

DATE: February 24, 2021 File No.

TO: Mayor and Council

FROM: Doug Leahy, CFO

RE: 2021 - 2025 Financial Plan Bylaw

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**RATIONALE:**

Present to Council the "2021 - 2025 Five Year Financial Plan Bylaw 1402" for three readings and adoption.

**OPTIONS:**

1. That Council give three readings and adoption of the "5 Year Financial Plan Bylaw 1402".
2. Council defer the reading of the financial plan until a future date.

**RECOMMENDATION:**

That Council give three readings and adoption of the "5 Year Financial Plan Bylaw 1402".

*General:*

*Organizational:*

*Financial:* The five year financial plan bylaw authorizes staff to expend funds to meet the operational and capital projects as outlined within the plan.

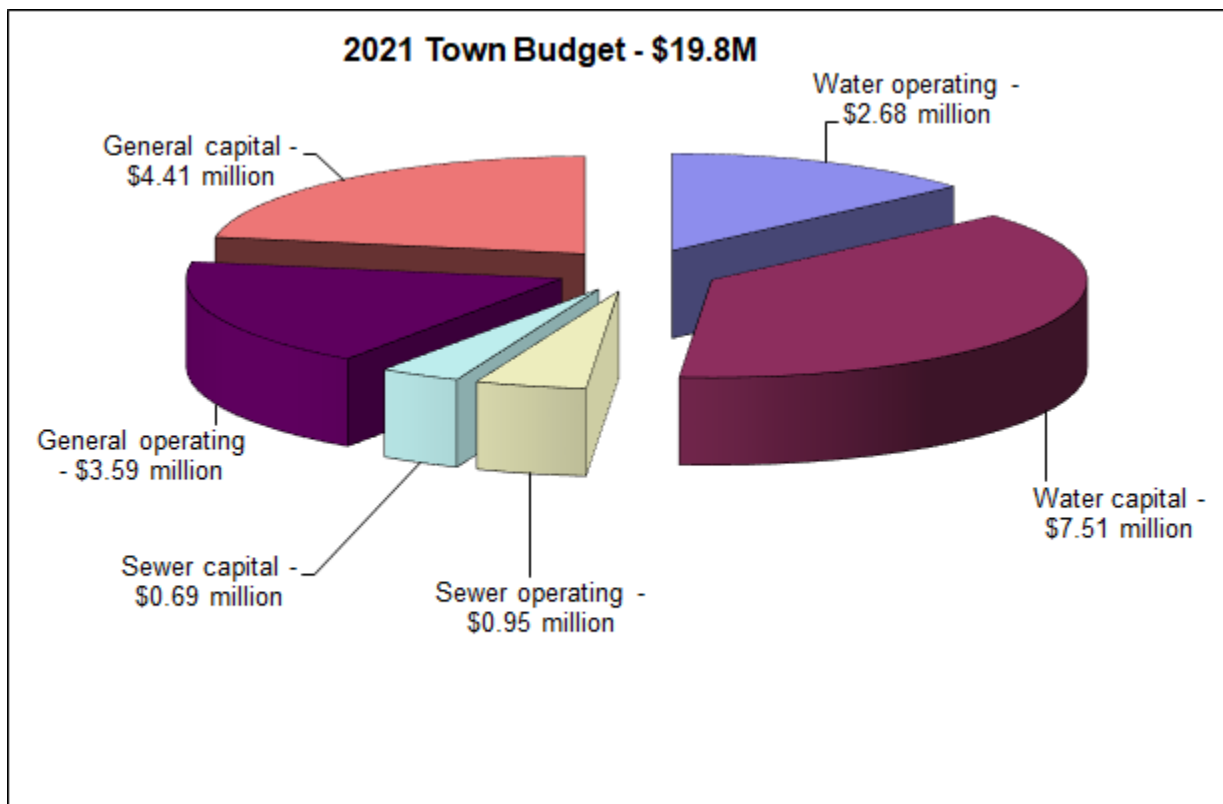
**Legal/Statutory Authority:** Section 165 of the *Community Charter*, Council is required, by bylaw, to adopt a Financial Plan for the municipality before the fifteenth day of May in each year.

**Strategic Plan:** Good Governance

**BACKGROUND:**

Council held an open meeting to deliberate the general budget on January 26, February 1 and 23. The detailed operating and capital budgets were discussed and numerous adjustments were made to arrive at the final budget. The water and sewer budgets were approved in November 2020.

The five year financial plan is a consolidated one page format prescribed by the Province of BC. The consolidated financial plan for 2021 requires expending \$19.8M. This total is apportioned \$8M (40%) general fund, \$10.2M (51%) water fund, and \$1.6M (9%) sewer fund.



**MUNICIPAL TAXES:**

The 2021-2025 Financial Plan includes an increase to the total tax revenue requirement of 9%. This is consistent with Council policy that was adopted in 2018 that required the tax base be increased over a

five year time frame in preparation of being required to pay for policing costs in 2022. Due to the 9% tax increase being decreased to Nil in 2020 due to Covid, 2021 will be Year 3 of the planned increases.

The highlights of the budget are:

**Operating:**

- Referendum - Affordable Housing/Town Hall - \$37k
- Grow Oliver increased level of service \$14k
- Walkability/Linear Park Trail Enhancement Study - \$15k

**Capital:**

- Rehabilitation of Station St including Storm Sewer upgrades \$1.8M total with \$1.3 general fund remainder funded by water and sewer utilities
- Purchase of Pumper Truck for Fire Department \$800k
- Purchase of Vactor Truck - \$527k
- Affordable Housing and Town Hall - \$270k
- Town Hall electrical and siding replacements \$120

**SOLID WASTE RATES:**

Garbage and recycling rates will be increasing by \$30 due to the Solid Waste budget being reclassified as a utility and will be required to be self sustaining by user fees.

**SEWER RATES:**

The 2021 sewer user fees and parcel tax rates have been increased by 4%. The bylaw to increase these rates has already been approved.

**WATER RATES:**

The Town's water rates will be increasing 4%. The bylaw to increase these rates has already been approved.

**CAO COMMENTS:**



Concur with recommendation of the Chief Financial Officer.

Respectfully Submitted:



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Doug Leahy, CPA, CMA  
Chief Financial Officer

**Approved By:**  
Cathy Cowan, Chief Administrative Officer

**Department:**    **Status:**  
Approved - 03 Mar 2021

Attachments:  
[2021 Financial Plan Bylaw Adoption](#)

**TOWN OF OLIVER  
BYLAW 1402**

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A bylaw to adopt the 5 year financial plan for the calendar years 2021 through 2025

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WHEREAS in accordance with Section 165 of the *Community Charter*, the Council is required, by bylaw, to adopt a Financial Plan for the municipality before the fifteenth day of May in each year;

NOW THEREFORE, the Council of the Town of Oliver in open meeting assembled hereby enacts as follows:

1. Schedule "A" attached hereto and forming part of this bylaw is hereby adopted as the 5 Year Financial Plan of the Town of Oliver for the calendar years 2021 through 2025.
2. Schedule "B" attached hereto and forming part of this bylaw is hereby adopted as the Statement of Objectives and Policies for the 5 Year Financial Plan of the Town of Oliver for the calendar years 2021 through 2025.
3. This bylaw may be cited for all purposes as the "5 Year Financial Plan Bylaw 1402".
4. Authority to make expenditures in accordance with the 5 year financial plan is hereby delegated to the following Management Staff:
  - 1) Chief Administrative Officer
  - 2) Chief Financial Officer
  - 3) Deputy Finance Officer
  - 4) Corporate Officer
  - 5) Deputy Corporate Officer
  - 6) Director of Development Services
  - 7) Director of Operations
  - 8) Deputy Director of Operations
  - 8) Fire Chief
  - 9) Deputy Fire Chief

Read a first, second and third time and adopted on the 8<sup>th</sup> day of March, 2021 <sup>1</sup>

*' Original signed by Mayor '*

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Mayor

*' Original Signed by Corporate Officer '*

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Corporate Officer

<sup>1</sup> With authority of Ministerial Order No. M083 dated March 26, 2020

**TOWN OF OLIVER**  
**5 Year Financial Plan Bylaw 1402**  
**Schedule A - 5 YEAR FINANCIAL PLAN - YEARS 2021 THROUGH 2025**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
<b>REVENUES</b>					
User Fees	3,838,951	4,106,189	4,427,277	4,543,906	4,653,603
Property taxation	2,828,177	3,493,446	3,789,394	3,868,956	3,947,232
Government transfers	4,848,327	917,410	926,584	935,850	945,209
Concessions and franchise	421,335	421,335	421,335	421,335	421,335
Other revenue from own services	561,534	561,534	561,534	561,534	561,534
Sale of services	253,450	253,450	247,150	247,150	247,150
Investment income	40,000	40,000	40,000	40,000	40,000
Development cost charges	0	125,000	0	0	0
Contributions from developers and other	104,100	291,500	1,500	1,500	1,500
	<b>12,895,874</b>	<b>10,209,864</b>	<b>10,414,774</b>	<b>10,620,231</b>	<b>10,817,563</b>
<b>EXPENSES</b>					
Water Services	2,818,280	2,903,158	2,989,086	3,025,933	3,051,854
General Government Services	1,215,303	1,239,609	1,264,401	1,289,689	1,315,483
Sewer Services	1,140,512	1,171,271	1,221,338	1,246,409	1,285,434
Transportation services & public works	1,576,897	1,608,435	1,640,604	1,673,416	1,706,884
Protective Services	484,314	1,544,000	1,574,880	1,606,378	1,638,506
Development Services	513,144	523,407	533,875	544,553	555,444
Environmental & public health services	442,410	451,258	460,283	469,489	478,879
	<b>8,190,860</b>	<b>9,441,138</b>	<b>9,684,469</b>	<b>9,855,866</b>	<b>10,032,484</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>4,705,014</b>	<b>768,726</b>	<b>730,305</b>	<b>764,365</b>	<b>785,079</b>
<b>ADJUSTED FOR NON-CASH ITEMS</b>					
Amortization	1,412,099	1,426,044	1,440,268	1,454,777	1,469,576
Inventory expense	30,500	30,500	30,500	30,500	30,500
Prepaid expense	15,000	15,000	15,000	15,000	15,000
	<b>1,457,599</b>	<b>1,471,544</b>	<b>1,485,768</b>	<b>1,500,277</b>	<b>1,515,076</b>
<b>TOTAL CASH FROM OPERATIONS</b>	<b>6,162,613</b>	<b>2,240,270</b>	<b>2,216,073</b>	<b>2,264,642</b>	<b>2,300,155</b>
<b>ADJUSTED FOR CASH ITEMS</b>					
Capital asset expenditures	-12,615,500	-11,645,300	-6,178,000	-3,377,800	-4,794,800
Inventory expenditures	-30,500	-30,500	-30,500	-30,500	-30,500
Prepaid expenditures	-15,000	-15,000	-15,000	-15,000	-15,000
Debt principle repayments	-443,562	-462,389	-667,302	-679,620	-691,167
Debt proceeds	4,367,000	6,208,000	4,196,000	1,180,000	1,605,000
Transfer from (to) reserves	3,690,350	4,998,796	1,952,996	2,163,796	3,150,796
Transfer from (to) surplus	-1,115,401	-1,293,877	-1,474,267	-1,505,518	-1,524,484
	<b>-6,162,613</b>	<b>-2,240,270</b>	<b>-2,216,073</b>	<b>-2,264,642</b>	<b>-2,300,155</b>
<b>FINANCIAL PLAN BALANCE</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TOWN OF OLIVER  
5 Year Financial Plan Bylaw 1402  
Schedule "B" - Statement of Objectives and Policies**

In accordance with Section 165(3.1) of the *Community Charter*, the Town of Oliver (Town) is required to include in the Five Year Financial Plan, objectives and policies regarding each of the following:

1. The proportion of total revenue that comes from each of the funding sources described in Section 165(7) of the *Community Charter*;
2. The distribution of property taxes among the property classes, and
3. The use of permissive tax exemptions

**Funding Sources**

Table 1 below shows the proportion of total revenue anticipated to be raised from each funding source in 2019 for the consolidated operating and capital budget.

Property taxes form approximately 10% of the overall revenue of the municipality. The system of property taxation is relatively easy to administer and understand. It provides 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 general administration, fire protection, bylaw enforcement, snow removal, road maintenance, airport, and community buildings. For these reasons, property taxation will continue to be a substantial source of municipal revenue.

The greatest source of municipal revenue is from user fees and sales of services. User fees attempt to apportion the value of a service to those who use the service. Approximately 90% of this user fee revenue represents water and sewer charges. Water and sewer system users fully pay for the costs of these systems, without subsidy from property taxes. The municipality strives to calculate full cost user fees for these services, which includes not only direct but indirect costs such as administration and operating overhead.

***Objectives***

- Over the next five years, where possible, the Town will endeavour to supplement revenues from user fees and charges, rather than taxation, to lessen the burden on its limited property tax base.
- Investigate other potential funding sources and securing opportunities for additional revenues.

***Policies***

- The Town will review all user fee levels to ensure they are adequately meeting both the capital and delivery costs of the service.
- The Town will endeavour to review and adjust user fees to maintain competitiveness with other municipalities or market rates.
- Aggressively seek available grants for projects to mitigate the potential impact on property taxation rates.

**TOWN OF OLIVER**  
**5 Year Financial Plan Bylaw 1402**  
**Schedule "B" - Statement of Objectives and Policies**

**Table 1 – Sources of Funding (2021)**

<b>Funding Source</b>	<b>% Total Funding</b>	<b>Amount</b>
Debt proceeds	24.1%	\$ 4,367,000
Grants	21.1%	\$ 4,848,327
User fees and sale of services	20.1%	\$ 4,092,401
Reserves	15.4%	\$ 2,574,949
Municipal Taxation, net	9.7%	\$ 1,977,622
Other sources	6.0%	\$ 1,224,270
Parcel taxes	3.7%	\$ 753,254
Development cost charges	0.0%	\$ -
		\$ 19,837,823

**Distribution of Property Tax Rates**

Table 2 below shows the proposed distribution of property tax revenue among the property classes. The residential property class provides the largest proportion of property tax revenue. This is appropriate as this class also forms the largest portion of the assessment base and consumes the majority of Town services.

***Objectives***

- Allow for a maximum business multiple not to exceed the Provincial multiple established by British Columbia Regulations 426/2003 and 439/2003 for the business class.
- Ensure that business and light industry property tax multiples continue to be equal.
- Over the next five years maintain tax stability by keeping the proportionate relationship between all other classes equal.
- Over the next five years the property tax increases will ensure that the rate payers will reduce the financial burden associated with expected futures costs for the Town.

***Policies***

- Supplement, where possible, revenues from user fees and charges to help offset the burden on the entire property tax base.
- Continue to apply additional taxes that would have been collected from new non-residential development against the tax increases in those classifications. This results in slowly reducing the proportions of taxes paid by the commercial sector in relation to the residential sector.
- Regularly review and compare the Town's distribution of tax burden relative to other municipalities in the South Okanagan.



**Table 2 – Distribution of Property Tax Rates (2021)**

<b>Property Class</b>	<b>% Property Value Tax</b>	<b>Amount</b>
Residential	73.3%	\$ 1,450,026
Business	23.0%	\$ 455,521
Light Industry	2.3%	\$ 44,743
Utility	1.1%	\$ 22,504
Farm & recreation	0.2%	\$ 4,828
		\$ 1,977,622

**TOWN OF OLIVER  
5 Year Financial Plan Bylaw 1402  
Schedule “B” - Statement of Objectives and Policies**

**Permissive Tax Exemptions**

The *Community Charter* permits council to provide permissive tax exemptions for a period of up to 10 years for specific types of properties. Council adopted a 4 year bylaw, pursuant to section 224 of the *Community Charter*, which is in effect for 2021 to 2024. The Annual Municipal Report for 2020 will contain a list of permissive exemptions and the amount of tax revenue foregone. The list demonstrates the policy of council that permissive exemptions are granted to not-for-profit institutions that form a valuable part of our community.

Many property tax exemptions are provided to properties automatically by the Assessment Authority of BC. For example, properties owned by the municipality or other levels of government are exempted 100%. Other properties such as churches and hospitals are generally exempted only for buildings and the land directly beneath the footprint of the building.

***Objectives***

- Council’s principle objective in considering permissive tax exemptions under section 224 is to provide financial assistance to organizations that provide a valuable service to the broader community. These services may include cultural and recreational opportunities for adults and youth, promotion of the local economy and local charitable services.
- Council’s principle objective in considering permissive tax exemptions under section 226 is to provide a short-term financial incentive to promote certain types of economic development.

***Policies***

- Provide permissive tax exemptions for all qualifying land uses to those organizations that provide valuable services to the broader community.
- Integrate the revitalization tax exemption program into the Town’s existing initiatives as a means of attracting retail, commercial and industrial businesses to further invest in the community.