THE CORPORATION OF THE CITY OF TRAIL

BYLAW NO. 2973

A BYLAW OF THE CITY OF TRAIL RESPECTING THE FINANCIAL PLAN FOR THE YEARS 2026 TO 2030

WHEREAS in accordance with the provisions of the *Community Charter* requires the Council, by bylaw, to prepare and adopt a Financial Plan for a five-year period;

AND WHEREAS Section 165 of the *Community Charter* requires the financial plan set out the objectives and policies of the City,

NOW THEREFORE, under the authority of the Community Charter, the Council of the City of Trail, in open meeting assembled, enacts as follows:

1. That this Bylaw may be cited for all purposes as the **"City of Trail Financial Plan Bylaw No. <u>2973</u>, 2026".**

2. Schedule "A" attached to and forming part of this Bylaw is hereby declared to be the Financial Plan of the City of Trail for the years 2026 to 2030, inclusive.

3. Schedule "B" attached to and forming part of this Bylaw is hereby declared to be the City's Revenue Policies which form the basis of Schedule "A" estimations.

<u>ENACTMENT</u>

4. (a) If any section, subsection, sentence, clause or phrase of this Bylaw is for any reason held to be invalid by the decision of any court of competent jurisdiction, the invalid portion shall be severed and the part that is invalid shall not affect the validity of the remainder.

   (b) This Bylaw shall come into full force and effect on the final adoption thereof.

READ A FIRST TIME	this 27th day of April, 2026
READ A SECOND TIME	this 27th day of April, 2026
READ A THIRD TIME	this 27th day of April, 2026
RECONSIDERED AND FINALLY ADOPTED	this 11th day of May, 2026

Colleen Jones

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MAYOR

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CORPORATE OFFICER

2026-2030 FIVE YEAR FINANCIAL PLAN
SCHEDULE A

REVENUES	2026	2027	2028	2029	2030
Property Taxation: Operations & Debt	18,646,112	19,175,364	19,620,661	20,172,099	20,162,826
Sale of Services	1,911,250	1,896,250	1,896,250	1,896,250	1,942,250
Other Revenue Own Sources	1,508,093	1,309,668	1,198,750	1,198,750	1,090,700
Investment Income	644,500	602,800	546,300	565,100	553,300
Grants - Unconditional	527,000	527,000	527,000	527,000	537,000
Grants - Conditional	4,253,713	2,387,000	1,068,000	3,013,000	2,021,000
Collections for Other Agencies	12,637,519	12,890,269	13,148,074	13,411,035	13,679,256
Total General	**40,128,187**	**38,788,351**	**38,005,035**	**40,783,234**	**39,986,332**
Water User Fees	2,842,144	3,097,937	3,252,834	3,415,476	3,586,249
Sewer User Fees	1,369,915	1,407,588	1,446,296	1,486,069	1,526,936
Total Consolidated Revenues	**44,340,246**	**43,293,876**	**42,704,165**	**45,684,779**	**45,099,517**

2026-2030 FIVE YEAR FINANCIAL PLAN
SCHEDULE A

EXPENSES	**2026**	**2027**	**2028**	**2029**	**2030**
General Government	3,907,518	3,438,930	3,469,508	3,545,426	3,368,369
Protective Services	3,069,722	3,104,059	3,197,795	3,295,801	3,383,539
Transportation Services	4,601,534	4,114,711	4,209,236	4,304,832	4,476,916
Public Health and Welfare	503,697	363,553	373,687	383,029	377,435
Recreation and Cultural Services	6,986,002	6,254,921	6,396,804	6,534,680	6,372,644
Library	601,000	619,030	637,601	653,541	645,169
Airport Operations	777,459	729,423	750,375	769,134	784,046
Interest and other Debt charges	580,297	554,839	519,654	446,554	446,554
Payments to Other Agencies	12,637,519	12,890,269	13,148,074	13,411,035	13,679,256
Total General Operations	**33,664,748**	**32,069,735**	**32,702,734**	**33,344,032**	**33,533,929**
Water Operations	2,091,627	2,143,918	2,197,516	2,252,453	2,308,765
Sewer Operations	966,602	990,767	1,015,536	1,040,925	1,066,948
Total Operations	**36,722,977**	**35,204,420**	**35,915,786**	**36,637,410**	**36,909,642**
Amortization	4,432,943	4,477,272	4,522,045	4,567,265	4,612,938
Surplus	**3,184,326**	**3,612,184**	**2,266,334**	**4,480,104**	**3,576,937**
Add back					
Amortization	**4,432,943**	**4,477,272**	**4,522,045**	**4,567,265**	**4,612,938**
Principal payments on Municipal Debt & AR	**664,883**	**663,242**	**511,092**	**454,003**	**454,003**
Capital Expenditures					
General	9,088,320	4,841,403	2,692,300	5,542,170	6,106,913
Water	4,480,000	3,699,342	1,055,756	2,169,579	2,229,243
Sewer	1,600,000	1,120,574	739,029	623,754	557,311
Total Capital Expenditures	**15,168,320**	**9,661,319**	**4,487,085**	**8,335,503**	**8,893,467**
Proceeds from Borrowing	**-**	**-**	**-**	**-**	**-**
Transfer to / from Reserves					
Transfer to General Reserves	3,729,550	3,929,550	4,119,550	4,219,550	4,219,550
Transfer to Utility Reserves	379,050	312,350	772,773	274,650	262,850
Transfer from General Reserves	(7,463,610)	(3,200,403)	(2,477,300)	(3,382,170)	(4,921,913)
Transfer from Utility Reserves	(4,215,924)	(3,141,604)	(514,819)	(744,166)	(608,081)
Total Transfer to (from) Reserves	**(7,570,934)**	**(2,100,107)**	**1,900,204**	**367,864**	**(1,047,594)**
Transfers to (from) Operating Surplus	**(645,000)**	**(134,998)**	**(110,002)**	**(110,001)**	**(110,001)**
Financial Plan Balance	**-**	**-**	**-**	**-**	**-**

2026-2030 FIVE YEAR FINANCIAL PLAN
SCHEDULE A

CAPITAL FUNDS

COMPONENTS	**2026**	**2027**	**2028**	**2029**	**2030**
Sources of Funds					
Community Works Grant	424,000	424,000	441,000	441,000	441,000
Water Operating Fund	612,763	837,492	408,206	1,163,022	1,277,485
Sewer Operating Fund	403,313	416,820	430,760	445,145	459,988
Utility Reserves	4,215,924	3,141,604	514,819	744,166	608,081
Other Reserves	5,871,610	3,200,403	2,477,300	3,382,170	4,921,913
Other Revenue/Donations	128,060	-	-	-	-
Government Grants	3,292,650	1,641,000	215,000	2,160,000	1,185,000
Total Sources	**15,168,320**	**9,661,319**	**4,487,085**	**8,335,503**	**8,893,467**
Expenditures					
General	9,088,320	4,841,403	2,692,300	5,542,170	6,106,913
Water	4,480,000	3,699,342	1,055,756	2,169,579	2,229,243
Sewer	1,600,000	1,120,574	739,029	623,754	557,311
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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 equitability across the residential tax base when considering the substantial variance in assessment levels and changes in assessments on an annual basis. The 2026 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 results in a fee that negatively impacts use and therefore jeopardizes 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) – 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 live 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.

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, in order to secure this revenue source, public assent is required.

The following provides the revenue proportions for 2026 as contained in the Financial Plan and this is consistent with the policy goals stated:

REVENUE SOURCE	**% TOTAL REVENUE**
Property value taxes	40%
Parcel taxes/Flat Taxes	5%
User fees and charges	15%
Grants	12%
Other sources	5%
Reserves	23%
Proceeds from borrowing	0.00%
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. This ensures 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 dissimilarities that may exist between the different communities where there is a variance 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 61.04% 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 2026 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)	26.55%
Utilities (2)	4.54%
Major Industry (4)	61.04%
Light Industry (5)	0.05%
Business (6)	7.74%
Managed forest (7)	0.02%
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.