

Township of  
**Langley**



Est. 1873

## REPORT TO MAYOR AND COUNCIL

<b>PRESENTED:</b>	FEBRUARY 20, 2017 - REGULAR EVENING MEETING	<b>REPORT:</b>	17-14
<b>FROM:</b>	FINANCE DIVISION	<b>FILE:</b>	1700-80
<b>SUBJECT:</b>	LANGLEY 2017 – 2021 FIVE-YEAR FINANCIAL PLAN BYLAW AND DEVELOPMENT COST CHARGE RESERVE FUND EXPENDITURE BYLAW		

### RECOMMENDATION(S):

**That** Council give first, second, and third reading to the Langley 2017 – 2021 Five-Year Financial Plan Bylaw 2017 No. 5259; and

**That** Council give first, second, and third reading to the Development Cost Charge Reserve Fund Expenditure Bylaw 2017 No. 5260.

### EXECUTIVE SUMMARY:

The *Community Charter* requires Council to adopt the Langley 2017 – 2021 Five-Year Financial Plan Bylaw before adopting the Annual Tax Rates Bylaw and not later than May 14, 2017. The Langley 2017 – 2021 Five-Year Financial Plan Bylaw 2017 No. 5259 will establish the budget for revenues, expenditures, debt servicing and transfers to and from Township funds for 2017 – 2021 for Universal Services<sup>1</sup> and User Pay Utilities (Water, Sanitary Sewer and Solid Waste). The plan includes a two percent revenue increase due to growth from new construction.

Revenue budget increases included are as follows:

- Universal Services: 1.95% property tax rate increase
- Universal Services: 2.04% for additional items
- Water User Pay Utility: 1.55% user fee increase
- Sanitary Sewer Utility: 5.93% user fee increase
- Solid Waste Utility: no change

Also in accordance with the *Community Charter*, Council must adopt the Development Cost Charge Reserve (DCC) Fund Expenditure Bylaw 2017 No. 5260 authorizing the expenditure of funds from DCC Reserves for 2017 DCC capital projects, including related debt servicing, as well as DCC capital projects in progress from prior years.

<sup>1</sup> Universal Services: Parks Utility Fund, Transportation Utility Fund, Stormwater Utility Fund and General Fund which includes Fire Services, Police Services, Recreation and Cultural Services, Facility Management and General Government.

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**PURPOSE:**

The purpose of this report is to bring forward the Langley 2017 – 2021 Five-Year Financial Plan Bylaw 2017 No. 5259 and the Development Cost Charge Reserve Fund Expenditure Bylaw 2017 No. 5260 for three readings.

## DISCUSSION/ANALYSIS:

### Langley 2017 – 2021 Five-Year Financial Plan Bylaw 2017 No. 5259

The 2017 – 2021 Five-Year Financial Plan was developed based on resolutions and information from various discussions with Council up to February 6, 2017.

**Universal Services** revenue budget reflects a 3.99% property tax rate increase, net of growth from new construction of 2.00%.

Given the current challenging economic environment, there is tremendous pressure on municipalities to keep increases down. For the budget year 2017 that means a base level increase of 1.95% is required to offset general inflation and to maintain existing services levels.

UNIVERSAL SERVICES	Tax Revenue Increase (Base)
Core Property Tax Increase	1.36%
Operating Impact of Capital and Development	0.37%
Future Aldergrove Facility	0.22%
<b>Universal Services Property Taxes - Base</b>	<b>1.95%</b>

Over and above a core increase of 1.36%, the table above shows the base level adjustment includes increased operating costs associated with ongoing capital programs and development assets and an amount once again set aside to establish an operating budget for the new community centre in Aldergrove.

Council has approved a further Universal Services increase of 2.04% as summarized below showing a continued commitment to infrastructure and protective services, to maintain balanced and efficient development and provide support resources in response to growth and legislative requirements. See Attachment A for a more detailed listing of items included in the categories below.

UNIVERSAL SERVICES (With Additional Items)	Tax Revenue Increase (Total)
Core Property Tax Increase	1.36%
Operating Impact of Capital and Development	0.37%
Future Aldergrove Facility	0.22%
<b>Universal Services Property Taxes - Base</b>	<b>1.95%</b>
Commitment to Infrastructure	1.08%
Commitment to Protective Services	0.19%
Balanced and Efficient Development	0.23%
Other Technical Positions and Programs	0.54%
<b>Additional Items for Council Consideration</b>	<b>2.04%</b>
<b>Universal Services Property Taxes</b>	<b>3.99%</b>

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The household impact of 2017 adjustments is an additional \$71 (\$63 in 2016) per year or \$5.92 per month (\$5.25 in 2016).

UNIVERSAL SERVICES	% Change	Annual Change	Monthly Change
Parks	0.46	8	0.67
Transportation (Roads)	1.14	21	1.75
Stormwater	0.11	1	0.08
General Tax – Protective Services	0.62	11	0.92
General Tax – All Other*	1.66	30	2.50
<b>Property Taxes</b>	<b>3.99</b>	<b>71</b>	<b>5.92</b>

*\*General Tax – All Other includes, recreation and culture, facility maintenance, community development, finance, human resources, corporate services, mayor and council and administration.*

The following table shows the property tax increase for each year 2017 to 2021 including all additional items summarized above.

UNIVERSAL SERVICES Base Increase Plus Additional Items	2017	2018	2019	2020	2021
Property Tax Revenue Increases	3.99%	2.05%	1.95%	1.95%	1.95%

Years 2018 to 2021 include only base budget amounts plus annualization of Fire Fighters and the Bylaw Officer in year two of the plan.

**User Pay Utility** revenue budgets reflect 2017 User Pay Utility rate increases of 1.55% for Water, 5.93% for Sanitary Sewer and no change for Solid Waste. An estimated growth rate for new users joining the system has been estimated at 2.00%.

The annual impact of proposed adjustments on a typical household subscribing to each service is a \$7.65 increase for water, a \$23.68 increase for sanitary sewer and no change in the base or cart fee for solid waste management (includes garbage and organics collection).

USER PAY UTILITIES	Percent Change	Annual Rate Change	Annual Flat Rate
Water	1.55%	\$7.65	\$500.97
Sanitary Sewer	5.93%	\$23.68	\$423.02
Solid Waste (garbage and organics collection)**	0.00%	\$0.00	\$290.00

*\*\*Solid Waste Single Family Rate - \$290 (\$140 base rate plus \$150 cart rate). For Multi-Family \$215 (\$140 base rate plus \$75 cart rate)*

Adjustments in User Pay revenue are required to offset general inflation, salary and wage increases, major and regional contract increases (water and liquid waste), capital infrastructure, construction and improvements, and related debt servicing.

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On July 20, 2015, the Township transitioned from manual to cart-based garbage and organics collection. The new collection methodology, combined with Metro Vancouver's lower municipal tipping fee, is expected to result in an initial program cost reduction of between 4 to 6%, depending on waste diversion rates achieved. In anticipation of cost reductions and the elimination of one-time start-up costs, the base rate and cart fee have been maintained at 2016 levels for 2017.

The following are proposed User Pay Utility rate increase projections for the five-year period of the financial plan.

USER PAY UTILITIES	2017	2018	2019	2020	2021
Water	1.55%	2.00%	2.00%	2.00%	2.00%
Sanitary Sewer	5.93%	2.00%	2.00%	2.00%	2.00%
Solid Waste	0.00%	0.00%	2.00%	2.00%	2.00%

#### Capital Program

The capital program is only partially funded from General and Utility Funds revenues with the majority of funding coming from sources such as reserves and surplus, development cost charges receipts, senior government grants, local area service funds and, as a last resort, from debt financing.

The 2017 Capital Budget includes 2016 capital carry-forward projects and 2017 new capital project requests. A listing of funded 2017 capital projects is available upon request.

#### Carry-Forwards and One-time Items

As in previous years, the Financial Plan includes operating carry-forwards, one-time items, and capital funded from prior year surplus.

Budgeted carry-forwards reflect programs and/or projects that were fully funded in a previous year but not been completed because of changes in operational priorities or delays in budgetary and regulatory approvals. They may also include programs and/or projects that span multi-periods. Budgeted carry-forwards have no impact on the property tax rate for the current or future periods.

Budgeted one-time items may include specific Council directives, expenditures to meet one-time commitments, seed money for the commencement of programs and/or services, repayment and/or pay-down of debt obligations, expenditures to meet anticipated labor and/or legal settlements, and funding of one-time goods and/or services. One-time items are typically funded from prior year surplus and, as such, have no impact on current or future property tax rates.

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The data presented below forms part of the Langley 2017 – 2021 Five Year Financial Plan Bylaw 2017 No. 5259. It represents past practices and discussions with Council during budget deliberations.

Proportion of total revenue

Revenue Source	Operating Budget Funding Sources	Capital Budget Funding Sources
Property taxes	59%	2%
Sale of Service – Utilities	18%	1%
Sale of Service - Other	9%	0%
Other sources	9%	40%
Transfer from own funds	5%	46%
Proceeds from borrowing	0%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Operating Budget Funding Sources

The table above reflects Revenue raised from each funding source in 2017. Property taxes form the greatest proportion of operating revenue for the Township and they provide a stable and consistent source of revenue for many services that are difficult or undesirable to fund on a user-pay basis. Such services include parks, transportation, stormwater, fire protection, policing services, recreation and culture, facility maintenance and general government. For these reasons, property taxation will continue to be the major source of the Township's revenue.

User fees and charges are the second largest portion of general operating revenue. Many Township services, such as water, sanitary sewer, and solid waste (including garbage and organics collection and disposal), are charged on a user-pay basis, which ensures they are paid for by taxpayers receiving these services.

Capital Budget Funding Sources

The capital program is only partially funded from General and Utility Funds revenues with the majority of funding coming from sources such as reserves and surplus, development cost charges receipts, senior government grants, local area service funds and, as a last resort, from debt financing.

Distribution of 2016 property taxes among the various property classes

Property Class	Property Class Description	Property tax Revenue %
1	Residential	61.65%
2	Utilities	1.03%
4	Major Industry	0.21%
5	Light Industry	10.09%
6	Business	26.20%
8	Recreation	0.21%
9	Farm	0.61%
	<b>Total</b>	<b>100.00%</b>

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 British Columbia Assessment).

Use of Permissive Tax Exemptions

The *Community Charter* provides municipalities the ability to grant permissive exemptions under Sections 244, 225 and 226. The Township's permissive exemption policy sets the parameters under which Council considers applications for permissive exemptions from property taxes from organizations that are eligible for such exemptions.

The Township grants permissive exemptions for buildings for public worship; not-for-profit and charitable organizations and community halls; and heritage properties. Council supports, through permissive exemptions from property taxes, organizations that provide services that fulfill some basic need, improve the life of Township residents and are compatible with or are complementary to the services offered by the Township.

Per Council Report 16-98, dated October 3, 2016, 2017 Council approved permissive tax exemptions are calculated to be approximately \$978,381, which is approximately equal to 86% of a 1.00% property tax revenue increase<sup>2</sup>.

	Amount
Charitable and Not-For-Profit	\$ 499,984
Churches	\$ 412,972
Heritage Properties	\$ 65,425
<b>Total</b>	<b>\$ 978,381</b>

<sup>2</sup> 1% Universal Services Property Tax Increase for 2017 = \$1,135,200

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Development Cost Charge Reserve Fund Expenditure Bylaw 2017 No. 5260

In accordance with the *Community Charter*, Council must adopt a Development Cost Charge Reserve (DCC) Fund Bylaw authorizing the expenditure of funds from the DCC Reserve. Development Cost Charge Reserve Fund Bylaw 2017 No. 5260 will authorize the expenditure of \$58,814,326 from the Development Cost Charge Reserve for 2017 DCC capital projects, including related debt servicing, as well as DCC capital projects in progress from prior years (carry-forward).

Respectfully submitted,

Karen Sinclair  
ACTING DIRECTOR OF FINANCE

Attachment A            Additional 2017 Budget Items



### Attachment A - Additional 2017 Budget Items

In addition to the *base increase* presented above, a number of '*Additional Items*' have been submitted for Council consideration. The table below shows a breakdown of property tax percentage increases for '*2017 Additional Items*'.

UNIVERSAL SERVICES – Property Tax Changes	2017 Additional Items	Percentage Increases
Core Property Tax Increase		1.36%
Operating Impact of Capital and Development		0.37%
Future Aldergrove Facility		0.22%
<b>Universal Services Property Tax Revenue Change</b>	<b>\$2,210,503</b>	<b>1.95%</b>
Facility Infrastructure Capital Funding	\$387,300	0.34%
Transportation Infrastructure Capital Funding	\$300,000	0.26%
Parks Infrastructure Capital Funding	\$100,000	0.09%
Roads Paving Additional Increase	\$250,000	0.22%
Information Technology Capital Funding	\$100,000	0.09%
Fitness Equipment Capital Funding	\$50,000	0.04%
CCTV Program (20 years at \$100,000 per year)	\$40,000	0.04%
<b>Commitment to Infrastructure</b>	<b>\$1,227,300</b>	<b>1.08%</b>
Fire Fighters (4 effective August 1, 2017, 2 in 2018)	\$163,009	0.14%
Bylaw Officer (effective July 1, 2017)	\$50,435	0.04%
<b>Commitment to Protective Services</b>	<b>\$213,444</b>	<b>0.19%</b>
Social Planner	\$103,519	0.09%
Development Engineering Tech	\$98,460	0.09%
Support Clerk	\$58,318	0.05%
<b>Balanced and Efficient Development</b>	<b>\$260,297</b>	<b>0.23%</b>
Safety Coordinator	\$120,028	0.11%
Facility Maintenance Worker	\$94,851	0.08%
Pool Service Worker	\$78,702	0.07%
GIS Technician – Engineering	\$41,303	0.03%
Clerk Typist IV – Corporate Administration	\$63,774	0.06%
Technical Assistant – Economic Development	\$50,927	0.04%
Senior Business Applications Support – Information Tech	\$89,767	0.08%
Operations Maintenance Worker – Construction Services	\$44,409	0.04%
Homeless Camp Cleanups and Other	\$35,000	0.03%
<b>Other Technical Positions and Programs</b>	<b>\$618,761</b>	<b>0.54%</b>
<b>Additional Items for Council Consideration</b>	<b>\$2,319,802</b>	<b>2.04%</b>
<b>Universal Services Property Taxes</b>	<b>\$4,530,305</b>	<b>3.99%</b>

**THE CORPORATION OF THE TOWNSHIP OF LANGLEY**

**LANGLEY 2017 – 2021 FIVE-YEAR FINANCIAL PLAN BYLAW 2017 NO. 5259**

**EXPLANATORY NOTE**

The Langley 2017 - 2021 Five-Year Financial Plan Bylaw 2017 No. 5259 authorizes the expenditure of funds for the Municipality. The Langley 2017 - 2021 Five-Year Financial Plan Bylaw 2017 No. 5259 is prepared pursuant to Section 165 of the *Community Charter* and is required to be adopted by Council prior to the Tax Rates Bylaw and May 15, 2017.

An expenditure that is not provided for in the 2017 - 2021 Five-Year Financial Plan is not lawful.

THE CORPORATION OF THE TOWNSHIP OF LANGLEY

LANGLEY 2017 - 2021 FIVE-YEAR FINANCIAL PLAN BYLAW 2017 NO. 5259

A bylaw to establish the Five-Year Financial Plan from 2017 to 2021.

WHEREAS Section 165 of the “*Community Charter*” requires that the Corporation of the Township of Langley adopt a Five-Year Financial Plan prior to approval of the Tax Rates Bylaw and May 15, 2017:

NOW THEREFORE, the Local Government Council of The Corporation of the Township of Langley, in Open Meeting Assembled, ENACTS AS FOLLOWS:

- 1. This bylaw may be cited for all purposes as the “Langley 2017 - 2021 Five-Year Financial Plan Bylaw 2017 No. 5259
- 2. Schedule “A”, being the Revenue Plan Objectives and Policies, attached hereto and forming part of this bylaw is hereby adopted as the 2017 – 2021 Five Year Financial Plan of The Corporation of the Township of Langley.
- 3. Schedule “B”, being the Financial Plan, attached hereto and forming part of this bylaw is hereby adopted as the 2017 - 2021 Five Year Financial Plan of The Corporation of the Township of Langley.

READ A FIRST TIME the	day of	, 2017
READ A SECOND TIME the	day of	, 2017
READ A THIRD TIME the	day of	, 2017
RECONSIDERED AND ADOPTED the	day of	, 2017

_____	Mayor	_____	Township Clerk
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**THE CORPORATION OF THE TOWNSHIP OF LANGLEY  
LANGLEY 2017 - 2021 FIVE YEAR FINANCIAL PLAN BYLAW 2017 NO. 5259  
SCHEDULE "A" – REVENUE PLAN OBJECTIVES AND POLICIES**

In accordance with the *Community Charter* disclosure requirements the Township of Langley discloses the following information.

1. The proportions of revenue proposed to come from the various funding sources;
2. The distribution of property taxes among property classes; and
3. The use of permissive tax exemptions.

**1. Proportion of total revenue from various funding sources**

<b>Revenue Source</b>	<b>Operating Budget Funding Sources</b>	<b>Capital Budget Funding Sources</b>
Property taxes	59%	2%
Sale of Service – Utilities	18%	1%
Sale of Service - Other	9%	0%
Other sources	9%	40%
Transfer from own funds	5%	46%
Proceeds from borrowing	0%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The proportion of total revenue to be raised from each funding source in 2017 is presented in the table above. Property taxes form the greatest proportion of operating revenue for the Township. 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.

User fees and charges is the second largest portion of general operating revenue. Many Township services, such as water, sewer, and garbage collection are charged on a user-pay basis which ensures they are paid for by taxpayers receiving these services.

The capital program is only partially funded from General and Utility Funds revenues with the majority of funding coming from sources such as reserves and surplus, development cost charges receipts, senior government grants, local area service funds and, as a last resort, from debt financing.

## **2. Distribution of 2016 property taxes among the various property classes**

Property Class	Property Class Description	Property tax Revenue %
1	Residential	61.65%
2	Utilities	1.03%
4	Major Industry	0.21%
5	Light Industry	10.09%
6	Business	26.20%
8	Recreation	0.21%
9	Farm	0.61%
	<b>Total</b>	<b>100.00%</b>

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 British Columbia Assessment).

## **3. Use of Permissive Tax Exemptions**

The Community Charter provides municipalities the ability to grant permissive exemptions under Sections 244, 225 and 226. The Township's permissive exemption policy sets the parameters under which Council considers applications for permissive exemptions from property taxes from organizations which are eligible for such exemptions.

Permissive exemptions are granted for buildings used for public worship; not-for-profit and charitable organizations and community halls; and heritage properties. Council supports, through exemptions from property taxes, organizations which provide services that fulfill some basic need, improve the life of Township residents and are compatible with or are complementary to the services offered by the Township.

Council approved permissive tax exemptions for 2017 are estimated to be at approximately \$978,381 (2016: \$957,335) which is approximately equal to 86% of a 1.00% property tax revenue increase for 2017.

	Amount
Charitable and Not-For-Profit	\$499,984
Churches	\$412,972
Heritage Properties	\$65,425
<b>Total</b>	<b>\$978,381</b>

**THE CORPORATION OF THE TOWNSHIP OF LANGLEY**  
**LANGLEY 2017 - 2021 FIVE YEAR FINANCIAL PLAN BYLAW 2017 NO. 5259**  
**SCHEDULE "B" – FINANCIAL PLAN**

	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$
<b>REVENUE</b>					
<b>Operating Plan</b>					
Property Taxes and Levies	128,879,827	133,749,291	138,696,423	143,838,278	149,177,308
Sale of Services-Utilities	40,255,852	41,731,268	43,401,743	45,138,989	46,946,345
Sale of Services-Other	20,691,535	21,073,792	20,977,699	21,017,247	21,057,448
Other Revenue	18,901,251	18,941,666	19,180,440	19,364,413	20,240,574
Transfer from Surplus and Reserves	10,071,402	4,488,756	3,545,516	3,465,516	3,465,516
<b>Operating Plan Sub-total</b>	<b>218,799,867</b>	<b>219,984,773</b>	<b>225,801,821</b>	<b>232,824,443</b>	<b>240,887,191</b>
<b>Capital Plan</b>					
Contribution from Current Year Revenue	7,839,051	8,239,051	8,739,051	9,239,051	9,504,051
Transfer from Prior Year's Surplus	5,741,532	8,480,700	5,456,879	2,756,879	9,338,544
Grants	13,482,651	100,000	-	-	-
Transfer from Development Cost Charge Reserves	54,579,642	38,829,630	23,460,540	19,991,200	19,054,500
Transfer from Capital Surplus and Reserves	127,626,989	48,395,869	28,733,330	23,264,904	21,276,070
Private Funds and Other Sources	47,440,915	54,998,000	42,985,500	42,970,500	42,980,500
Proceeds From Borrowing	30,935,223	-	-	-	-
<b>Capital Plan Sub-Total</b>	<b>287,646,003</b>	<b>159,043,250</b>	<b>109,375,300</b>	<b>98,222,534</b>	<b>102,153,665</b>
<b>TOTAL FINANCIAL PLAN REVENUE</b>	<b>506,445,870</b>	<b>379,028,023</b>	<b>335,177,121</b>	<b>331,046,977</b>	<b>343,040,856</b>
<b>EXPENDITURE</b>					
<b>Operating Plan</b>					
Municipal Services	189,682,099	189,368,681	192,584,596	195,832,209	199,003,690
Debt Service	8,175,963	9,177,513	9,378,513	9,579,296	10,291,455
Contribution to Funds and Reserves	20,941,805	21,438,579	23,838,712	27,412,938	31,592,046
<b>Operating Plan Sub-Total</b>	<b>218,799,867</b>	<b>219,984,773</b>	<b>225,801,821</b>	<b>232,824,443</b>	<b>240,887,191</b>
<b>Capital Plan</b>	<b>287,646,003</b>	<b>159,043,250</b>	<b>109,375,300</b>	<b>98,222,534</b>	<b>102,153,665</b>
<b>TOTAL FINANCIAL PLAN EXPENDITURES</b>	<b>506,445,870</b>	<b>379,028,023</b>	<b>335,177,121</b>	<b>331,046,977</b>	<b>343,040,856</b>

**THE CORPORATION OF THE TOWNSHIP OF LANGLEY****DEVELOPMENT COST CHARGE RESERVE FUND****EXPENDITURE BYLAW 2017 NO. 5260****EXPLANATORY NOTE**

Bylaw 2017 No. 5260 provides for the 2017 Capital Expenditure Program (and related debt) from the Development Cost Charge Reserve Fund as provided by the 2017 – 2021 Five Year Financial Plan. The projects are for road, stormwater, sewer, water services and for parkland acquisition and development.

The Roads, Stormwater, Parkland Acquisition and Park Development DCC Reserves do not currently have sufficient funds to cover the expenditures included in the 2017 – 2021 Five Year Financial Plan. However, these expenditures have been included in the DCC Expenditure Bylaw in the event that enough DCC funds are received during the year. Projects will only proceed when sufficient funds are available.

Funds that become available in the Parkland Acquisition DCC Reserve, Water DCC Reserve, Stormwater DCC Reserve, and Roads DCC Reserve are first directed towards payment of the annual debt.

Presently, there are estimated expenditures under the bylaw in the amount of \$58,814,326, which include capital carry-forwards from prior years, current debt payments and new capital projects for 2017.

Should any of the above-noted monies remain unexpended at the end of a project; the unexpended balance will be returned to the credit of the reserve fund.

Mayor \_\_\_\_\_ Township Clerk \_\_\_\_\_