

ITEM 38
MANAGER'S REPORT NO. 47
COUNCIL MEETING 87/07/27

RE: COMMITTEE FOR A CENTRE FOR THE PERFORMING ARTS
(ITEM 5(a), COUNCIL REPORT 1987 JUNE 08)

MUNICIPAL MANAGER'S RECOMMENDATION

1. THAT this report be received for information purposes.

REPORT

SUMMARY

On 1987 June 08 Council received a report from the subject Committee and referred it to staff for further consideration of funding implications.

On the Council agenda this week is an extensive report from the Director Finance on the effect of the 1987-1992 projected capital program (including the anticipated Metrotown Theatre and Fine Arts facilities) on internal reserves, debt, tax draw, and on the median home.

This report assesses the information in the Committee report and the Director Finance's report. It concludes that with our current fiscal and reserves policies and with our 1987-1991 capital budget as adjusted for major roads and parks expenditures, the anticipated Metrotown Theatre and the improvements to the Fine Arts facilities at Deer Lake could be internally financed. It also concludes that to do so would give rise to a projected tax increase of 6.6% annually for the years 1988 through 1992. In effect, these additional projects estimated to cost \$13.5 million would extend the debt impact on the tax levy for an additional two years, 1991 and 1992.

The Municipal Manager and the Management Committee feel that the projected tax increases are excessive, and therefore if the \$13.5 million project is approved by the referendum it is recommended that the capital budget be reviewed and revised to assimilate this work and any other capital needs. In short, the ad hoc Committee's recommendation should only be accepted with the timing proposed if the current planned capital program is reduced, particularly in the 1990 and 1991 years, the years proposed for the construction of the Theatre and the Fine Arts facilities. This review can be undertaken during preparation of the 1988-1992 capital budget.

OVERVIEW OF DIRECTOR FINANCE'S REPORT

In essence, the projections in the Director Finance's report can be summarized as follows:

	Increase in Tax Draw, % Per Year	Cumulative Tax Effect on 1992 Median Home \$
	<u>Each</u>	<u>Each</u>
	<u>Cumulative</u>	<u>Cumulative</u>
		1987 base = 652.61

Existing budget service base,
adjusted 4% annually for inflation

4.3 806.06

Less debt retirement

(0.72) 3.58 (30.87) 775.19

Committed

Recreation & Cultural Services
\$20.9 million

0.90 4.48 38.89 814.08

Planned

Major roads \$40.9 million
Other parks \$7.1 million
Local improvements \$20.5 million
Sub-totals, Planned

0.92 5.40 39.39 853.47
0.14 5.54 5.94 859.41
0.51 6.05 22.06 881.47
1.57 67.39

Referendum

Theatre/Fine Arts \$13.5 million

0.55 6.60 23.48 904.95

Total 2.30 Total 98.89

With the existing operating budget service base and after retirement of existing debt, but no capital program borrowing, the average annual increase in municipal taxes resulting from normal inflationary costs is projected to be 3.58% per year for the period 1987 through 1992.

Each segment of the proposed capital program adds to the tax load of the community. By 1992 we have already "committed" to a cumulative increase of 4.48% per year after existing debt retirement and we plan to add another 1.57% per year for a cumulative 6.05% per year tax increase.

The Theatre/Fine Arts facilities proposed for submission to a referendum will contribute an additional 0.55% per year for a total tax growth projection of 6.60% per year by 1992.

The projected annual tax increases are expected to impact on the median home as illustrated in the table. The \$652.61 municipal tax on the median home in 1987 is projected to be \$806.06 in 1992 as a result of the normal inflationary costs from the existing programs and services.

We have "committed" to an increase of \$38.89 and have planned a program that will add another \$67.39 for a cumulative effect of \$881.47 by 1992. The proposed Theatre and Fine Arts facilities will add a further \$23.48 for a total increase of \$98.89, resulting in a municipal tax of \$904.95 by 1992.

CONCLUSION

With the existing level of service, the committed Recreation and Cultural Services program, major planned capital expenditures, and the proposed Theatre and Fine Arts facilities, all combined, we are facing a tax increase of about 6.6% annually, on average, for the years 1988 through 1992 inclusive. Assuming that Council wishes to proceed with the proposed Theatre, the Municipal Manager and the Management Committee consider the projected tax increase excessive. Therefore a review of the planned capital program should be undertaken during preparation of the 1988-1992 capital budget with a view to reducing some of the planned expenditures, particularly in 1990 and 1991 when it is proposed to construct the Theatre and the Fine Arts facilities.