves set out explicit direction on source and use of reserve funds

Financial Services recommends that the following statutory reserves be created or updated:

- **General Fund Reserves:**
 - **Capital Facilities Reserve** (Update)
 - **General Infrastructure Reserve** (Establish)
 - **General Equipment Reserve** (Establish)

Long Term Financial Planning Asset Management



The District currently owns over \$1B in assets (not including utilities). This is approximately \$57,700 for each household, based on 18,700 households. Over the next 50 years, virtually all of these assets will be coming due for repair and replacement.

The District now has the data to begin building a long-term strategy for asset management, and to create financial projections for incorporating this strategy into the annual budget.

Municipal Comparison of TCA in 2009 – Historical Cost Values

Local Government (municipality)	Population	Area Square KM	TCA Opening Balance	TCA / person	TCA / dwelling
District of West Kelowna	30,892	123.51	\$ 495 Million	\$ 16,024	\$ 37,978
District of West Vancouver	42,119	87.26	631 Million	14,981	33,738
District of North Vancouver	84,412	160.76	686 Million	8,127	21,612
City of New Westminster	65,976	15.63	638 Million	9,670	19,568
City of North Vancouver	48,196	11.83	262 Million	5,436	10,824

Recording of Tangible Capital Assets (TCA) values was required by PSAB 3150, starting in 2009. For the District, which was founded in 1912, this represents 97 years of accumulated capital assets. These numbers **include** land, and utility infrastructure.

DWV Capital Assets – Replacement Values

Capital Asset Category	Historical Cost (2014 Financials)	Accumulated Amortization	Net Book Value	Replacement Cost (twenty-years @ 2015 values)
Land Improvements	\$ 26,275,315	\$ 14,429,425	\$ 11,845,890	\$ 23,232,436
Buildings*	85,492,497	27,089,981	58,402,516	91,070,519
Machinery & Equipment	14,356,201	8,163,275	6,192,926	9,762,242
-Information Technology	In M&E	In M&E	In M&E	17,645,636
-Library Materials	In M&E	In M&E	In M&E	5,156,000
-Other Assets**	In M&E	In M&E	In M&E	8,046,691
Vehicles	14,265,795	8,967,292	5,298,503	12,972,165
-Heavy Equipment	In Vehicles	In Vehicles	In Vehicles	19,167,900
Streets	86,235,880	33,468,174	52,767,706	112,569,370
Totals	\$226,625,688	\$92,118,147	\$134,507,541	\$ 299,622,959

*Buildings includes the remaining \$23.8 Million in construction costs for the new PBMH building.

**Other Assets includes clothing, apparel, furniture & furnishings, guns, and other assets which are not usually capitalized, as well as a rough estimate for parks underground assets.

These numbers **exclude** utility infrastructure, as well as land and assets under construction

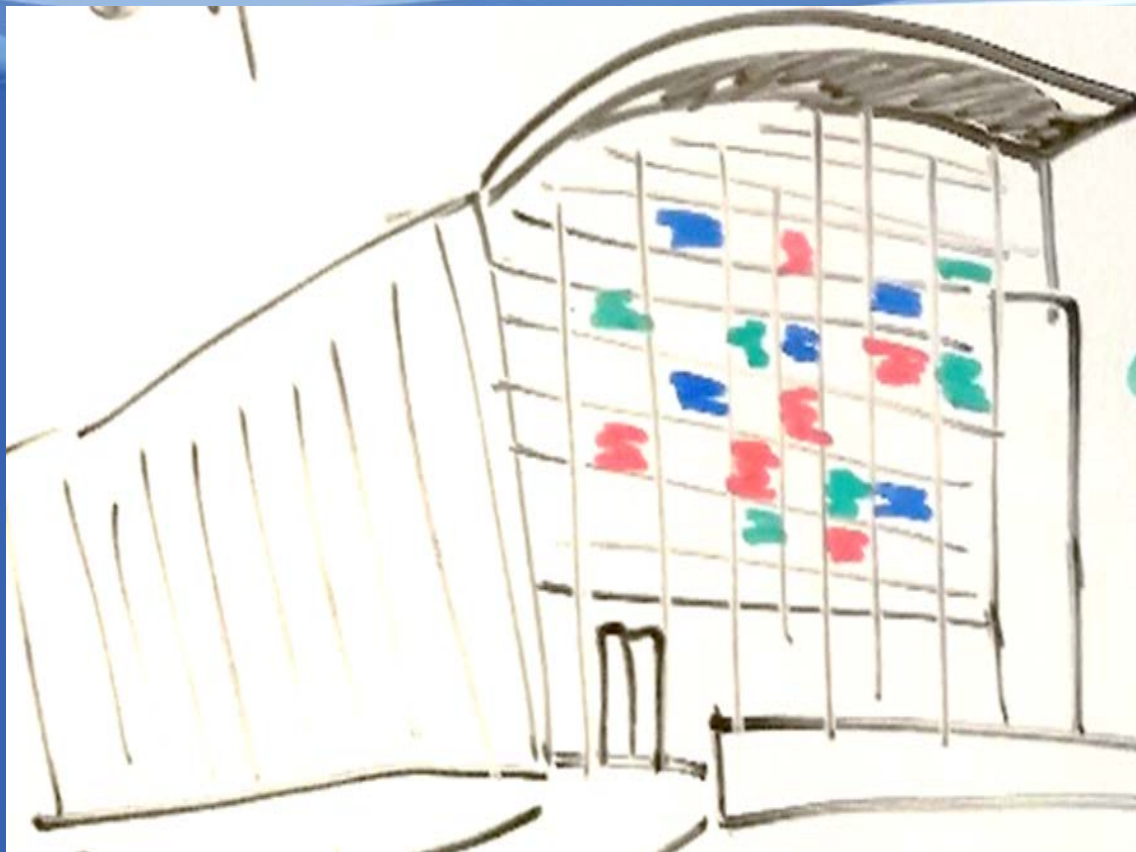
Land Improvement Assets: Quantity & Types

- 41 athletic fields (3 artificial turf fields, 27 grass fields, 11 gravel all-weather fields);
- 15 baseball backstops (4 premium);
- 6 sets of bleachers;
- 7,500 metres of chain link fencing;
- 33 tennis courts;
- 7 other outdoor courts;
- 2 skate parks;
- 430 benches;
- 14 off-leash dog areas;
- 4 gardens;
- 64 community garden plots
- 46 playground structures in 24 areas;
- 36 parking lots;
- 150,000 metres of trails;
- 13 information kiosks;
- 37 interpretive signs;
- 1 seawalk;
- 46 waterfront access points;
- 12 swimming beach parks;
- 5 piers and 1 lake float

Building: West Vancouver Aquatic Centre

In 1976, the original construction cost (historical value) = **\$ 3,578,922**

This is the amount less depreciation recognized in the financials as part of TCA.



Twenty-years (2016-2035)	Capex \$
Capex	
- Building Capital Maintenance	\$14,691,209
	2,298,750
- Other Assets (IT, M&E) required replacement	
Total Capex	\$16,989,959

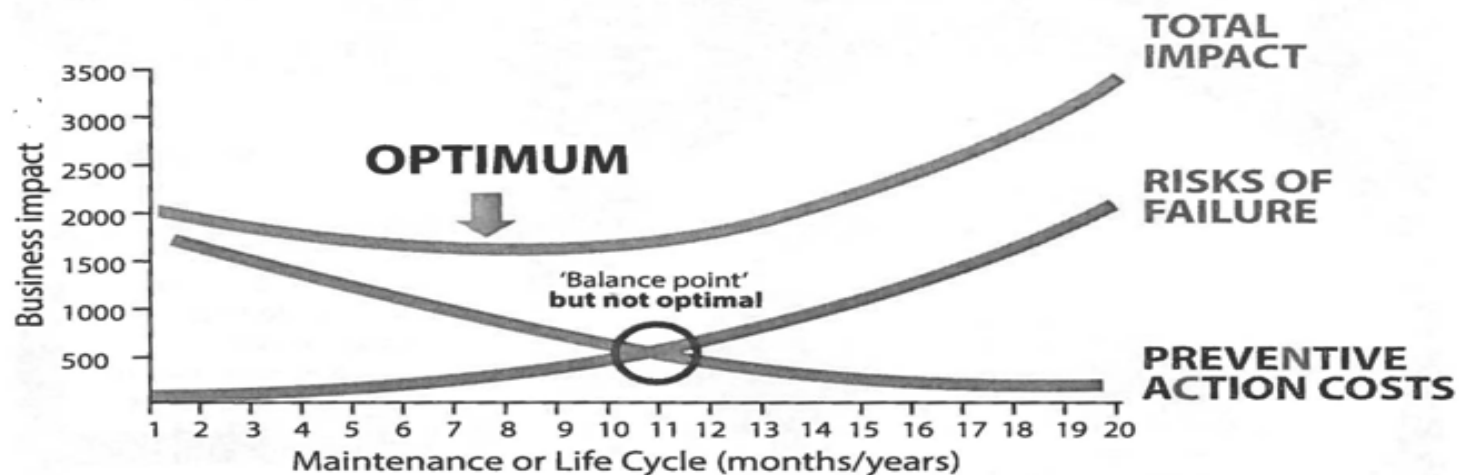
This does not include inflation or saving for the construction of a new pool one day.

West Vancouver Aquatic Centre

Revenues	\$ 3,599,193
Less Expenses	
- Program Labour & Materials	
- Facilities Labour & Operations	3,123,678
	664,700
Operating Surplus (Deficit) before Capex	(189,185)
Capex, avg. per year	
- Building Capital Maintenance	734,560
- Other Assets	114,938
Capex required, avg. per year	849,498
Total Tax funding required per year	\$ 1,038,683

*Per the District's 2014 operations

Optimal and Critical Asset Investment

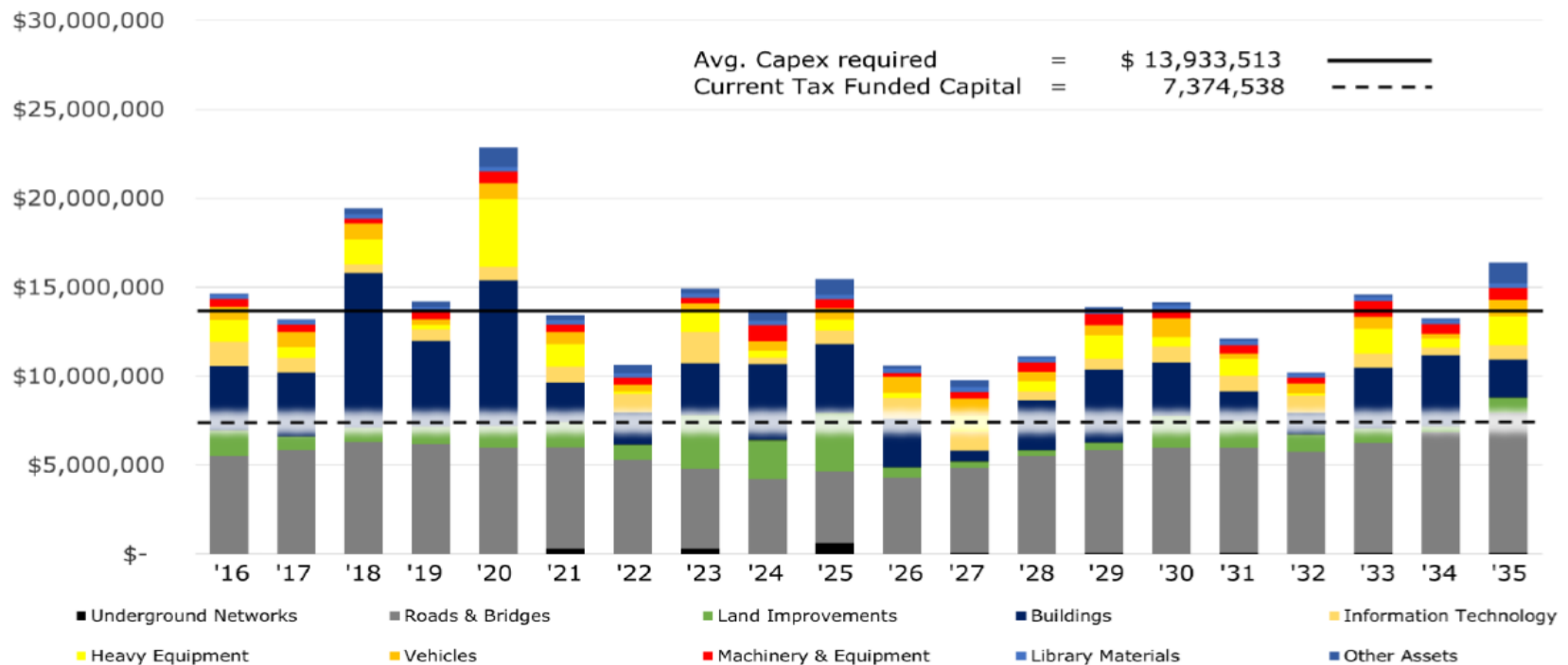


Replacing assets at the 'optimum' point avoids costly maintenance which does not prolong asset life, and therefore provides the best value for money

The 'critical', or balance point (in circle) is the point at which risk of failure starts to climb. At this point, repairs are required just to keep the asset functioning, and, even then, may not be sufficient.

Long Term Financial Planning Asset Management

Chart 1: General Fund Twenty-Year Capex Projections by Year and Asset Category



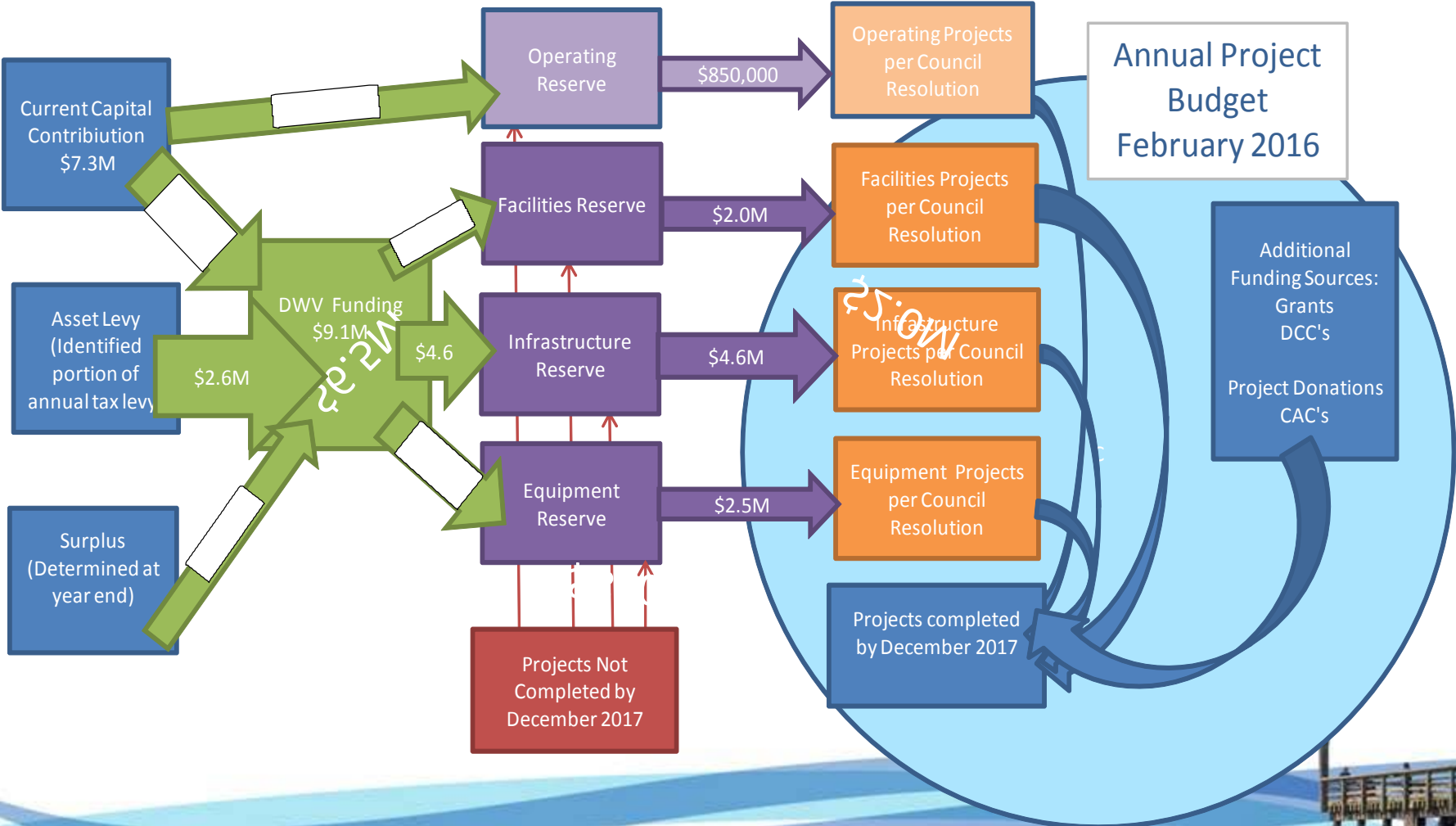
This chart shows 2015 replacement value, which does **not** include any assumptions for inflation, foreign exchange rate, or any new building construction. Estimates for capital maintenance of the new public safety building is included post 2018.



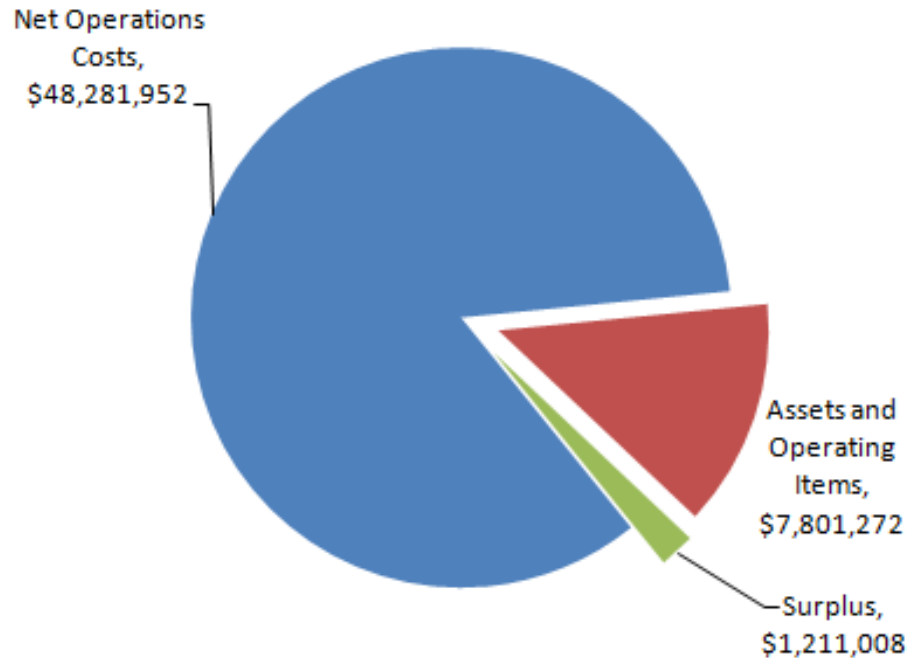
Proposed Solution: Three Steps

1. Set up a system of asset reserves
2. Set up a system of funding the reserves through an asset levy
3. Provide graduated annual increases to the level of asset levy funding

How Asset Management Reserves Work

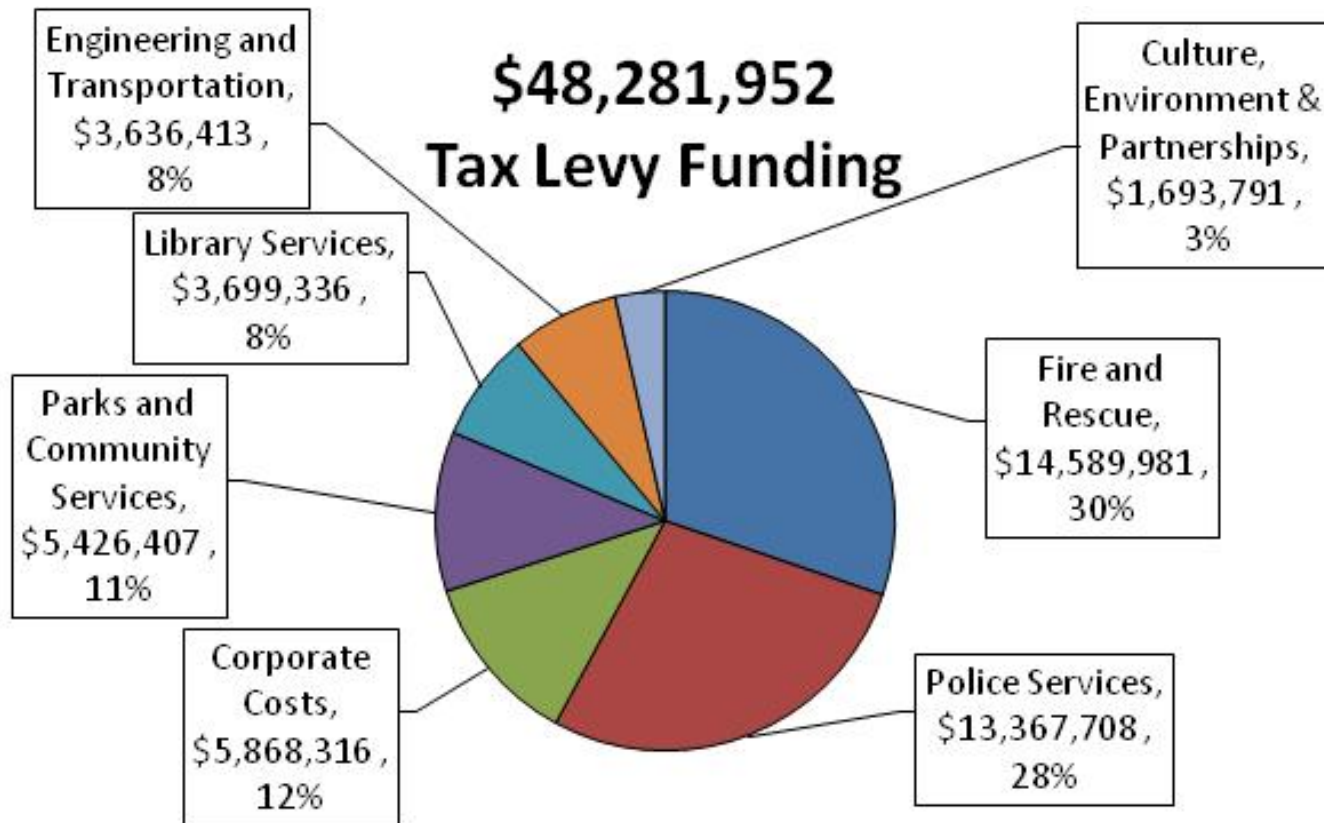


Property Tax Levy: What it Pays For



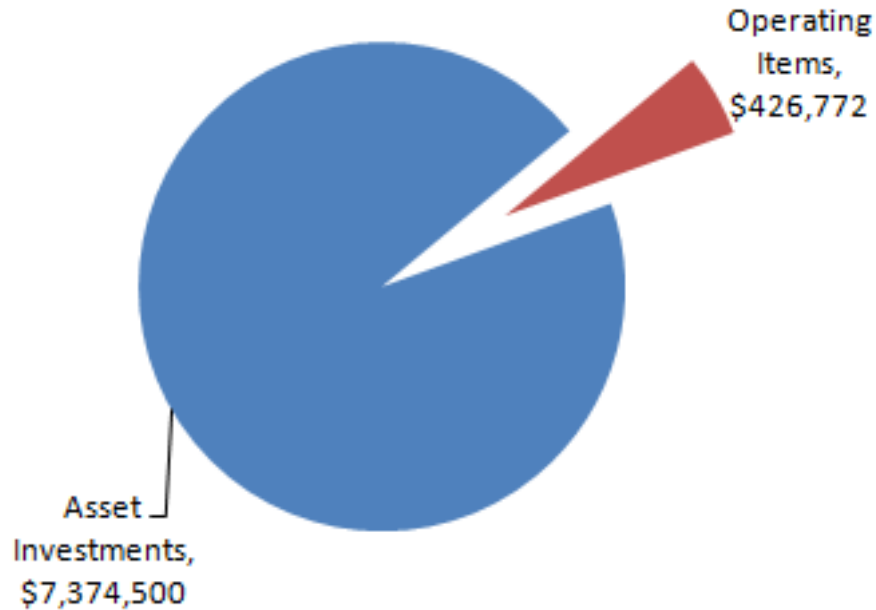
What happened to the tax levy of \$57,294,230?
What did it pay for?

Property Tax Levy in 2014 \$57M : \$48M to Operations



Operational subsidies from the tax levy in the District of West Vancouver

Current Asset Investment



Operating Items includes things such as firearms, fire hoses, library books, furniture items, and office equipment, which must be purchased periodically, but are not capital assets

Property Tax Levy in 2016

1% property tax rate increase = \$585,000
of revenue to the District

1% property tax rate increase = \$34
for the average West Vancouver household



2016 Preliminary Operational Budget

Operational Increases

Labour Increase (2.5% Fire, 2% rest of organization)	1,863,000	3.18%
Critical Operating Items	843,000	1.44%
General Government Adjustments	75,000	0.13%
	<u>2,781,000</u>	<u>4.75%</u>

Operational Savings

Change in Benefits Carrier	(400,000)	-0.68%
Legal Costs Rationalization	(50,000)	-0.09%
Public Realm Refuse	(429,000)	-0.73%
Fees & Charges Increases (Parks, Culture & Community Services)	(62,000)	-0.11%
Revenue Increase (Permits)	(300,000)	-0.51%
Miscellaneous Savings	(15,000)	-0.03%
	<u>(1,256,000)</u>	<u>-2.15%</u>

New Construction

	(975,000)	-1.67%
	<u>550,000</u>	<u>0.94%</u>

Police Levy (from Police Board)

	670,000	1.15%
	<u>1,220,000</u>	<u>2.09% Tax Levy Impact</u>

2016 Preliminary Capital – Critical

Critical Capital Asset Items Total	\$9,975,468
Currently Provided	<u>\$7,374,500</u>
Shortfall	\$2,600,968
Asset Levy to Fund	\$ 152

Critical items are at risk of failure, or have been identified by managers as critical to the community

2016 Preliminary Capital - Required

Critical and Required Capital Asset Items Total	\$ 13,487,918
Currently Provided	<u>\$ 7,374,500</u>
Shortfall	\$ 6,113,418
Asset Levy to Fund	\$ 354

Required capital includes all items identified as 'critical', plus items identified by managers as optimal to replace in 2016

What Difference Does the Asset Levy % Make?

Establish Levy over 10 Years	Annual Capital	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		\$7,374,538	\$7,959,538	\$8,553,313	\$9,155,995	\$9,767,716	\$10,388,614	\$11,018,825	\$11,658,490	\$12,307,749	\$12,966,747
	Establish levy of 1%, then add 1% annually thereafter	\$585,000	\$593,775	\$602,682	\$611,722	\$620,898	\$630,211	\$639,664	\$649,259	\$658,998	\$668,883
		\$7,959,538	\$8,553,313	\$9,155,995	\$9,767,716	\$10,388,614	\$11,018,825	\$11,658,490	\$12,307,749	\$12,966,747	\$13,635,630
Establish Levy over 6 Years	Annual Capital	2016	2017	2018	2019	2020	2021	2022			
		\$7,374,538	\$10,007,038	\$10,600,813	\$11,203,495	\$11,815,216	\$12,436,114	\$13,066,325			
	Establish levy of 4.5%, then add 1% annually thereafter	\$2,632,500	\$593,775	\$602,682	\$611,722	\$620,898	\$630,211	\$639,664			
		\$10,007,038	\$10,600,813	\$11,203,495	\$11,815,216	\$12,436,114	\$13,066,325	\$13,705,990			
Establish Levy over 4 Years	Annual Capital	2016	2017	2018	2019						
		\$7,374,538	\$11,762,038	\$12,355,813	\$12,958,495						
	Establish levy of 7.5%, then add 1% annually thereafter	\$4,387,500	\$593,775	\$602,682	\$611,722						
		\$11,762,038	\$12,355,813	\$12,958,495	\$13,570,216						
Create Levy in 2016		2016									
	Annual Capital	\$7,374,538									
	Establish levy of 10.5%	\$6,142,500									
		\$13,517,038									

Assumes that the amount of a 1% additional levy increases by 1.5% annually to account for new construction value

Impact on Average Taxpayer

		ESTABLISH ASSET LEVY IN :				
		No asset levy	1 year	4 years	7 years	10 Years
2015 Total	\$	4,790	\$ 4,790	\$ 4,790	\$ 4,790	\$ 4,790
Operations Increase	\$	68	\$ 68	\$ 68	\$ 68	\$ 68
Asset Levy			\$ 354	\$ 255	\$ 152	\$ 34
	\$	4,858	\$ 5,212	\$ 5,113	\$ 5,010	\$ 4,892
Utilities Increase	\$	137	\$ 137	\$ 137	\$ 137	\$ 137
2016 Total	\$	4,995	\$ 5,349	\$ 5,250	\$ 5,147	\$ 5,029
Total Increase	\$	205	\$ 559	\$ 460	\$ 357	\$ 239
Monthly	\$	416.25	\$ 445.75	\$ 437.50	\$ 428.92	\$ 419.08
Additional Amount per Month			\$ 29.50	\$ 21.25	\$ 12.67	\$ 2.83



2016 Budget Process

October/November 2015

- Divisional work plans
- Divisional operating and capital budgets

Mid-December 2015

- Preliminary Finance Committee Review
- Preliminary Council Review

January 2016

- Additional Council Review
- Public consultation (Minimum 3 meetings; plus web survey)

February 2016

- Final Review by Council (Consideration of Tax Rate and Asset Levy)
- Asset Management Reserve Bylaws
- 2016 - 2020 Five-year Financial Plan Bylaw

March 2015

- 2016 Capital Project Resolutions
- 2016 Tax Rate Bylaw

Assessment Changes – Single Detached Dwellings

Neighbourhood	Number of Houses	Change in Assessment	Average House Value
Altamont 28th-Westbay Schl	321	16.1%	4,125,170
Ambleside Esq S Water	162	25.5%	2,148,113
Ambleside Esq-Inglewood	336	17.3%	2,144,338
Ambleside Inglewood-Mather	641	24.0%	2,231,907
Ambleside Marine S Water	170	24.8%	2,336,845
Ambleside-Inglewood	598	19.6%	2,310,696
Brit Pr-Greenwood-Millstream	417	17.4%	3,268,338
Brit Prop Cap Golf East	398	20.9%	2,266,497
Brit Propt Highland-Cap Golf	525	15.9%	4,120,330
Cammeray	258	23.1%	3,722,359
Caulfield	1,078	17.3%	2,249,179
Cedardale	304	22.7%	1,863,279
Chartwell	449	23.2%	5,013,687
Cyp Pk Estates & Upr Caulfield	770	21.3%	2,319,763
Dundarave	1,329	25.1%	2,884,631
Eagle Ridge & Glen Eagles	1,049	15.7%	1,801,361
Glenmore	353	36.0%	1,807,750
Highway - Queens & Properties	383	21.3%	2,313,935
Hollyburn Cabins	14	1.3%	269,614
Horseshoe Bay	584	13.8%	1,268,393
Rental & Leased Properties	111	3.1%	49,895
Sunset Beach	35	21.9%	1,336,686
Upper Mathers	416	30.3%	2,657,330
Wentworth-Cypress Bowl	305	14.9%	4,622,770
West Van Waterfront	454	15.6%	6,509,371
Westmount	384	15.5%	3,210,805
Total	11,844		

Average Increase in Assessed Value **19.9%**

Average Assessment **2,766,583**

Areas in yellow have gone up more than average – taxes will shift onto these properties

Assessment Changes – Multi-Unit Strata Dwellings

Neighbourhood	Number of Stratas	Change in Assessment	Average Strata Value
Altamont Hwy-Cypress Bowl	383	4.1%	1,083,113
Ambleside Esq S Water	1357	5.2%	811,180
Ambleside Marine S Water	382	43.3%	1,077,887
Ambleside-Inglewood	12	3.2%	1,628,750
Brit Prop Cap Golf East	179	6.0%	457,261
Caulfield	71	11.8%	1,442,092
Cedardale	5	7.0%	1,008,200
Chartwell	22	-3.7%	1,648,727
Cyp Pk Estates & Upr Caulfield	187	6.9%	1,327,374
Dundarave	545	4.9%	1,216,853
Glenmore	16	11.1%	664,906
Horseshoe Bay	23	7.4%	656,874
Sunset Beach	100	6.2%	950,880
Wentworth-Cypress Bowl	98	46.3%	2,959,776
	3380		

Areas in yellow have gone up more than average – taxes will shift onto these properties

Average Increase in Assessed Value **11.4%**

Average Assessment **1,033,949**

2016 Home Owner Grant Changes

The threshold for the grant is \$1,200,000. Above this value, the grant is reduced by \$5.00 for each \$1,000 increase in assessed value

Amounts:	Regular Grant (\$ 570)	Phased out at \$1,314,000
	Additional Grant (\$ 845)	Phased out at \$1,369,000

In 2016, 393 properties that received some amount of Homeowner Grant will no longer qualify for any grant

43 properties that received the full grant in 2015 will not receive any grant in 2016; 27 of these were getting the Regular Grant (\$570), and 16 were receiving the Additional Grant (\$845)

Resident owners aged 55 or older, and resident owners supporting children under 18, have the option to defer some or all of their taxes.

2016 Budget Process Comments and Questions

1. Comments on the proposed **2.09% operational increase**: is this supportable?
2. Comments on the concept of **Asset Reserves** : is establishment of an asset reserve system supportable?
3. Comments on the proposed **Asset Levy**: is the concept of establishing an asset levy supportable?
4. Comments on the **proposed range for establishing the asset levy**:

In 2016:	\$354 annually per household
Over 4 years:	\$255 annually per household in 2016, building up to \$354
Over 7 Years:	\$152 annually per household in 2016, building up more gradually to \$354
Over 10 Years:	\$ 34 annually per household in 2016, building up very gradually to \$354



QUESTIONS AND COMMENTS