

## **Bylaw 132, 2014 Schedule "C"**

### **2014 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. Last year we 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 2013 Financial Plan assumed a fiscally conservative stance to maintain the municipality in a sustainable position. 2014 will see a continuation of that program with the planned 3% municipal tax increase as well as the planned 5% increase in water and sewer utility rates.

On the expenditure side of the ledger, some aspects of the plan to reduce costs as originally outlined in 2013 will require adjustment due to Staff changes and emerging training demands, but other future year cost reductions and revenue increases should proceed as outlined in the 2013 document as we continue to strive for long-term financial sustainability. Of particular importance is the continuation of the District practice of undertaking capital projects only where substantial costs can be covered by external grants. We again note that development of this plan does require making assumptions regarding the stability of future municipal revenues and expenditures and most important, 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 one below shows the proportion of total revenue to be raised under the Plan from each funding source in 2014. At 66.7%, grants continue to be the largest and most important source of revenue for the municipality. Comparatively, property and parcel taxes in 2014 will account for a combined total of only 18.5% of the District's revenue requirements. User fees for municipal services such as the water and sewer utilities will account for an additional 8.9%. There is no short-term borrowing for Capital Projects in 2014. Other revenue, which is composed of services provided to other levels of government, rentals and misc. funding make up the remaining 5.9%. (Note the \$133,535 transfer from prior years shown as 2014 revenue in Schedule A of this bylaw is a deferred grant amount from the SCIF program and is thus shown here as grant revenue.)

The above combination of grants, property taxes, user fees, and other revenue together have provided an 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 one: proportions of total revenue**

<b>Revenue Source</b>	<b>% Total Revenue</b>
Grants	66.7%
Parcel taxes	10.3%
Property value taxes	8.2%
User fees and charges	8.9%
Proceeds from borrowing	0%
Transfers from reserves	0%
Other revenue	5.9%
<b>TOTAL</b>	<b>100.0%</b>

**Distribution of property taxes among the property classes**

The table below illustrates the percentage of total property value tax revenue to be collected from each property class in 2014.

<b>Property class</b>	<b>% Property Value Tax</b>
Residential (Class 1)	50.9%
Utilities (Class 2)	5.3%
Major Industry (Class 4)	12.4%
Business (Class 6)	31.0%
Recreation/Non-Profit (Class 8)	0.4%
<b>TOTAL</b>	<b>100.0%</b>

### **Use of permissive tax exemptions**

The Annual Municipal Report for 2013 (produced in 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.