

ITEM	5
MANAGER'S REPORT NO.	57
COUNCIL MEETING	Sept. 13/76

Re: LOAN AUTHORIZATION BY-LAWS AND REFERENDUM - 20 NOVEMBER 1976

Following is a report on borrowings from the Municipal Treasurer.

RECOMMENDATION:

1. THAT a copy of this report be sent to the Parks and Recreation Commission and the Library Board.

\* \* \* \*

8 September 1976

File: R24

TO: MUNICIPAL MANAGER

FROM: MUNICIPAL TREASURER

RE: LOAN AUTHORIZATION BY-LAWS AND REFERENDUM - 20 NOVEMBER 1976

On 23 August 1976 Council approved the following programs for inclusion in a referendum to be voted on by the electors on 20 November 1976:

	<u>Allocation</u>	<u>Provision for discount and expenses on sale of bonds</u>	<u>Total borrowing</u>
Kensington overpass project	\$ 8,933,000	\$267,000	\$ 9,200,000
Library projects	5,631,000	169,000	5,800,000
Parks & Recreation projects	<u>7,767,000</u>	<u>233,000</u>	<u>8,000,000</u>
	<u>\$22,331,000</u>	<u>\$669,000</u>	<u>\$23,000,000</u>

Inclusive of this item, the following is a projection of borrowings that are expected to take place over the next three years:

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Total</u>
Composite by-law	\$ 8,000,000	\$ 8,000,000	\$ 7,000,000	\$23,000,000
Sanitary sewers	1,260,000	1,250,000	1,000,000	3,510,000
Storm sewers	1,500,000	1,500,000	1,500,000	4,500,000
Local improvement - roads	2,500,000	2,500,000	2,500,000	7,500,000
Local improvement - ornamental lighting	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>1,500,000</u>
Total borrowing	<u>\$13,760,000</u>	<u>\$13,750,000</u>	<u>\$12,500,000</u>	<u>\$40,010,000</u>

On the assumption that borrowings will take place in the first half of each year, the cost of servicing the debt on hand 31 December 1976, the debt created in 1977 for works started in 1976, and the new debt shown above, is estimated to be:

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Pre 1977 debt	\$ 5,972,931	\$ 5,911,531	\$ 5,729,967	\$ 5,489,460
New debt	<u>742,095</u>	<u>2,564,919</u>	<u>4,189,788</u>	<u>5,314,689</u>
	6,715,026	8,476,450	9,919,755	10,804,149
Less parcel and frontage taxes	<u>2,043,867</u>	<u>2,369,111</u>	<u>2,624,543</u>	<u>2,835,306</u>
Net debt levies	<u>\$ 4,671,159</u>	<u>\$ 6,107,339</u>	<u>\$ 7,295,212</u>	<u>\$ 7,968,843</u>

The interest rate used in the calculation of new debt is 9 1/2%.

For comparison purposes, the following are the borrowings that have taken place in the current and two previous years:

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Parks	\$ 1,999,748	\$ 4,157,290	\$ 704,095
Storm drainage	596,544	1,509,123	1,528,554
Municipal hall - west building			912,633
Local improvement - roads	702,208	2,099,836	3,154,357
Local improvement - ornamental lighting	<u>1,122,792</u>	<u>334,199</u>	<u>683,980</u>
	<u>\$ 4,421,292</u>	<u>\$ 8,100,448</u>	<u>\$ 6,983,619</u>

And annual net debt charges on the debt outstanding in these years were:

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Gross	\$ 4,875,917	\$ 5,331,779	\$ 6,027,977
Less parcel and frontage rates	<u>1,510,940</u>	<u>1,774,814</u>	<u>1,839,830</u>
Net debt levies	<u>\$ 3,364,977</u>	<u>\$ 3,556,965</u>	<u>\$ 4,188,147</u>

In the ordinary course of events, realty assessments on individual properties increase year by year in accordance with inflationary trends and the supply and demand of property. A constant mill rate applied to these assessments would show an increase in taxes year by year. However, 1975 and 1976 assessments have been frozen at 1974 levels. Notwithstanding, aggregate assessments have grown by approximately 4% annually between 1974 and 1976.

This growth is attributable to construction and changes in land use. If it is assumed that this rate of growth is constant, a projection of assessments together with the mill rate required to pay for the debt charges shown above, may be calculated as follows:

	<u>Taxable Assessment</u>	<u>Mill Rates</u>
1976	\$1,128,000,000	2.93
1977	1,173,000,000	3.98
1978	1,220,000,000	5.01
1979	1,269,000,000	5.75
1980	1,320,000,000	6.04

These levies applied to a median property (taxable assessment \$20,965) would be as follows:

1976	\$ 61.42
1977	83.44
1978	105.03
1979	120.55
1980	126.63

Rather than try to superimpose the anticipated costs of operating the new facilities being created from the new borrowings, it might be better to project future mill rates by the trends of the past. This would be a reasonable thing to do as in the last several years, projects for which money has been borrowed have come on stream.

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
General and debt	\$ 283.65	\$ 316.95	\$ 338.22	\$ 364.31
Other rates and levies	<u>322.72</u>	<u>379.87</u>	<u>449.13</u>	<u>511.35</u>
	606.37	696.82	787.35	875.66
Less Provincial Home-Owner Grant	<u>200.00</u>	<u>230.00</u>	<u>257.13</u>	<u>280.00</u>
	406.37	466.82	530.22	595.66
Deduct levy for debt	<u>56.72</u>	<u>67.51</u>	<u>68.97</u>	<u>61.43</u>
	<u>\$ 349.65</u>	<u>\$ 399.31</u>	<u>\$ 461.25</u>	<u>\$ 534.23</u>
Annual growth exclusive of debt levies		14.23%	15.51%	15.82%

From this, a projection for the years 1977 to 1980 may be made, with reference to the median property. This, of course, assumes a growth in the Provincial Home-Owner Grant in the pattern of the past four years.

	<u>Net taxes other than for municipal debt</u>	<u>Municipal debt</u>	<u>Total</u>	<u>% growth over previous year</u>
1976	\$ 534.23	\$ 61.42	\$ 595.65	N/A
1977	614.10	83.44	697.54	17.1
1978	706.21	105.03	811.24	16.3
1979	812.15	120.55	932.70	15.0
1980	933.97	126.63	1,060.60	13.7

For referendum presentation purposes, the question will be asked, "How much will this referendum increase the tax bill on the average home?" The answer is:

ITEM	5
MANAGER'S REPORT NO.	57
COUNCIL MEETING	Sept. 13/76

- 4 -

110

	<u>Mills</u>	<u>Taxes for this purpose on median home</u>
1977	.324	\$ 6.79
1978	1.081	22.66
1979	1.742	36.52
1980	2.047	42.92

and between the years 1981 to 1999 inclusive, sums less than \$42.92.

The following statement shows Burnaby's per capita debt picture exclusive of debt created for the waterworks utility:

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Debt created prior to 1977	\$47,338,397	\$45,011,825	\$41,738,707	\$39,452,831
Less sinking funds	<u>8,078,414</u>	<u>8,128,414</u>	<u>7,100,944</u>	<u>7,140,944</u>
Net debt	39,259,983	36,883,411	34,637,763	32,311,887
New debt accumulation	<u>-</u>	<u>13,760,000</u>	<u>27,500,000</u>	<u>40,010,000</u>
Estimated population (1 June)	\$39,259,983	\$50,643,411	\$62,137,763	\$72,321,887
	141,100	144,100	147,100	150,100
Per capita	\$ 278	\$ 351	\$ 422	\$ 481

Submitted for the information of Council.

*B. M. Goff*  
MUNICIPAL TREASURER

BM:gw

cc: C.I.P. Committee