

DISTRICT OF WELLS
Bylaw No. 140, 2015 Schedule "C"

2015 FINANCIAL PLAN STATEMENT

General Summary

For the past several years, the District of Wells has enjoyed a period of relative financial security resulting from a number of positive contributing factors. During those years, operational and capital costs were normally funded by current year revenues and producing a year-end surplus was the norm. In 2013 it was projected that then current spending patterns and revenue projections would result in the District beginning to face a deficit by 2015 that would increase with each passing year thereafter. Although the District has established a healthy financial reserve which could be used to address such emerging contingency issues, the magnitude of continuous and growing deficits over an extended period of years would not be sustainable.

Given the above, the District's 2015 to 2019 Financial Plan assumes a fiscally conservative stance to maintain a sustainable financial position for the municipality. While the current plan provides for the use of reserves to maintain operations, several steps could be taken to reduce the need to access reserves and help the municipality maintain a sustainable financial position:

1. In 2015 and each year thereafter, a 3% municipal tax increase;
2. In 2015 and every two years after, a Fees and Services Bylaw amendment to adjust fees to more accurately reflect municipal costs for services; and
3. In 2015 and 2018, a Garbage Bylaw amendment to increase rates to more accurately reflect the cost of providing the service;
4. In 2019, provide an increase of 5% for water and sewer user fees.

As the District strives for long-term financial sustainability, other future year cost reductions and revenue increases will be considered. Of particular importance is the continuation of the District practice of undertaking capital projects only where substantial costs can be covered by external grants.

It should be noted that development of this plan does require making assumptions regarding the stability of future municipal revenues and expenditures and most importantly, the continuation of the British Columbia Small Communities Protection Grant program. Should any of these inputs vary substantially it will be necessary to make corresponding changes to the plan in future years.

Proportion of total revenue from each funding source

Table 1 below shows the proportion of total revenue to be raised under the Plan from each funding source in 2015. At 60.4 percent, grants continue to be the largest and most important source of revenue for the municipality. Comparatively, property and parcel taxes in 2015 will account for a combined total of only 20.9 percent of the District's revenue requirements. User fees for municipal services such as the water and sewer utilities will account for an additional 13.2 percent. There is no short-term borrowing for Capital Projects in 2015. Other revenue, which is composed of services, provided to other levels of government, rentals and misc. funding make up the remaining 5.5 percent.

The above combination of grants, property taxes, user fees, and other revenue together have provided a historically stable and consistent source of operational funding for the District. For matters of capital funding, it should be noted that most District capital projects are based around external funding opportunities such as grant programs which minimize the impact of Capital work on our local taxpayer. Although this requires considerable flexibility when planning projects, it does allow a small community like Wells to undertake major projects that could not otherwise be funded. An exception to the requirement for flexible planning is the Federal Fuel Tax Rebate Program which provides stable annual funding for allowable capital projects and which was a major funding component of our recently completed Water Treatment Plant. Schedule "A" of this bylaw identifies these funds as annual transfers to Restricted Surplus where the funds reside until needed for allowable capital projects.

Table 1. Proportions of total revenue by source

Revenue Source	% Total Revenue
Grants	60.4%
Parcel taxes	12.2%
Property value taxes	8.7%
User fees and charges	13.2%
Proceeds from borrowing	0%
Transfers from reserves	0%
Other revenue	5.5%
TOTAL	100.0%

Distribution of property taxes among the property classes

Table 2 illustrates the percentage of total property value tax revenue to be collected from each property class in 2015.

Table 2. Percentage of total property value tax by property class

Property class	% Property Value Tax
Residential (Class 1)	51.0%
Utilities (Class 2)	5.3%
Major Industry (Class 4)	12.4%
Business (Class 6)	31.1%
Recreation/Non-Profit (Class 8)	0.2%
TOTAL	100.0%

Use of permissive tax exemptions

The Annual Municipal Report for 2014 will contain a list of permissive exemptions granted for the previous taxation year and the amount of tax revenue foregone. The list demonstrates the policy of council that permissive exemptions are granted to registered not-for-profit organizations that form a valuable part of our community. These include historical societies, recreational and service organizations and cultural institutions.

Tax Policy Statements

Policy Statement #1

Recognizing the fundamental requirement for the District of Wells to maintain a sustainable long term financial position it is the policy of the District of Wells that property tax increases over the span of this five-year Financial Plan should be the minimum necessary to meet that requirement.

Objective: The District of Wells increase municipal taxes at the rate of 3% in each of the 5 years of the Financial Plan.

Policy Statement #2

Within the context of the Financial Plan, Council recognizes that the District of Wells, having one of the smallest municipal tax bases in British Columbia, cannot unilaterally support municipal operations without substantial external sources of revenue. Furthermore without the annual unrestricted Provincial Small Community Protection Grant, the District of Wells would be unable to financially sustain itself. Therefore in order to sustain the municipality, it is the policy of the District to be a strong proponent for the continuation of senior government funding programs such as the B.C. Small Communities Protection Grant.

Objective: Over the five-year period of this financial plan, the District will be a strong proponent for the continuation of senior government funding programs for small municipalities in British Columbia and in particular for continuation of the B.C. Small Communities Protection Grant.

Policy Statement #3

The District of Wells shall actively pursue external grants and sources of revenue to fund any new operational programs or capital projects to minimize property tax impacts.

Objective: Over the five-year period of this financial plan, the District will minimize new operational and capital programs and projects that cannot be funded in whole or in part by external funding and grant programs.

Policy Statement #4

The District shall endeavor to minimize future changes to the proportional relationship between the property classes for tax purposes.

Objective: Using 2013 as a base year, maintain the status-quo of proportional relationships of property classes for taxation purposes.

Policy Statement #5

Council will continue to support permissive tax exemptions for properties owned by local registered non-profit organizations.

Objective: Assist local registered non-profit organizations in the community through the administration of permissive tax exemptions.