

THE CORPORATION OF THE DISTRICT OF OAK BAY

BYLAW NO. 4663

A Bylaw respecting the financial plan
for the years 2016, 2017, 2018, 2019 and 2020

The Municipal Council of The Corporation of the District of Oak Bay in open meeting assembled enacts as follows:

1 Schedule "A" attached hereto and forming a part of this Bylaw is hereby adopted as the Financial Plan of The Corporation of the District of Oak Bay for the calendar years of 2016, 2017, 2018, 2019 and 2020.

2 The following Bylaws are repealed:

Bylaw No. 4637, Financial Plan Bylaw, 2015

Bylaw No. 4649, Financial Plan Bylaw, 2015, Amendment Bylaw No. 1, 2015

Bylaw No. 4651, Financial Plan Bylaw, 2015, Amendment Bylaw No. 2, 2015

Bylaw No. 4660, Financial Plan Bylaw, 2015, Amendment Bylaw No. 3, 2015

provided that such a repeal made pursuant to this Bylaw shall not affect the validity of any expenditure made under such a repealed Bylaw.

3 This Bylaw may be cited as the *Financial Plan Bylaw, 2016*.

READ a first, second and third time by the Municipal Council on

ADOPTED and FINALLY PASSED by the Municipal Council on

Mayor

Acting Director of Corporate Services

Sealed with the Seal of The Corporation of
the District of Oak Bay.

SCHEDULE "A"

The Corporation of the District of Oak Bay

Five Year Financial Plan

	2016	2017	2018	2019	2020
REVENUE					
Property Taxes	20,881,947	21,733,628	22,682,209	23,275,031	23,388,990
Parcel (frontage) Taxes	183,554	192,732	196,586	200,518	204,528
Other Taxes	212,037	213,526	216,778	219,514	222,304
Fees and Charges					
Sales of Services	5,915,610	6,237,112	6,598,308	7,084,214	7,558,358
Other	1,007,200	1,022,308	1,037,643	1,053,207	1,069,005
User Fees	9,114,594	9,258,737	9,405,191	9,553,992	9,705,182
Borrowing Proceeds	158,000	-	-	1,770,000	5,000,000
Other Revenue					
Interest	266,000	269,990	274,040	278,150	282,323
Grants and Other Gov'ts.	1,319,974	1,296,864	1,298,782	1,300,729	1,302,706
Other	3,541,335	1,496,214	728,619	632,986	637,418
Services to Other Gov'ts.	-	-	-	-	-
Transfer from Reserve Funds	2,032,000	2,123,475	6,822,242	3,945,163	978,760
Total Revenue	44,632,251	43,844,586	49,260,398	49,313,506	50,349,573
EXPENDITURES					
Debt Interest	1,518,519	1,520,201	1,652,766	2,065,053	2,564,846
Debt Principal	142,594	142,594	144,400	219,839	508,380
Capital Expenditure	7,011,597	5,560,465	10,104,349	9,025,018	8,947,421
Other Municipal Purposes					
General Municipal	20,900,175	21,389,519	21,827,971	22,252,317	22,676,919
Protective Services	9,621,532	9,837,905	10,078,625	10,271,707	10,481,884
Water	2,990,113	3,049,615	3,110,308	3,172,214	3,235,358
Sewer	724,121	610,356	540,863	551,580	562,512
Transfer to Reserve Funds					
Land Sale	-	-	-	-	-
Fire Equipment Reserve	170,000	180,000	184,000	185,000	185,000
Capital Works and Equipment	1,553,600	1,553,930	1,617,117	1,570,778	1,187,253
Total Expenditures	44,632,251	43,844,586	49,260,398	49,313,506	50,349,574

SCHEDULE "A", continued

OBJECTIVES AND POLICIES RE:

- (1) FUNDING SOURCES**
- (2) PROPERTY VALUE TAX DISTRIBUTION**
- (3) PERMISSIVE TAX EXEMPTIONS**

(1) FUNDING SOURCES

- (a) Revenue from Property Value Taxes**

Objectives and Policies

The Municipality has a property tax base within which 97.5% of the value is in the Residential class. The high percentage of Residential value, which by its nature is spread over a very large number of properties as opposed to being concentrated in a single industry or sector, enhances the dependability of the property tax as a revenue source. The higher the proportion of total revenue attributable to the property tax, the more predictable are actual revenues for the year and the lower is the likelihood of a shortfall relative to the budgeted revenue amount.

On the other side of the issue, whereas with respect to alternative sources of revenue such as user fees there may be scope for the individual taxpayer to make choices that affect the amount paid, the amount of the value-based tax levy for a parcel of land is something over which the owner has virtually no control.

The objective of Council with respect to the property tax, therefore, is to achieve a balance between the revenue predictability that this source provides on the one hand, and the goal of restraining the growth of the property value-based tax burden on the other.

Council policy is to use the property tax levy to balance the expenditure side of the budget for each year after examining the potential for sustainable revenues from all other sources.

- (b) Revenue From Parcel Taxes**

Objectives and Policies

A parcel tax is a tax levy on land, the amount of which is not a function of the assessed value of the land. It can be the same amount for every parcel regardless of size, or it can vary with the area or frontage of a parcel.

Only in limited circumstances is a parcel tax an alternative to a property value-based tax. It can only be applied to properties receiving a particular service and cannot be used for the funding of general services.

With the property tax taking into account the value of improvements as well as land, there is a higher probability, compared to a parcel tax, that it will be related to ability to pay.

The objective of Council with regard to the parcel tax concept is to ensure that its use is fair in light of the actual distribution of the benefits conferred by the service that it is intended to fund.

Council policy to date has been to use the parcel tax only to cover part of the cost of maintaining boulevards on a limited number of streets where this service is provided by the Municipality. With the value of the service directly related to the amount of boulevard to be maintained, the parcel tax in this case is based on frontage.

(c) Revenue From Fees

Fees charged for specific services form a large part of the municipal revenue stream, adding approximately another 50% to the amount raised by the property value-based tax levy.

Much of the largest component of user fee revenue is that which is generated from the Municipality's recreation programs. The objective of Council is to ensure that recreation user fee revenues cover all of the direct program costs, and to maximize the coverage of fixed overhead costs as well.

Council policy in this regard is to review recreation user fees not less than annually, against the backdrop of the regional market.

Much smaller than recreation fee revenue, but still significant in terms of the property value-based tax increase that would be required to replace it, is the solid waste collection and disposal charge, which is a fixed amount for each collection unit (e.g., a dwelling unit or small business) served by municipal crews. The principal objective with respect to the use of a solid waste charge rather than the property value-based tax is to avoid double charging properties which, due to volume and the nature of the equipment used, must contract privately for solid waste collection services.

Council policy is to recover 100% of its solid waste disposal and collection costs through the solid waste fee.

The Municipality also operates a water distribution system. Its fiscal objective with respect to the system is to cover the associated costs on a user-pay basis, and the policy in this regard is to set water consumption rates and connection fees at a level which achieves this goal without any requirement for subsidization from the property value-based tax.

The Municipality's sewer system is also operated as a utility, which has traditionally been funded through the property value-based tax, with minor contributions from connection fees.

With large capital costs forthcoming in order to comply with the Capital Regional District's Core Area Liquid Waste Management plan along with the Provincial Municipal Sewage Regulation, however, Council has set an objective of funding a greater portion of sewer utility costs from user fees.

With household water consumption closely tied to capacity requirements in the sewer system, Council has by policy determined to raise 70% of its sewer utility costs from a water consumption-based user fee.

(d) Revenue From Other Sources

Revenue in the "Other Sources" class consists primarily of appropriations from internal municipal reserve funds. The proportion of total revenue from this source will vary significantly from one year to the next.

The principal objective with respect to the use of reserve funds is to finance capital asset depreciation and avoid the use of such funds to offset ongoing operating costs, the rationale being that the latter would not be sustainable in the long term and would eventually require a property value-based tax spike.

Council policy is to use its reserve funds to finance capital works which, in the main, are not undertaken by municipal crews and which therefore may increase or decrease in the amount of the expenditure budget that they represent without affecting the permanent workforce.

(e) Proceeds From Borrowing

The objective of Council is to maintain its long term debt servicing costs at a manageable level by replacing infrastructure on an incremental "pay as you go" basis.

Council policy is to limit the creation of long term debt to the financing of large capital projects which cannot efficiently be undertaken on an incremental basis, or where such an approach would not be adequate to meet requirements with respect to public safety, health or senior government regulations.

The objective for short term borrowing (less than 5 years) is to maintain the outstanding debt at a relatively constant level so that with the amortization of the debt on a project so financed, further investments in the assets of the Municipality can be made without tax impact. The amount of short term debt which can be outstanding at any one time is relatively low pursuant to the requirements of the Community Charter, hence projects funded in this manner tend to be relatively small; alternatively, the short term debt may represent only part of the overall funding package.

(2) PROPERTY VALUE TAX DISTRIBUTION

With non-residential properties representing a very small proportion of the total tax base, taxing other classes at a high multiple of the residential rate would be of relatively small benefit to the homeowner, while imposing a disproportionate burden on business property owners and their commercial tenants.

The municipal business tax rate as a multiple of the residential tax rate, therefore, is very low relative to most local governments throughout British Columbia. There is no property in the Industry class, and only a small amount in the Recreation class.

The objective of Council is to distribute future property value tax increases equitably among the three main classes of property within the Municipality.

The policy is to adjust the tax rate ratios each year so that the increase on the average individual property is approximately the same for each of the main classes.

There is one property in the Farm class. The value of the property, however, is in its residential use, and the policy is to set the Farm tax rate so as to produce for that one property a municipal tax levy comparable to what it would have been had it remained in the Residential class and increased in assessed value at a rate comparable to other residential properties in its immediate neighbourhood.

(3) PERMISSIVE TAX EXEMPTIONS

The objective being to distribute the tax burden fairly among properties receiving municipal services, Council makes very little use of its authority to grant permissive tax exemptions.

The policy to date has been to grant permissive exemptions only for land and improvements appurtenant to property already exempted by statute (e.g., churches), portions of municipal land leased or licensed to a non-profit organization providing a service complementary to municipal services, and in one case, an institution of childhood learning not statutorily exempt.