



2016 – 2020 Proposed  
Draft Financial Plan  
March 21, 2016

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## Agenda

1. Introduction
2. Overview
3. Budget Overview
4. General Operating Budget & Taxation
5. Capital Projects, Reserves & Debt
6. Utilities – Water, Sewer and Electrical
7. Comments and Questions

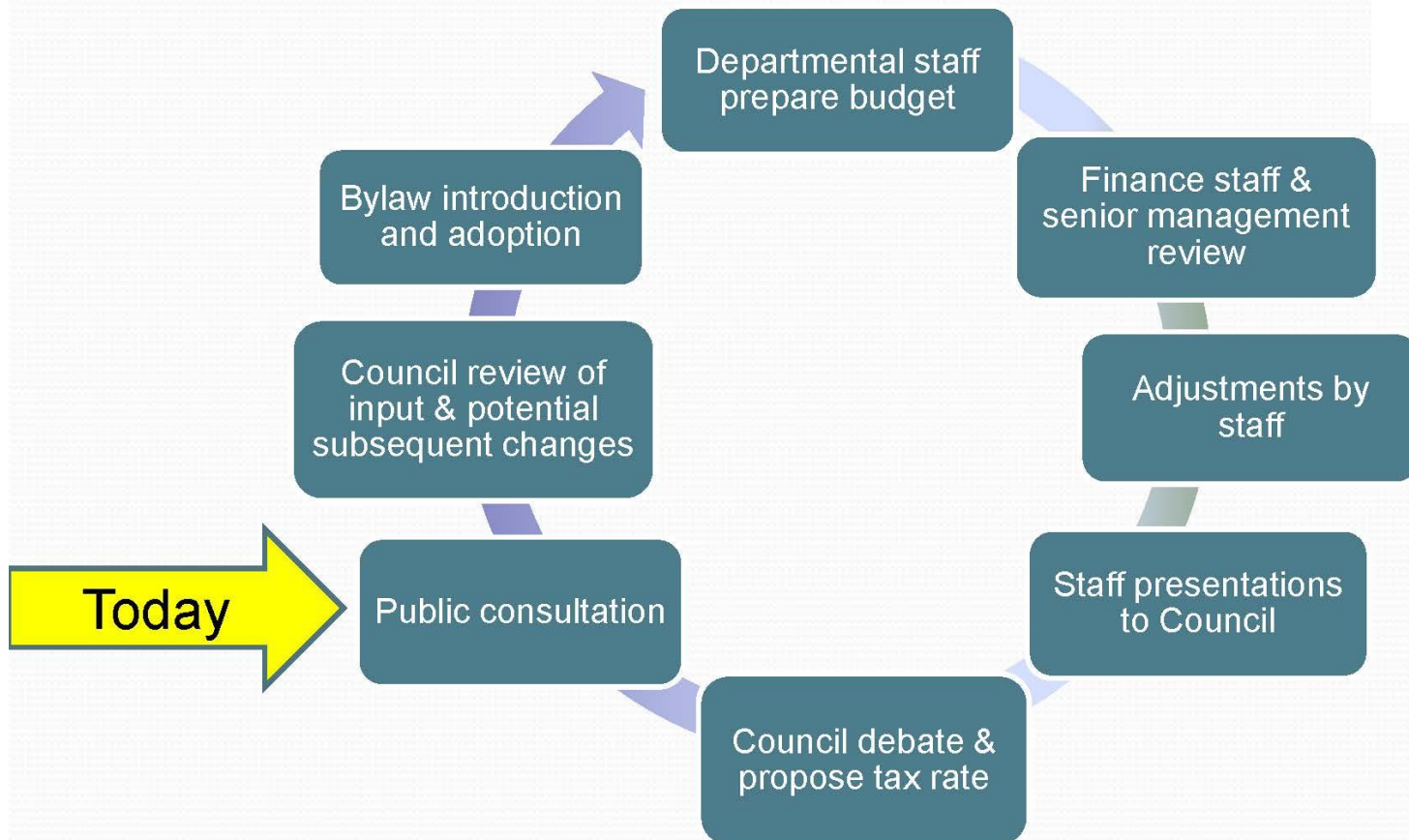


## Council Priorities & the Budget

1. Organizational Basics
2. Investment in Infrastructure
3. Review of Plans
4. Livability of Summerland
5. Focus on Sustainability



## Financial Planning Process





## Quick Facts

- District Operations \$30.9m + \$7.9m Capital Program
- Revenues over expenses pay down debt and flow into operational and capital reserves
- General fund operational expense is budgeted at \$11.3m in 2016; funded by \$7.8m in taxation.
- A 1% increase in taxation produces about \$78,000 to cover operational expenditures (based on the proposed 2016 rates)
- Summerland Hydro contributes \$500,000 to the operating revenues which is equal to a 6.5% tax increase
- Approximately 98 employees



# Five Year Financial Plan

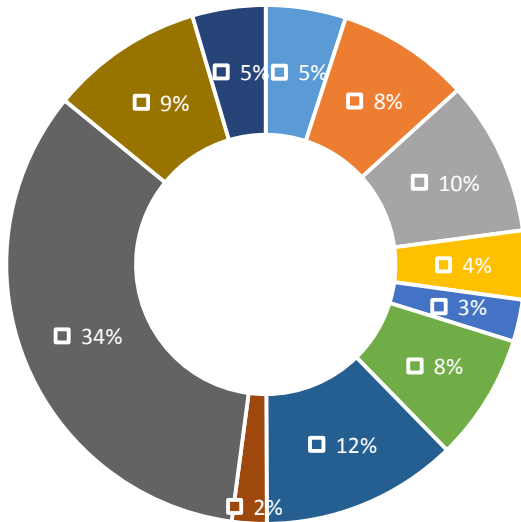
		Funding Sources				
		Grants & Reserves	Debt	Taxation (include parcel tax)	User Fees (Rates)	
<b>General</b> <b>Water</b> <b>Sewer</b> <b>Electric</b>	General Operating	✓		✓	✓	
	General Capital	✓	✓		✓	
	Utility Operating	✓		✓	✓	
	Utility Capital	✓	✓		✓	



**IMPACT OF PROPOSED BUDGET (RESIDENTIAL)**  
**(based on a 2016 Assessment of \$435,900)**

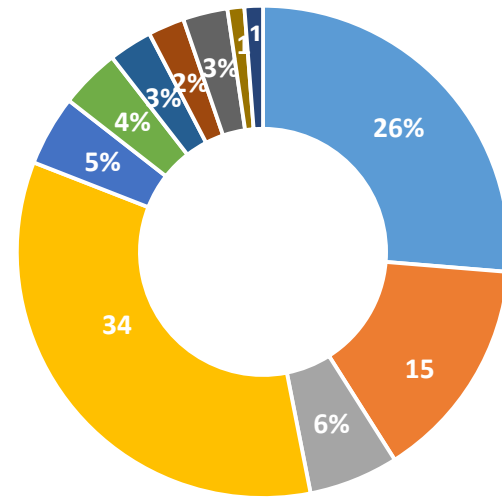
	2015	2016 (proposed)	Net change (annual)	Net change (monthly)
Property Tax (municipal only)	\$ 1,374	\$ 1,415	\$ 41	\$ 3.45
Water Rates (after discount)	450	517	67	5.60
Sewer Rates (after discount)	265	302	37	3.08
Overall	\$ 2,089	\$ 2,234	\$ 145	\$ 12.15

**2016 Operating Expenses  
(\$30.1 million)**



■ 5%   General Government	\$1,503,900
■ 8%   Protective Services	\$2,490,300
■ 10%   Works	\$2,898,900
■ 4%   Solid waste	\$1,290,700
■ 3%   Environmental development services	\$788,400
■ 8%   Recreation and cultural services	\$2,377,400
■ 12%   Debt servicing	\$3,684,100
■ 2%   Reserves	\$653,400
■ 34%   Electric Utility	\$10,175,000
■ 9%   Water Utility	\$2,871,800
■ 5%   Sewer Utility	\$1,375,600

**2016 Operating Revenues  
(\$30.9 million)**



■ 26%   Property taxes	\$8,149,900
■ 15%   Water rates and parcel tax	\$4,559,000
■ 6%   Sewer rates and parcel tax	\$1,825,000
■ 34%   Electric rates	\$10,542,800
■ 5%   Solid waste (curbside and landfill)	\$1,432,000
■ 4%   Grants	\$1,224,000
■ 3%   Sales of services and rentals	\$888,700
■ 2%   Recreation services	\$740,400
■ 3%   Interest and penalties	\$909,600
■ 1%   Reserve	\$342,800
■ 1%   Licenses, permits and fines	\$375,300





## **Financial Planning Environment**

Shifting of responsibilities – to local governments

Public demand for services

Increasing demands on aging infrastructure – and the need to address the issue

Sustainability and Climate change initiatives

Long term planning



## **Overview – why 3% increase?**

- Invest in human resources
- RCMP contract increase
- Landfill operations
- Invest in adequate levels of reserves – 2016 vehicle and equipment renewal



## **General Operating – Human Resources**

New positions

Contracts

2% increase



## **General Operating – RCMP contract**

9 members

\$32,000 increase



## **General Operating – Landfill**

Increased operating costs \$80,000

User pay



## **General Operating – adequate reserves**

**Investment** in renewal of the vehicles and equipment needed to provide the services to citizens.

This includes the snow plows, graders, trucks as well as the fire services rescue and suppression vehicles.

This plan provides \$535,000 to renew the assets through increased charges to each program



## General Operating – what has changed?

Non-market change revenue \$239,000

- Boundary extension
- Property class change: farm to residential
- Exemption status change
- Additions or Deletions: subdivision (folio change)
- Inventory change: new construction or demolition
- Zoning change

Desktop review



## Taxation

Growth – how does this impact taxes?

\$ added to the taxes from the year before on a class by class basis

Then % increase for the current year added

Example – business taxes do not go up if there is growth in residential





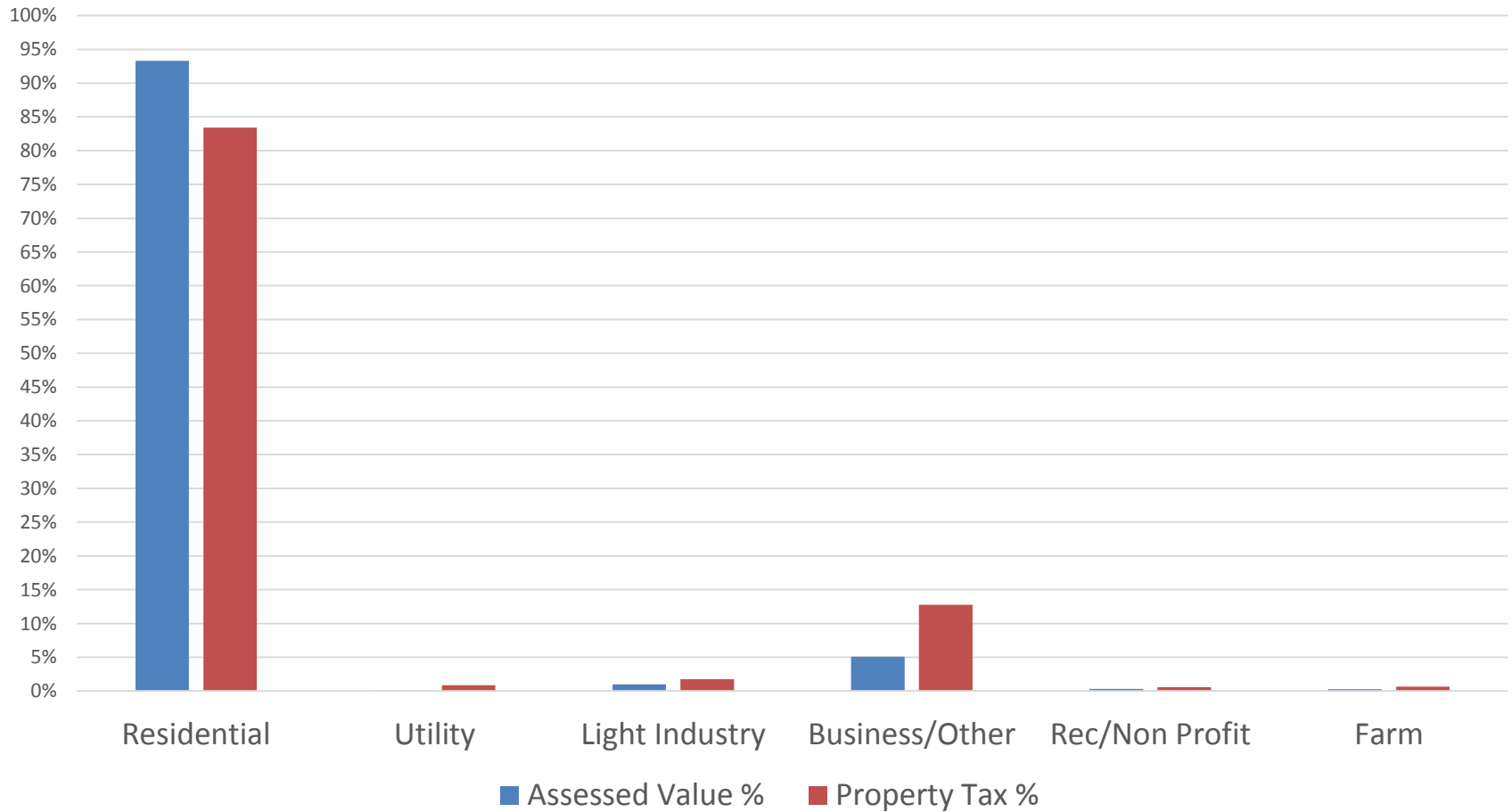
# Taxation

## SUMMERLAND PROPOSED 3%

Penticton	5.5%	Nelson	1.75%
Peachland	2.0% + \$25.50 parcel tax	Coldstream	3.5%
Oliver	2.0%	Terrace	4.0%
Osoyoos	1.97%	Parksville	4.5%
Kelowna	4.12%	Vernon	3.4%
Lake Country	\$125 parcel tax		

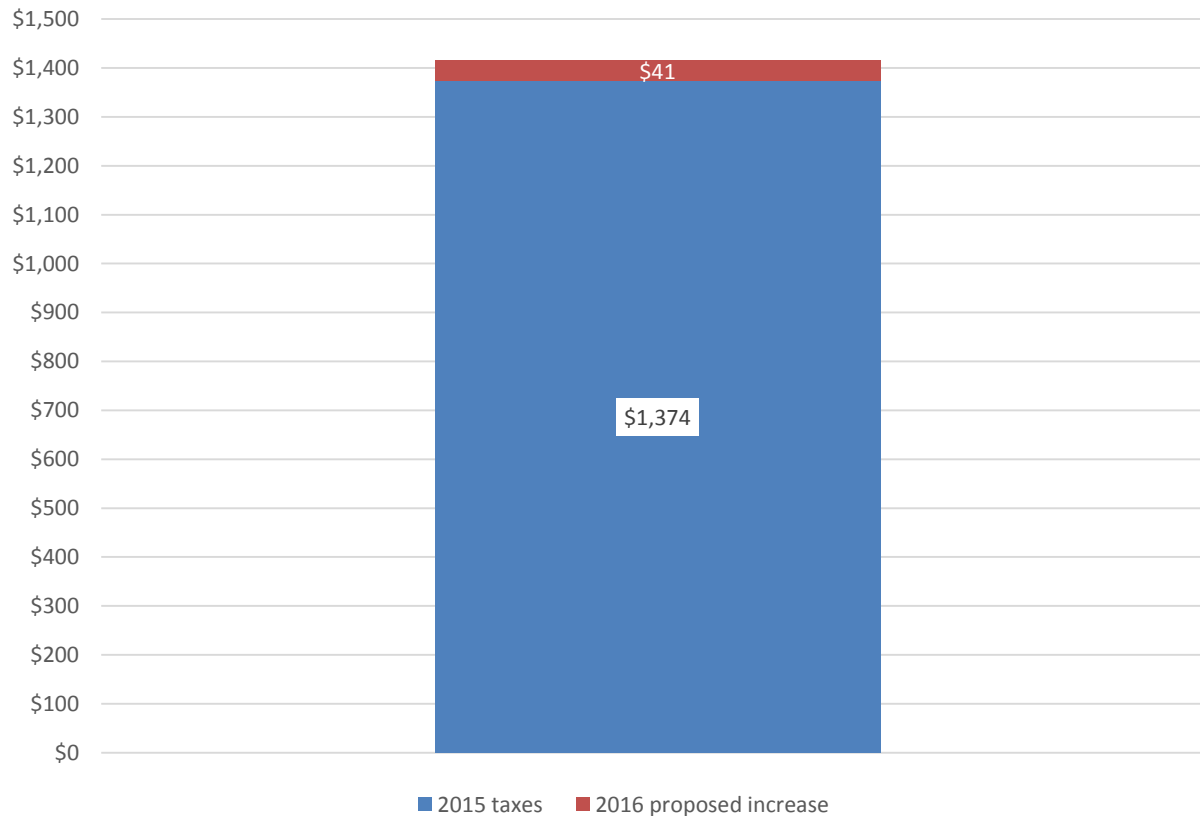


## 2016 Assessed Value and Property Taxes





## 2016 Proposed Property Taxes on a \$435,900 house





## Taxation

BC Assessment is a provincial Crown corporation that classifies and values all real property in British Columbia.

Each year, BC Assessment sends property owners a Property Assessment Notice telling them the fair market value of their property as of July 1 in the prior year.



## Taxation

- Other agencies - RDOS, SCHOOL TAX, MFA, BCA provide tax rates or request amounts of money and the District collects it on their behalf
- District has to pay over funds not yet collected
- Homeowners grant and tax deferrals do not impact funds to District



## **Overall Capital Program**

Investment in assets is needed to provide services – assets need to be maintained and replaced

Many of the District's assets are long lived and very old, such as:

- water pipes

- roads

- aquatic centre



## What is a surplus?

Revenue higher than expenses

Causes:

- unexpected revenues

- revenues over budget estimate

- expenses lower than budget estimate

  - ex. vacant positions

- conservative budget



## **When should we use a surplus or reserve?**

Good tool for non-recurring items (eg. capital or one time projects)

Recurring items (eg. policing costs or parks maintenance) should generally not be funded through reserves, as the benefits can be short lived.





## **Statutory Reserves**

Statutory Reserves are set up by bylaw. The bylaw describes the specific purpose of the reserve, how it is funded and what expenditure the funds can be used for

Examples:

Equipment Replacement reserve

Capital Projects reserve



## **Other Appropriated Surplus**

Reserve Accounts – some examples

Climate Action

Fire Services major capital

Landfill improvements



## **Debt and Debt Servicing**

Borrowing is for capital projects

Use of a combination of debt and reserves

No new debt proposed for 2016

\$5.3m debt general fund

\$11.9m debt water fund

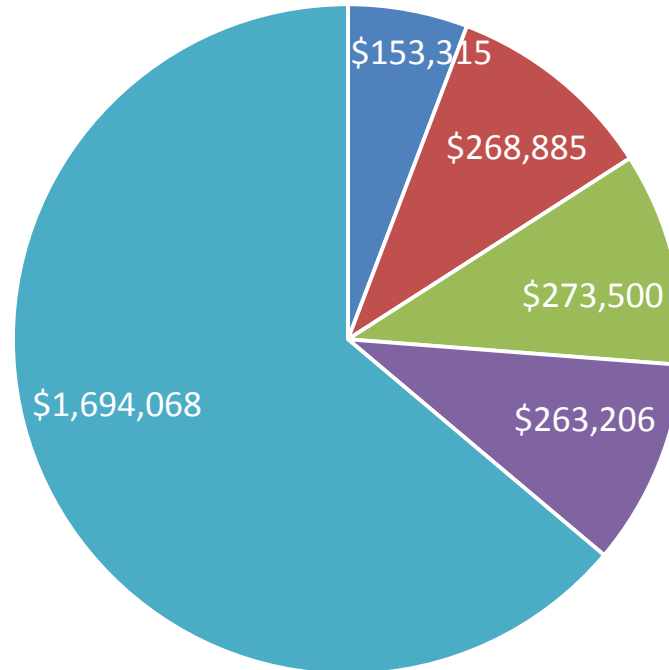
\$6.4m debt sewer fund

\$2.1m Garnet Valley Water Separation



## 2016 \$2.65M General Capital Funding Sources

2016 Capital Program



- Transfer from operating
- Transfer from surplus
- Community contributions
- Government Grants
- Reserves



# Overall Capital Program

IT

Fire Services

Recreation

Works

## Utilities – Water, Sewer and Electrical





## WATER UTILITY

2016 Operating Revenue: \$ 4.64m

2016 Operating Expenses: \$ 2.71m

2016 Capital Program: \$ 1.03m

### **Highlights:**

- Flume & Water Intake (structural upgrade) \$137,031
- Garnet Valley Water Separation project (2016 portion) \$367,200
- Pressure Reducing Valve #10 Replacement \$180,000
- Continuation of watermain replacement

## SEWER UTILITY

Operating Revenue: \$ 1.86m

Operating Expenses: \$ 1.51m

2016 Capital Program: \$ 3.56m

### **Highlights:**

- Effluent Filter Underdrain retrofit \$250,000
- Peach Orchard Lift Station Cover \$80,833
- Burnham boilers replacement \$120,000
- Grant application for Grit Removal and Effluent System project

# Why is a 15% increase for Water and Sewer proposed?

- Lack of investment in past years
- Old infrastructure which is overdue for replacement
- New infrastructure that requires ongoing maintenance
- Revenues available for operating expenses but are not sufficient to cover capital costs
- Lack of reserves – relatively low water & sewer rates compared to other municipalities with similar infrastructure
- In the past, difficult to convince councils to invest in infrastructure... “what you don’t see.....”





# WATER RATES

## SUMMERLAND PROPOSED \$517

Penticton	\$538	Nelson	\$569
Peachland	\$400	Lake Country	\$685
Oliver	\$375	Terrace	\$154
Osoyoos	\$314	Parksville	\$361
Kelowna	\$314	Vernon	\$555



## SEWER RATES

### SUMMERLAND PROPOSED \$302

Penticton	\$504	Nelson	\$495
Oliver	\$233	Lake Country	\$250
Osoyoos	\$231	Terrace	\$74
Kelowna	\$234	Parksville	\$117
Vernon	\$512		



## Electrical Utility

2016 Operating Revenue: \$ 10.51m

2016 Operating Expenses: \$ 10.23m

2016 Capital Program: \$ 632,000

### Highlights:

- 4.2% increase proposed (2.2% for wholesale power purchase from FortisBC ; 2% towards operations)
- PCB Transformer removal and replacement (started in 2015)  
\$273,070
- Long term funding strategy required to adequately address aging infrastructure and have better stability in rates.
- Council to investigate options for maximizing potential revenues including options for use of alternate energy sources such as solar.



## ELECTRIC Utility

<b>Summerland</b>	<b>Proposed \$117.70</b>
FortisBC	\$132.40
BC Hydro	\$109.10
Nelson Hydro	\$105.27



2016 proposed increases	Annual increase
Property taxes – residential Assessed value \$435,000	\$ 41.00
Water rates	\$67.00
Sewer rates	\$37.00
Electric rates	\$54.00
Total	\$199.00
<b>Monthly</b>	<b>\$16.60</b>

A typical residential homeowner can expect a \$16.60 monthly increase in 2016 to provide additional revenue to the District needed to continue to provide electricity to turn on lights, clean water from the tap, sewer collection and treatment, local roads and sidewalks, police and fire protection and recreation and park facilities.