

COUNCIL REPORT

To: Mayor and Council

From: Finance

Date: April 4, 2023

Subject: Financial Plan Objectives and Policies

RECOMMENDATION:

THAT Council approves in principle the outlined objectives and policies to be included in the 2023 – 2027 Financial Plan Bylaw.

BACKGROUND:

Under Section 165(3.1) of the *Community Charter*, when preparing a financial plan, local governments must set out the objectives and policies of the municipality for the planning period in relation to the following:

- (a) for each of the **funding sources** described in subsection (7)*, the proportion of total revenue that is proposed to come from that funding source;
- (b) the **distribution of property value taxes** among the property classes that may be subject to the taxes; and
- (c) the **use of permissive tax exemptions**.

* The five funding sources in subsection (7) are:

- revenue from property value taxes;
- revenue from parcel taxes;
- revenue from fees;
- revenue from other sources;
- proceeds from borrowing, other than borrowing under section 177 [revenue anticipation borrowing].

All municipalities are required to develop and publicly disclose their objectives and policies in relation to their municipal taxes. The objectives and policies that will be included in the 2023-2027 Financial Plan Bylaw are shown on the following pages for Council's review before they are brought forward to the April 24, 2023 Council meeting.

The values or percentages noted below have been taken from the 2023 provisional budget. When the 2023-2027 Financial Plan Bylaw is brought forward for first three readings it will include the 2023 final budget values, which will include the Council resolution to reflect the residential tax rate of 8.00%.

2023-2027 Proposed Financial Objectives and Policies

PURPOSE:

These revenue and tax policy disclosure requirements are intended to further enhance municipal accountability to the public by requiring all municipalities to develop and publicly disclose their objectives and policies in relation to their municipal taxes.

1. PROPORTION OF REVENUE

Proportion of Revenue that is generated by Property Taxes

- 7(a) The District's property tax revenue includes a Municipal Tax increase of 6.47% in total. The increase percentage varies per property classes as follows:

1 – Residential	6.04%
2 – Utilities	2.00%
4 – Major Industry	4.50%
5 – Minor Industry	5.50%
6 – Business and Other	25.32%
8 – Recreation, Non-Profit	6.00%

For future years, any changes in tax rates will be determined during the budget process.

Other Revenue Sources Described in Section 165(7) of the *Community Charter*:

- 7(b) **Revenue from fees** – Sales of service and utility user fees for all municipal services (excluding Recreation and Culture) will continue to be set to recover the costs associated with providing these services.

Sales and Service (Recreation and Culture) – This area recovers approximately 10% of the expenses incurred to operate the facilities. The District will endeavor to raise rates annually by a reasonable percentage to ensure recovery is at least at 10% - 15% of expenses annually.

Licences and Permits – The fees recover approximately 25% of the costs of the Building Department and Animal Control/Bylaw Enforcement Departments.

Revenue from other sources (Grants) – The majority of these revenue sources are established by legislation or are dependent on Crown Corporations or utility revenues. Future budgeting will correspond with any changes to these funds from year to year. For any grants that require the District to apply, both for operational and capital budget, this will remain a priority.

Other Revenue – For tax penalties, the recovery is set by legislation. For the return on investments the District will continue with short and long-term investments held in the Municipal Finance Authority and other investments authorized by Section 183 of the *Community Charter*.

Rentals and lease rates were initially set in 1993 and since the inception rates have been increased by the annual Consumer Price Index (CPI). This policy will be continued as this is incorporated into the District's long-term leases.

- 7(d) Water and Sewer rates will be reviewed annually and set to effectively account for and manage the life cycle of water and sewer capital assets.

2. DISTRIBUTION OF TAXES AMONG PROPERTY CLASSES

In 2023, the District's proportion of taxes is as follows:

CLASS	DESCRIPTION	TOTAL % OF TAXES
1	Residential	34%
2	Utility	16%
4	Major Industry	35%
5	Light Industry	5%
6	Business and Other	10%
8	Recreation and Non-profit Organization	0%

As the District annually monitors its rates by property class the District will, subject to decreases or increases by property class due to new construction or changes in assessment classes, maintain the range of property taxes collected by class as:

CLASS	DESCRIPTION	TOTAL % OF TAXES
1	Residential	30% - 40%
2	Utility	10% - 20%
4	Major Industry	30% - 40%
5	Light Industry	5% - 10%
6	Business and Other	5% - 10%
8	Recreation and Non-profit Organization	0% - 5%

USE OF PERMISSIVE TAX EXEMPTIONS

Permissive tax exemptions enable municipalities to provide tax breaks to meet the social, economic, environmental, or other needs of the community.

In 2016, the District of Mackenzie adopted a "Revitalization Tax Exemption Bylaw No. 1353, 2016" which includes specific tax exemption incentives for construction of new or existing buildings for all lots in the District, in the following eligible classes; Utility, Major Industry, Light Industry and Business and Other.

An amendment to the bylaw was adopted in September 2022 to amend the eligibility non-market change value to new construction or renovation of existing buildings that result in non-market change to the value of the lot within the District from \$500,000 to \$150,000 in an effort to increase program participation.

The exemption provided under this Bylaw is as follows:

- 100% exemption in the first year of Municipal Property Tax for the Non-Market Change in assessment of land and improvements.
- 50% exemption in the second year of Municipal Property Tax for the Non-Market Change in assessment of land and improvements.
- 25% exemption in the third year of Municipal Property Tax for the Non-Market Change in assessment of land and improvements.
- There will be no exemption on Municipal Property Tax for the Non-Market Change in assessment of land and improvements in the fourth and succeeding years.

COUNCIL PRIORITIES:

Strong Governance and Finances

- As the municipality's elected governing body, we serve all residents and businesses in the community. We engage residents and stakeholders on important issues and make our decisions through open and transparent processes. We are careful in our use of resources, mindful of the need to maintain programs and services, while also meeting the community's infrastructure needs.



Respectfully Submitted,

A handwritten signature in blue ink that reads "Kerri Borne". The signature is written in a cursive style with a horizontal line underneath.

Kerri Borne
Chief Financial Officer

A handwritten signature in blue ink that reads "Diane Smith". The signature is written in a cursive style with a horizontal line underneath.

Approved for Submission to Council