



City of  
**Parksville**

# **2015-2019 Draft Final Financial Plan**

## **April 13, 2015**

# Presentation Topics

- Additional items reported in the Financial Plan:
  - Objectives and Policies for Revenue Sources, Tax Classes and the Use of Permissive Tax Exemptions.
  - Downtown Revitalization Tax Exemption Program
  - Equipment replacement reserve schedule
- Items to discuss from previous meetings
- Tax rate increase
- Accumulated Surplus Forecast
- Comments from Gallery & Council Discussion
- Council Direction

# Objectives and Policies for Revenue Sources, Tax Classes and the Use of Permissive Tax Exemptions.

Section 165(3.1) of the Community Charter requires Council to establish objectives and policies relating to each of the following:					
1.	The proportion of total revenue that is proposed to come from funding sources as defined in 165(7) of the Community Charter (property taxes, parcel taxes, fees, borrowing and other);				
2.	The distribution of property taxes among the property classes;				
3.	The use of permissive tax exemptions.				

# Objectives and Policies for Revenue Sources

Revenue Source	2015 Proportion of Total Budgeted	2014 Proportion of Total Budgeted
Property taxes (municipal share)	34.00%	49.84%
Parcel taxes	0.22%	0.36%
User fees and charges	16.42%	25.22%
Other sources	42.55%	24.58%
Proceeds from Borrowing	6.80%	0.00%
	100%	100%

Council currently has no specific policy surrounding the proportion of total revenue to come from each funding source. This is because some of the funding sources are beyond Council's control and large fluctuations can arise between the categories depending on funding used for various capital projects (such as government grants available, DCC reserves, and borrowing). Council does however, have individual policies, procedures or objectives relating to some of the funding sources:

# Objectives and Policies for Revenue Sources Continued

**Property taxes:** Property taxes are the main source of revenue for the City and the main revenue source that is entirely within the control of the City council. The annual property tax revenues are determined based on the annual Council approved tax increases. The property tax increase is determined in either of two ways; (1) through the annual budget process, where, after all other sources of revenue have been determined, the tax increase is set to ensure adequate resources for budgeted expenditures, or (2) Council sets a rate increase based on the current economic conditions and what they think the taxpayer can afford and then sets budgeted expenditures within those resource limits.

**Parcel taxes:** Parcel taxes are taxes levied on parcels of land without reference to the value of the land. Parcel taxes will be used when Council determines that they are more appropriate than the assessment based property taxes.

**User fees and charges:** User fees are charges that the City charges for certain city services such as water, sewer, and garbage services, building inspections and business licenses. These fees are set so that the fee will pay for the goods and service required to provide services supplied without contributions from the property taxpayer. Council's policy relating to the water, sewer, and solid waste user fees is that the user fees along with parcel taxes and other sources of funding will cover the expenditures of each of those areas with the exception of the Sewage Treatment Plant costs which are funded by the general taxpayer.

# Objectives and Policies for Revenue Sources Continued

<p><b>Other sources:</b> These revenues include interest income, grants, DCC reserve withdrawals, developer contributions and other miscellaneous funding. These revenues are very unpredictable, can vary significantly from year to year and are used whenever they are available. Council has little control over these revenues and the policy is to use grants whenever they are available to fund capital projects, and to use the DCC reserves to fund eligible capital projects in accordance with the approved DCC capital expenditure program.</p>					
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<p><b>Proceeds from Borrowing:</b> Borrowing is minimized when possible and only used where an essential capital project will not go ahead unless debt funds are acquired. Borrowing can either be long term (over 5 years) or short term (5 years or less). Long term borrowing will only be used where the capital project will provide a long term benefit to the taxpayer as the assent of the electorate is required for the use of long term debt, so the use of this source of funding is not entirely within the control of Council. Short term borrowing is limited by provincial legislation and is only used for an essential smaller capital project that will not go ahead without borrowing due to insufficient reserves.</p>	
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# Objectives and Policies for Tax Classes

<b>Distribution of property taxes among the property classes</b>				
<b>PROPERTY CLASS</b>	<b>2015 % of Property Value Tax</b>	<b>2014 % of Property Value Tax</b>	<b>2015 Municipal Share of Property Tax</b>	<b>2014 Municipal Share of Property Tax</b>
01 RESIDENTIAL	75.35%	75.40%	\$ 8,794,079	\$ 8,508,156
02 UTILITY	0.16%	0.16%	18,255	17,914
03 SUPPORTIVE HOUSING	0.00%	0.00%	-	-
04 MAJOR INDUSTRY	0.00%	0.00%	-	-
05 LIGHT INDUSTRY	0.47%	0.49%	54,932	55,615
06 BUSINESS/OTHER	23.35%	23.26%	2,725,039	2,624,041
08 RECREATION/ NON PROFIT	0.66%	0.68%	77,579	77,290
09 FARM	0.01%	0.01%	691	678
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 11,670,575</b>	<b>\$ 11,283,694</b>

The table above shows the percentage of Municipal property tax revenue collected from the different property classes. The tax collected is a factor of the amount of property assessments in a class (as determined by BC Assessment Authority) and the tax rate set by Council. The City has two significant classes of assessments (residential and business) and no policy is set as to what percentage of revenues will come from each class. Council's procedure is to apply tax increases (on a percentage basis) so that the total revenue of each tax class grows from the prior year by the approved tax increase (before the affects of new construction are added in). The proportionate relationships among the classes will vary from year to year depending on how much new construction has occurred within a particular class, so maintaining the relative percentages between classes is not considered a priority.

# Permissive Tax exemption Policy

<b>The use of permissive tax exemptions.</b>				
<b>Objective:</b>				
Provide tax relief to non-profit, charitable/philanthropic, athletic, service club, care facility, or licenced private hospital that further Council's goals of enhancing quality of life and delivering services economically.				
<b>Policies:</b>				
Council policy is to review the permissive tax exemption requests each year before providing the exemption. City Policy No. 6.15 defines the properties eligible for permissive taxation exemption. Starting in 2014 the total amount of the exemptions granted will not exceed \$225,000 for the City with the goal of reducing the permissive exemptions to 1.67% of the City's property tax requisition over 10 years (by 2023). Properties relating to public park, recreation, athletic, and youth activities are eligible for an exemption only up to 50% of the properties assessed value. A maximum 50% exemption also applies to properties that are ecologically significant if public acces is not allowed. All other eligible properties receive up to a 100% exemption provided the total exemption does not exceed \$225,000. If the calculated total exemption exceeds \$225,000 then all exemptions will be prorated equally until the exemption is reduced to \$225,000.				



## Downtown Revitalization Tax Exemption Program – Bylaw No. 1517

- Applies to properties in the designated downtown area (McMillan to Corfield and Jensen to Island Hwy)
- 5 year tax exemption
- Applies only to municipal share of taxes
- Applies to increase in assessed value due to new construction

## Equipment replacement reserve

- Funds replacement of City's mobile equipment
- Applies to all city vehicles and heavy equipment except the fire department vehicles.
- Reserve fund revenues are obtained from charging out the usage of the vehicles and equipment to departmental budgets.
- Repairs, fuel, oil and other operating costs are paid for from the reserve fund as well as the purchase cost of replacements.
- The balance in the reserve at Dec 31, 2014 was \$1,165,192.

# Equipment replacement reserve schedule

CITY OF PARKSVILLE						
2015 - 2019 Final Financial Plan						
Equipment Replacement Reserve						
		2015	2016	2017	2018	2019
<b>Funding Sources</b>						
	Internal Rental Earnings	499,000	515,000	529,000	545,000	561,000
	Reserve fund interest	17,500	14,400	17,200	26,000	26,000
	Proceeds on Sale of Capital Assets	169,000	170,300	21,900	124,000	11,300
	Transfer from Equipment Replacement Reserve	426,500	159,400	-	153,900	-
<b>Total Revenue</b>						
		1,112,000	859,100	568,100	848,900	598,300
<b>Expenditures</b>						
	Operations	308,000	317,000	327,000	336,600	346,700
	Transfer to Equipment Replacement Reserve	-	-	99,000	-	212,200
	Capital	804,000	542,100	142,100	512,300	39,400
<b>Total Expenditures</b>						
		1,112,000	859,100	568,100	848,900	598,300
<b>Equipment Replacement Reserve Surplus</b>						
		\$ -	\$ -	\$ -	\$ -	\$ -

## Items Left to Discuss from Previous Meetings

Spending packages:

### OPERATING

Server, network and firewall security vulnerability testing	\$ 24,000
Community Park tennis courts resurfacing	\$ 12,500
Fireproof filing cabinets	\$ 5,800
Computer hardware (servers and firewall)	\$ 10,000
Upgrade to GP2015 financial software	\$ 16,000
Contractor to update pre-fire plans	\$ 10,000
Battery operated irrigation update	\$ 5,000
Tempest – Licensing Module Intellisearch	\$ 4,500

### OPERATING - Staffing

Occupational Health & Safety Coordinator and equipment	\$ 87,500
Engineering Summer Student ( 2015 – 2020)	<u>\$ 16,000</u>

Total Operating \$191,300

## Items Left to Discuss from Previous Meetings

Spending packages:

### CAPITAL

Ermineskin Road replacement	\$220,000
Springwood Park tennis courts resurfacing	\$ 22,500
Engineering survey equipment	\$ 15,000
Springwood Park pathways	<u>\$ 15,000</u>
Total Capital	<u>\$272,500</u>
Future years	
Springwood Park tennis courts (every 8 years)	\$ 22,500
Fire Department succession planning (2016)	<u>\$ 18,000</u>
TOTAL	<u>\$ 40,500</u>

# Tax Rate Increase

- Proposed 2015 Property Tax Increase - 2%

# Projected General Fund Unrestricted Surplus/(Deficiency) (as at April 13 2015)

Year	2015	2016	2017	2018	2019
Balance	5,194,194	5,871,199	5,054,309	4,066,942	4,380,596

Year	2020	2021	2022	2023	2024
Balance	4,384,665	3,603,660	3,864,235	1,542,004	3,053,156

Year	2025	2026	2027	2028	2029
Balance	1,437,921	470,820	251,904	520,620	1,012,313

Year	2030	2031	2032	2033	2034
Balance	2,070,898	(2,404,358)	(876,738)	614,447	1,393,682

# Projected Water Fund Unrestricted Surplus/(Deficiency) (as at April 13, 2015)

Year	2015	2016	2017	2018	2019
Balance	2,766,655	2,404,875	2,310,580	1,065,966	1,061,319

Year	2020	2021	2022	2023	2024
Balance	1,054,344	901,012	1,356,232	1,477,632	1,285,280

Year	2025	2026	2027	2028	2029
Balance	667,138	962,853	1,557,827	2,423,332	3,139,631



# Projected Sewer Fund Unrestricted Surplus/(Deficiency) (as at April 13 , 2015)

Year	2015	2016	2017	2018	2019
Balance	2,537,202	2,383,245	2,292,120	1,724,150	1,684,822

Year	2020	2021	2022	2023	2024
Balance	1,149,046	1,160,528	1,369,155	1,156,861	1,392,709

Year	2025	2026	2027	2028	2029
Balance	1,131,186	1,570,157	2,049,773	2,752,792	3,509,736



- Comments/Suggestions from Gallery
- Council Discussion
- Council Direction to Staff