

THE CITY OF TRAIL

BYLAW NO. 2902

A BYLAW OF THE CITY OF TRAIL RESPECTING THE FINANCIAL PLAN FOR THE YEARS 2021 TO 2025

WHEREAS the Community Charter requires that the Council of the City of Trail adopt a long-term Financial Plan for a period of five years;

NOW THEREFORE, Council of the City of Trail, duly assembled in open meeting, **ENACTS AS FOLLOWS**:

1. That this Bylaw may be cited for all purposes as the "**Financial Plan Bylaw No. 2902, 2021**".
2. Schedule "A" attached hereto and made part of this Bylaw is hereby declared to be the Financial Plan of the City of Trail for the years 2021 to 2025, inclusive.
3. Schedule "B" attached hereto and made part of this Bylaw is hereby declared to be the City's Revenue Policies which form the basis of Schedule "A" estimations.

READ the **FIRST, SECOND** and **THIRD** time the 12th day of April, 2021.

RECONSIDERED and **FINALLY ADOPTED** the 12th day of April, 2021.



MAYOR



CORPORATE ADMINISTRATOR

Certified a true copy of
Bylaw No. 2902, 2021.

CORPORATE ADMINISTRATOR

**CITY OF TRAIL
FINANCIAL PLAN 2021 TO 2025**

**SCHEDULE "A"
Bylaw 2902, 2021**

GENERAL REVENUE FUND

REVENUE	2021	2022	2023	2024	2025
Taxation	\$15,861,900	\$16,269,850	\$16,806,600	\$17,302,550	\$17,826,950
Grants in Lieu of Taxes	74,850	74,900	74,900	74,900	74,900
Services provided to other governments	12,000	11,600	12,000	12,300	12,600
Sale of Services	1,343,700	1,514,900	1,634,200	1,725,200	1,744,200
Other revenue from Own Sources	1,038,200	1,038,000	1,037,800	1,038,400	1,039,400
Unconditional Transfers from Other Governments	560,000	610,000	620,000	625,000	627,500
Conditional Transfers from Other Governments	724,850	537,500	421,000	333,300	322,200
Conditional Transfer from Regional Governments	496,700	504,250	511,400	518,550	525,650
Collections for Other Governments	8,397,950	8,398,000	8,398,000	8,398,000	8,398,000
Appropriation from Prior Years' Surplus	340,000	255,000	191,300	143,500	71,800
TOTAL	\$28,850,150	\$29,214,000	\$29,707,200	\$30,171,700	\$30,643,200
EXPENDITURES	2021	2022	2023	2024	2025
General Government Services	\$2,886,050	\$2,961,200	\$3,049,500	\$3,097,000	\$3,145,200
Protective Services	2,466,650	2,534,200	2,611,300	2,690,000	2,771,700
Transportation Services	3,806,050	3,806,200	3,885,900	3,975,400	4,067,100
Environmental Health Services	401,700	409,300	419,100	429,200	439,600
Public Health and Welfare	308,350	311,500	314,700	317,900	321,100
Environmental Development	167,500	170,000	172,600	175,200	177,900
Parks and Recreation	3,726,100	3,784,600	3,855,900	3,928,500	4,002,500
Library and Cultural Services	1,152,100	1,160,100	1,174,400	1,188,900	1,203,500
Debt Charges	1,172,700	1,175,300	1,177,900	1,179,200	1,181,900
Transfer to Own Reserves and Funds	999,550	1,062,550	1,122,550	1,182,550	1,242,550
Transfer to Capital Fund	2,732,550	2,807,550	2,882,550	2,957,550	3,032,550
Municipal Airport	587,550	588,100	597,400	606,900	614,200
Transfer to Other Governments	8,443,300	8,443,400	8,443,400	8,443,400	8,443,400
TOTAL	\$28,850,150	\$29,214,000	\$29,707,200	\$30,171,700	\$30,643,200
Deduct: Transfer to Capital Fund	(2,732,550)	(2,807,550)	(2,882,550)	(2,957,550)	(3,032,550)
Add: Depreciation on Tangible Capital Assets	3,559,350	(3,601,450)	(3,644,650)	(3,689,050)	(3,734,550)
TOTAL adjusted for depreciation	\$29,676,950	\$22,805,000	\$23,180,000	\$23,525,100	\$23,876,100

**CITY OF TRAIL
FINANCIAL PLAN 2021 TO 2025**

**SCHEDULE "A"
Bylaw 2902, 2021**

SEWER REVENUE FUND

REVENUE	2021	2022	2023	2024	2025
User Fees	\$1,117,850	\$1,145,500	\$1,179,350	\$1,216,100	\$1,255,700
Investment Income	27,500	27,500	27,500	27,500	27,500
Transfer from General Revenue Fund	176,550	179,550	179,550	179,550	179,550
TOTAL	\$1,321,900	\$1,352,550	\$1,386,400	\$1,423,150	\$1,462,750
EXPENDITURES	2021	2022	2023	2024	2025
Administration	\$209,750	\$213,700	\$217,850	\$222,000	\$226,200
Maintenance and Collection System	444,900	457,500	470,500	483,900	497,600
Debt Charges	155,750	155,750	155,750	155,750	155,750
Transfer to Sewer Capital Fund	430,000	442,500	457,500	475,000	495,000
Regional Flow Assessment	81,500	83,100	84,800	86,500	88,200
TOTAL	\$1,321,900	\$1,352,550	\$1,386,400	\$1,423,150	\$1,462,750
Deduct: Transfer to Capital Fund	(430,000)	(442,500)	(457,500)	(475,000)	(495,000)
Add: Depreciation on Tangible Capital Assets	153,100	157,500	162,100	166,900	171,900
TOTAL adjusted for depreciation	\$1,045,000	\$1,067,550	\$1,091,000	\$1,115,050	\$1,139,650

WATER REVENUE FUND

REVENUE	2021	2022	2023	2024	2025
Sale of water	\$1,681,750	\$1,724,300	\$1,766,300	\$1,811,500	\$1,857,800
Parcel tax levy	548,850	554,200	554,200	554,200	554,200
Interest income	42,500	42,500	42,500	42,500	42,500
TOTAL	\$2,273,100	\$2,321,000	\$2,363,000	\$2,408,200	\$2,454,500
EXPENDITURES	2021	2022	2023	2024	2025
Administration	\$354,450	\$361,200	\$368,200	\$375,300	\$382,600
Purification and treatment	621,450	636,400	650,900	665,700	681,200
Operation and maintenance	691,900	704,600	717,600	730,900	744,400
Debt charges	135,300	141,300	141,300	141,300	141,300
Transfer to Water Capital Fund / Statutory Reserves	470,000	477,500	485,000	495,000	505,000
TOTAL	\$2,273,100	\$2,321,000	\$2,363,000	\$2,408,200	\$2,454,500
Deduct: Transfer to Capital Fund	(470,000)	(477,500)	(485,000)	(495,000)	(505,000)
Add: Depreciation on Tangible Capital Assets	525,000	529,800	534,700	539,700	544,800
TOTAL adjusted for depreciation	\$2,328,100	\$2,373,300	\$2,412,700	\$2,452,900	\$2,494,300

**CITY OF TRAIL
FINANCIAL PLAN 2021 TO 2025**

**SCHEDULE "A"
Bylaw 2902, 2021**

GENERAL CAPITAL FUND

EXPENDITURES	2021	2022	2023	2024	2025
General Government	\$177,600	\$169,000	\$276,000	\$294,850	\$300,000
Protective Services	150,600	27,000	50,000	50,000	50,000
Transportation	1,867,050	2,060,750	2,464,550	2,192,900	6,156,650
Public Health and Welfare	280,000	110,000	110,000	125,000	125,000
Parks and Recreation	2,338,150	2,037,000	592,000	644,800	375,900
Airport	320,000	100,000	100,000	100,000	100,000
TOTAL	\$5,133,400	\$4,503,750	\$3,592,550	\$3,407,550	\$7,107,550
SOURCE OF FUNDS	2021	2022	2023	2024	2025
General Revenue Fund	\$2,732,550	\$2,865,750	\$2,957,550	\$2,957,550	\$3,032,550
Prior years' surplus	1,339,150	0	350,000	150,000	0
Regional Taxation	250,000	110,000	110,000	125,000	125,000
Reserve Funds	151,200	528,000	175,000	175,000	200,000
Debenture Debt	500,500	0	0	0	3,750,000
Grants	160,000	1,000,000	0	0	0
TOTAL	\$5,133,400	\$4,503,750	\$3,592,550	\$3,407,550	\$7,107,550
UTILITY CAPITAL FUNDS					
EXPENDITURES	2021	2022	2023	2024	2025
Water System Improvements	\$1,491,350	\$3,250,000	\$485,000	\$495,000	\$505,000
Sewer System Improvements	979,400	442,500	457,500	475,000	495,000
TOTAL	\$2,470,750	\$3,692,500	\$942,500	\$970,000	\$1,000,000
SOURCE OF FUNDS	2021	2022	2023	2024	2025
Water Revenue Fund	\$480,000	\$470,000	\$485,000	\$495,000	\$505,000
Prior years' surplus	1,505,750	0	0	0	0
Sewer Revenue Fund	485,000	442,500	457,500	475,000	495,000
Statutory Reserves	0	0	0	0	0
Grants	0	2,780,000	0	0	0
Debenture Debt	0	0	0	0	0
TOTAL	\$2,470,750	\$3,692,500	\$942,500	\$970,000	\$1,000,000
CONSOLIDATED BUDGET	\$40,654,200	\$34,442,100	\$31,218,750	\$31,470,600	\$35,617,600

CITY OF TRAIL
REVENUE POLICY

PURPOSE

The City of Trail's Revenue Policy is developed in accordance with legislative requirements. The policy is intended to improve accountability by disclosing objectives and policies relating to core municipal revenue sources including municipal taxation. This Policy and the contents contained herein are consistent with the City of Trail's Financial Plan.

SCOPE

The objectives and policies as they relate to municipal revenues are as follows:

- the proportion of total revenue that comes from each of the funding sources described in Section 165(7) of the *Community Charter*;
- the distribution of property taxes amongst the property classes; and
- the use of permissive tax exemptions (including revitalization tax exemptions)

POLICY

- A. Revenue categories – Section 165(7) of the *Community Charter* indicates that funding sources must be separately disclosed for specific categories. The diversification of revenue sources as part of reducing dependency on property taxes that extends to property tax apportionment by class are important consideration. However, there are barriers within the environment the City operates in that makes it difficult to introduce new and sustainable revenue sources that would reduce the overall municipal property tax levy. Property taxes will continue to be the City's primary revenue source for the foreseeable future.

The City's revenue sources are identified and utilized to offset expenditures, with the following approach or methodology being employed as it pertains to available funding sources available:

- I. Property value taxes – Property taxes are the City's primary revenue source. It is recognized that revenue diversification is desirable where sustainable revenue sources outside of property taxation become available and provide for a reduction in the overall municipal property tax burden.
- II. Parcel/Residential Flat taxes – The City utilizes parcel and flat taxes where funding can be linked directly to specific services as well as the benefiting properties who either use or derive a direct benefit. These taxes are used to repay funds to the City's Local Improvement Fund (specified area tax), to fund ongoing infrastructure replacement and upgrading or to pay directly for general municipal services.

The City's Local Improvement Policy outlines conditions under which specific projects can be advanced as part of a petition process where the

majority of benefitting properties agree to fund a share of costs as specified within the policy. Parcel or frontage taxes will be approved and levied in accordance with these policy guidelines.

Residential property taxes also include a specified Flat Tax as part of distributing general service costs more equitably across the residential tax based when considering the considerable variance in assessments levels and changes in assessments on an annual basis. The 2021 flat tax is established at \$260 per residential property.

- III. Fees – The City levies fees that are directly linked to specific services. The fees are intended to offset a portion of the service costs and it is the City's general goal or policy to minimize the need to subsidize these services with property taxes. For certain services it is not possible to levy fees that would completely eliminate the need to supplement revenue from property taxes. When a property tax subsidy is required, full cost recovery would result in a fee that would negatively impact use and would therefore jeopardize the ongoing provision of the specific service, which provides a greater community benefit that justifies the property tax support.

The following provides a general summary of fees levied as well as the City's policy as it relates to the recovery of costs for the specific service provided:

- A. Utilities (water/sewer/garbage) – The annual utility levies are established so there is sufficient revenue collected to fund the budgeted operating costs to provide the service after considering revenue from other sources. For capital projects, funding may come directly from user fees or other funding sources depending on the nature of the capital project and the total cost.
- B. Cemetery – The City charges fees for cemetery services with the main sources of revenue coming from burial fees and the sale of plots. User fees were reviewed in 2021 and fees were increased as part of better matching the fee to the direct cost of providing the service. The net operating deficit after deducting user revenue from expenses is funded by the regional district in the form of a conditional operating grant. Any changes in the City's user fees require an amendment to the appropriate bylaw.
- C. User Fees – Recreation – User fees for recreation services are intended to offset the direct service cost. Recreation expenses are primarily funded by municipal property taxes. User fees are reviewed annually and consider an acceptable level of revenue recovery as compared to cost, the net property tax subsidy as well as how rates compare with other similar sized municipalities. Fee structures also consider the amount charged so use is not discouraged when considering demand and alternate sources of supply. The goal is to provide access to municipal facilities and

services that can be used by residents in the City by establishing of an acceptable split between user fee recovery and the net property tax subsidy.

- D. Recreation user fees contain two separate charges as part of recognizing cost recovery from users who lives in a municipality or electoral area that provide a financial contribution to the City versus those who do not financially participate. Users who live in the Greater Trail and outlying areas who use facilities on an ongoing basis but do not contribute to the costs of facilities directly through property taxes or by purchasing a "residency card" will pay a higher user fee in order to create and promote rate equity and fairness as part of the Trail Resident Program (TRP). TRP rates will be reviewed in order to ensure that rates are not discriminatory but are appropriate in recognition of the significant property tax subsidy required to operate the recreation facilities.
 - E. Airport – The City will establish fees in accordance with industry standards as part of a revenue generation strategy that will result in the offsetting operating costs with the goal of minimizing the property tax subsidy required to operate the airport. Covid-19 has had a significant impact on the airline industry and therefore user revenue has declined, increasing the property tax subsidy required.
- IV. Other sources – In accordance with the goal to reduce property tax dependency, revenue from other sources will be reviewed annually. When the City levies specific charges, they will be adjusted so they remain reasonable in order to maximize revenue. The City will continue to explore opportunities to identify other sustainable revenue sources that may offset specific cost areas or can be used within the general operations of the City. It is hoped that the government may eventually provide municipalities with revenue sharing from taxes collected from the sale of cannabis.
- V. Proceeds from borrowing – Proceeds from borrowing are utilized to fund specific capital projects. The need to utilize borrowing will be reviewed annually as part of Council's approval of the Five Year Capital Plan. The City's current goal is limit borrowing as part of funding ongoing capital projects from revenue. Proceeds from borrowing will be utilized depending on the nature of the project and the funding available and will fully consider the future implications of the annual cost of carrying the debt including the revenue implications associated with increasing property taxes or user fees to make future debt payments. It is also recognized the in order to secure this revenue source, public assent is required.

The following provides the revenue proportions in 2021 as contained in the Financial Plan and this is consistent with the policy goals stated:

REVENUE SOURCE	% TOTAL REVENUE
Property value taxes	61.39%
Parcel taxes/Flat Taxes	6.02%
User fees and charges	17.52%
Other sources	12.95%
Proceeds from borrowing	2.12%
TOTAL	100.00%

B. Distribution of Property Taxes amongst property classes – The City’s approach to property tax distribution will be based on the following:

Class 1 – Residential – This Class is used to balance the overall revenue requirement after apportionment and rates are established for the other rate classes. Residential property taxes are compared against other neighbouring municipalities and similar sized jurisdictions in the Province to ensure that the City’s tax rate for this Class is reasonable and comparable to other communities. Rate differences must consider such things as overall assessments, services provided, service levels and other differences that may exist between the different communities where there is a difference in the property tax rate.

Class 2 – Utilities – Property taxes that can be levied against this Class are capped by Provincial Regulation. The current maximum that can be levied against Class 2 Property is the greater of \$40 for each \$1,000 of assessed value, and 2.5 times the rate applicable to Class 6 property for general municipal purposes in the municipality for the same taxation year.

The City’s current property tax policy is to set the rate at the maximum allowed under the Provincial Regulation.

Class 4 – Major Industry – Class 4 assessments in the City are significant. There is a recognition that financial dependency on one property tax class can expose the remaining property tax classes to significant increases if conditions change or municipal services could be at risk if a significant reduction in the amount paid by this class was ever required or legislated.

The Major Industrial property tax levy is reviewed annually. Currently, this class pays 61.33% of the City’s property tax levy. The current policy is to maintain apportionment at this level. The City has established a Major Industrial Property Tax Levy that includes membership from the City and the major industry. The parties discuss levies and rates and could recommend adjustments to the current policy if this was deemed necessary.

Class 5 – Light Industry – The City’s light industrial property tax rate has been set at a rate that is less than the Provincial rural property tax rate that recognizes the minimal assessment base. Increases are apportioned based on the net change in the property tax levy on a year over year basis.

Class 6 – Business/other – Property taxes for Class 6 consider the overall change in the property tax levy as well as the ratio between Class 1 and Class 6. The apportionment to the Class has more closely followed the net change in the tax levy due to the disproportionate changes in assessed values for Class 6 as compared to Class 1 that make it difficult to consider the ratio as a key indicator. The ratio is also impacted by the residential flat tax levy and is lower if the flat taxes for the residential assessments were converted to an assessment based property tax rate.

Municipal property tax distribution for 2021 will be as follows and may be subject to change depending on any changes in individual assessments by rate class.

PROPERTY CLASS	% PROPERTY VALUE TAX
Residential (1)	26.35%
Utilities (2)	4.42%
Major Industry (4)	61.33%
Light Industry (5)	0.05%
Business (6)	7.76%
Managed forest (7)	0.03%
Recreation / non-profit (8)	0.06%
TOTAL	100.00%

- C. Permissive Tax Exemptions - Tax exemptions are currently limited as part of Council’s goal to promote transparency and accountability. Current policy direction is to limit the use of annual permissive tax exemptions and if applicable consider the provision of a cash grant on an annual basis to organizations that meet specific required, with the grant being used to offset municipal property taxation.