

THE CORPORATION OF THE DISTRICT OF OAK BAY

BYLAW NO. 4752

A Bylaw respecting the financial plan
for the years 2020, 2021, 2022, 2023 and 2024

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 2020, 2021, 2022, 2023 and 2024.
2. This Bylaw may be cited as the *Financial Plan Bylaw 2020, No. 4752*.

READ a first and second time by the Municipal Council on May 7, 2020.

READ a third time by the Municipal Council on May 7, 2020.

ADOPTED and FINALLY PASSED by the Municipal Council on May 7, 2020.

"Original signed by K. Murdoch"

Mayor

"Original signed by D. Hopkins"

Director of Corporate Services

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

SCHEDULE "A"
The Corporate of the District of Oak Bay
Five Year Financial Plan

	2020 Budget	2021 Budget	2022 Budget	2023 Budget	2024 Budget
Revenue					
Property Taxes	\$ 26,530,000	\$ 28,227,900	\$ 29,880,100	\$ 31,287,400	\$ 32,424,400
Parcel (frontage) Taxes	215,300	220,700	226,200	231,900	237,700
Other Taxes	83,600	85,700	87,800	90,000	92,300
Fees and Charges					
Sales of Services	5,999,400	6,345,900	6,691,700	6,999,800	7,201,800
Other Fees and Charges	1,355,200	1,347,900	1,330,500	1,337,500	1,344,600
User Fees	10,525,100	10,735,600	10,950,200	11,168,900	11,392,500
Interest	952,400	1,017,300	1,022,300	1,027,500	1,032,800
Grants and Other Govts.	1,551,200	6,763,700	3,909,200	8,951,200	8,991,800
Other	282,700	285,800	289,000	292,200	295,500
Total Revenue	47,494,900	55,030,500	54,387,000	61,386,400	63,013,400
Expenses					
General Municipal	28,097,900	28,106,800	28,895,000	29,546,800	30,159,200
Protective Services	11,718,500	11,704,800	12,024,500	12,306,900	12,561,500
Water	3,951,500	4,127,000	4,322,800	4,480,800	4,626,300
Sewer	1,074,300	1,143,500	1,011,000	1,028,600	1,046,600
Debt Interest	134,400	134,400	134,400	134,400	125,000
Total Expenses	44,976,600	45,216,500	46,387,700	47,497,500	48,518,600
Accounting Surplus	2,518,300	9,814,000	7,999,300	13,888,900	14,494,800
Add:					
Transfer from Reserve Funds					
Capital Works	4,670,200	2,699,500	3,675,900	2,540,100	2,383,500
Climate Action	66,000	35,000	15,000	-	-
Fire Equipment	1,430,000	2,216,000	133,200	50,000	86,600
General Surplus	2,118,600	610,500	504,100	418,900	199,800
Heritage	35,800	-	-	-	-
Infrastructure Renewal	3,493,500	2,892,000	3,541,400	3,290,400	3,887,200
Machinery and Equipment	2,001,000	375,500	546,700	116,000	302,600
Major Crimes	725,000	805,000	885,000	965,000	1,045,000
Tod House Trust	342,600	-	-	-	-
Amortization	2,340,000	2,340,000	2,340,000	2,340,000	2,340,000
Debt proceeds				5,000,000	
Deduct					
Capital Expenditure	(12,105,300)	(13,698,400)	(10,520,100)	(18,660,400)	(14,326,300)
Transfers to Reserves					
Fire Equipment	(369,800)	(377,200)	(384,700)	(392,400)	(400,200)
Capital Works	(2,511,600)	(2,672,300)	(2,833,200)	(2,994,200)	(3,054,000)
General Reserve	(280,100)	(288,100)	(296,300)	(304,700)	(313,300)
Major Crimes	(80,000)	(81,600)	(83,200)	(84,900)	(86,600)
Infrastructure Renewal	(4,216,600)	(4,491,600)	(5,344,100)	(5,993,000)	(6,374,900)
Climate Action	(35,000)	(35,700)	(36,400)	(37,100)	(37,800)
Debt Principal	(142,600)	(142,600)	(142,600)	(142,600)	(146,400)
Budgetary Surplus	\$ -				

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*

Approximately 95% of the District's tax base 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 hand, user fees provide individuals with consumption choice. 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, 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.

The largest component of user fee revenue is generated from the Municipality's recreation programs. The objective of Council is to ensure that recreation user fee revenues cover all 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.

Smaller than recreation fee revenue, 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 1% utility revenue and grant in lieu of taxes.

The principal objective with respect to the use of these revenues to complement property taxation for funding of municipal services.

(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 larger 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 after Non Market Change has been considered.

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 after Non Market Change has been considered.

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..