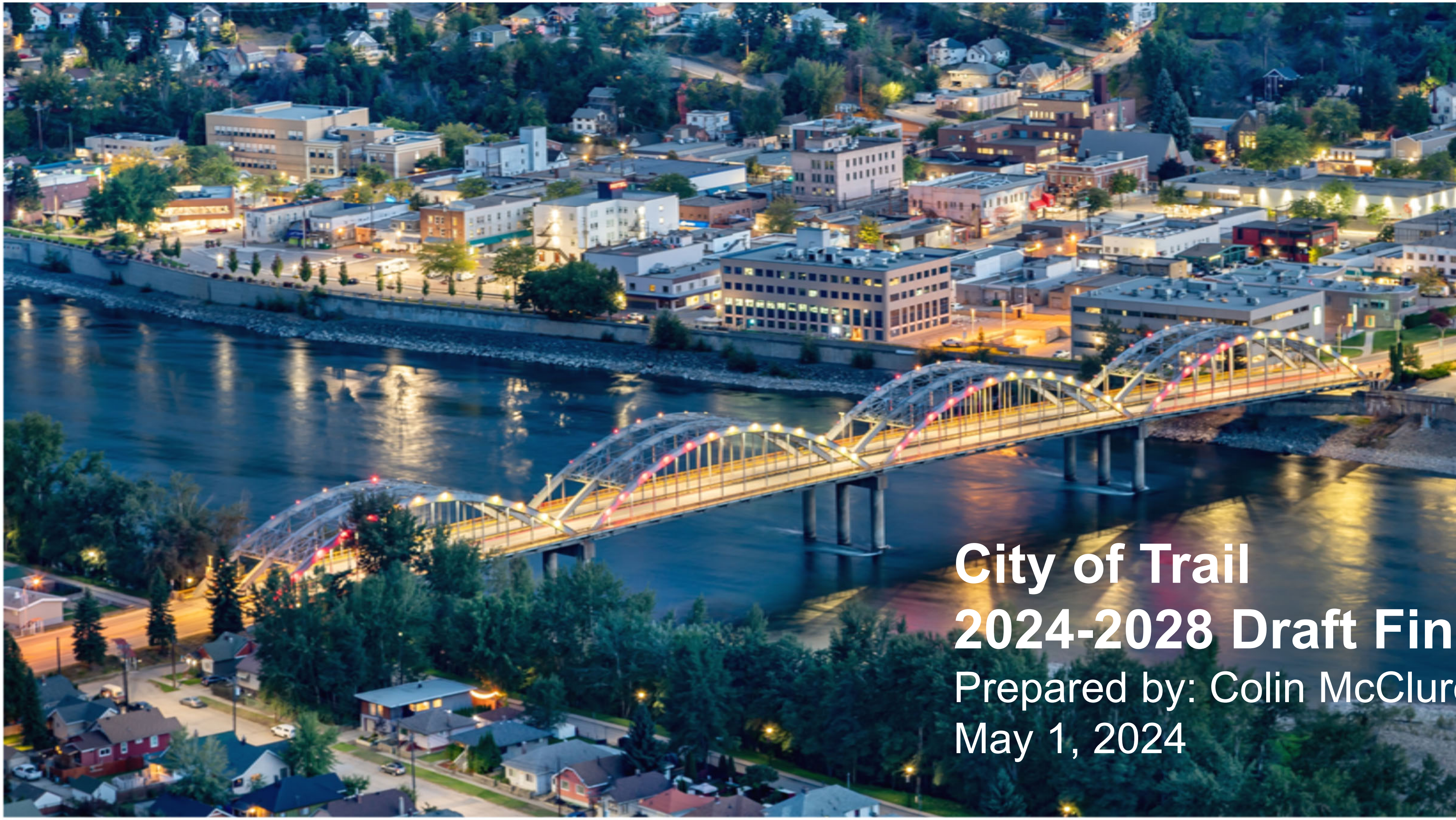


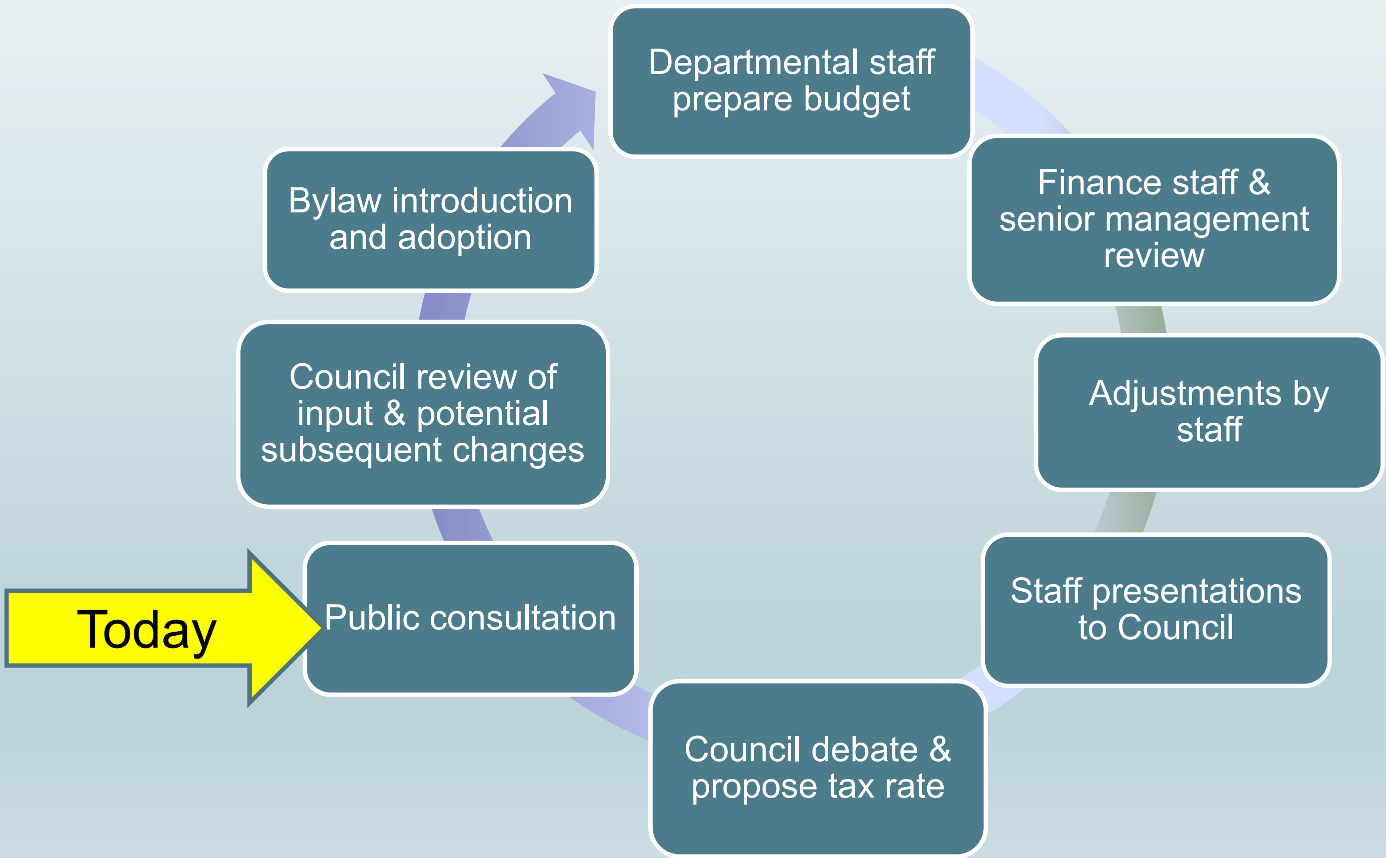
City of Trail
2024-2028 Draft Fin

Prepared by: Colin McClur
May 1, 2024

Agenda

1. Introduction
2. 2024 – 2028 Financial Plan Process
3. Quick Facts
4. 2024 Budget Overview
5. Taxation & Operating Budget
6. Capital & Debt
7. Questions

Financial Planning Process



Budget Principles
Council's Direction to Staff

- Support delivery of municipal services
- Maintain services delivered at 2023 levels
- Reduce costs of service delivery, where possible, while minimizing service impact levels
- Generate new revenue
- Minimize tax rate increase
- Long term planning as a focus
- Continue utility infrastructure program
- Address roads & facilities infrastructure deficit
- Implement sustainability principles

Quick Facts

- All City Operational revenue close to $32 Million in 2023 (unaudited)
- Total operational expenses $25 Million
- Revenue over expenses pay down debt & flow into Operational and Capital reserves
- General Fund Operational expense & allocations to reserves/capital was budgeted at $21M in 2023, funded by $16.5M in Taxation (approx. 1.3 to 1 ratio)
- A 1% increase in taxation produces about $159,000 to cover operational expenditures
- 69 Regular Full-time Employees
- 27 Part-Time (6 RCMP Guards, 17 Aquatic Staff, 1 RCMP Clerk, 2 TALC Janitors, 1 Exempt Airport Manager)
- 7 Casual (2 Airport Staff, 5 Parks and Rec Staff)

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Quick Budget Overview - 2024

Highlights:

- New market construction taxation revenue generation for 2024 is $23K values
- Staff have proposed a 4.25% tax increase for 2024
- Council previously approved increases to the utility rates
  - 7.5% increase to Water or $30
  - 4% increase in Sewer or $11

2024 Capital Budget:

- $11,535,005 in the General capital
- $2,656,000 in Water capital
- $1,709,000 in Sewer capital

2023 General Fund Results

- Interest income was substantially higher than budgeted
- Number of vacant positions throughout the year has resulted in savings
- Understaffing at RCMP has resulted in that budget being under, however, the overtime costs has resulted in that savings being lower
- Significant savings from proper billing from Fortis for streetlights and retro credit
- Revenue improvements at the TMC, TALC & Airport are continuing post-pandemic
- TALC had significant maintenance issues that are reflected in why Parks, Rec and Culture is significantly overbudget
- Low snow year resulted in Public Works staff working on projects in Parks & Rec so helps explain why Public Works is underbudget and Parks & Rec are over
- Building permits was underbudget but Business license revenue was over

2024 General Fund Overview

- Recommending a 4.25% average overall property tax increase
- Additional $100K in revenue from Rossland joining TRP
- Estimate $100K savings in Credit Card fees
- Estimating $100K savings from proper billing from Fortis for streetlights
- Revenue improvements at the TMC, TALC & Airport are assisting keeping the tax increase lower would have been required
- Interest income is currently providing higher than expected funding
- There was a reallocation of Insurance budget from General to Parks, Rec and Culture
- Budget increase for wages & benefits and supplies for the Parks, Rec and Culture department based on actual results of 2022 & 2023
- Increase in allocation to Equipment reserve in 2024 ongoing
- Enlarge the allocation to Operating Capital in 2024 & onwards

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2024 Challenges

- Working with BC Housing to get the new temporary Homeless shelter up and operating successfully
- Partnering with our local stakeholders on supporting and managing the vulnerable population that do not get into the new temporary Homeless shelter
- Recruitment of vacant Senior Management positions
- Limited new construction revenue - $25,352 in 2024($29k in 2023, $21K in 2022)
- Seeing significant jumps in the costs of services – eg line painting 76% or $47k higher than previous year
- Negotiating a Collective Agreement that is financially sustainable for the City
- Effectively communicating the recovery of the under charge of RDKB taxes in 2023 on the 2024 tax notice

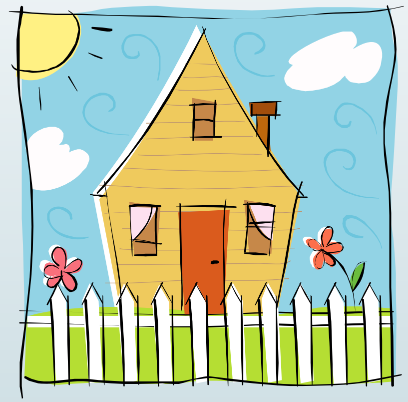
2024 Proposed & 2023 Actual Property tax increases

	2024 Proposed	2023		2024 Proposed	2023
Abbotsford	5.12%	5.98%	New West	8.00%	6.00%
Burnaby	4.50%	3.99%	North Cowichan	5.78%	4.82%
Campbell River	3.47%	11.27%	North Sanaich	7.80%	4.90%
Castlegar	6.43%	6.50%	North Vancouver	8.50%	5.24%
Central Sannich	7.76%	7.19%	Osoyoos (24% inc uti	5.50%	9.00%
City of Vancouver	7.60%	10.70%	Penticton	5.31%	9.50%
Coldstream	9.70%	8.40%	Port Coquitlam	5.58%	3.38%
Coquitlam	8.92%	5.48%	Port Moody	8.37%	11.33%
Cranbrook	8.32%	5.87%	Prince George	6.78%	7.22%
Creston	7.30%	4.42%	Princenton	5.31%	10.00%
Delta	7.75%	4.90%	Quesnel	5.60%	9.50%
Duncan (police - 6.13%)	7.54%	8.90%	Revelstoke	5.00%	3.00%
Fernie	6.10%	6.80%	Richmond	5.62%	5.88%
Gibsons	3.00%	4.50%	Rossland (5% inc x ne	5.00%	3.50%
Invwemere	6.75%	5.00%	Saanich	7.76%	6.80%
Kamloops	11.00%	7.00%	Sidney	6.04%	4.93%
Kelowna	4.75%	4.00%	Summerland	5.39%	3.75%
Keremeos	4.00%	3.50%	Surrey	7.00%	12.50%
Kimberly	5.33%	3.90%	Vancouver	7.50%	10.70%
Lake Country	9.52%	17.05%	Vernon	5.49%	4.48%
Langford	15.60%	11.94%	Victoria	8.37%	6.00%
Langley	6.88%	5.37%	West Kelowna	6.85%	5.00%
Maple Ridge	6.50%	5.65%	West vancover	7.54%	6.07%
Nanaimo	8.00%	7.20%	Whistler	8.18%	6.00%
Nelson	5.30%	5.80%	White Rock	4.82%	6.59%

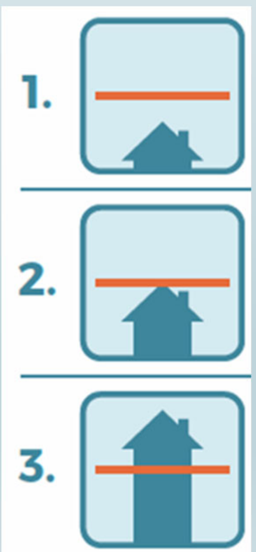
Tax Revenues: Growth – Where does it come from?

- New revenue only exists when there is new assessment
- Increase in "inventory" i.e. through subdivision or new construction
- General increases in market value do not generate more tax dollars
- Past couple of years has resulted in minimum new revenues from growth

Taxation - Assessment



- January 2024 Assessment Notices
- Value as of July 1 2023



Property Value Change	Property Tax Impact
Lower than average change	Lower than average tax increase
Average change	Average tax increase
Higher than average change	Higher than average tax increase

Effect of Assessments in 2024

Property Class	2023 Assessed Values	2024 Assessed Values	% Change	% of Total Assessment
Residential	$1,302,869,300	$1,295,387,500	-.57%	74.18%
Utility	18,034,175	19,206,155	6.50%	1.10%
Major Industry	225,530,000	239,580,000	6.23%	13.72%
Light Industry	3,471,900	3,867,200	11.39%	0.22%
Business	164,653,000	185,255,400	12.63%	10.61%
Forest	932,000	518,000	-44.24%	0.03%
Non-Profit	2,290,700	2,493,500	8.85%	0.14%
Total	**$1,717,781,075**	**$1,746,307,757**	**.79%**	**100.00%**

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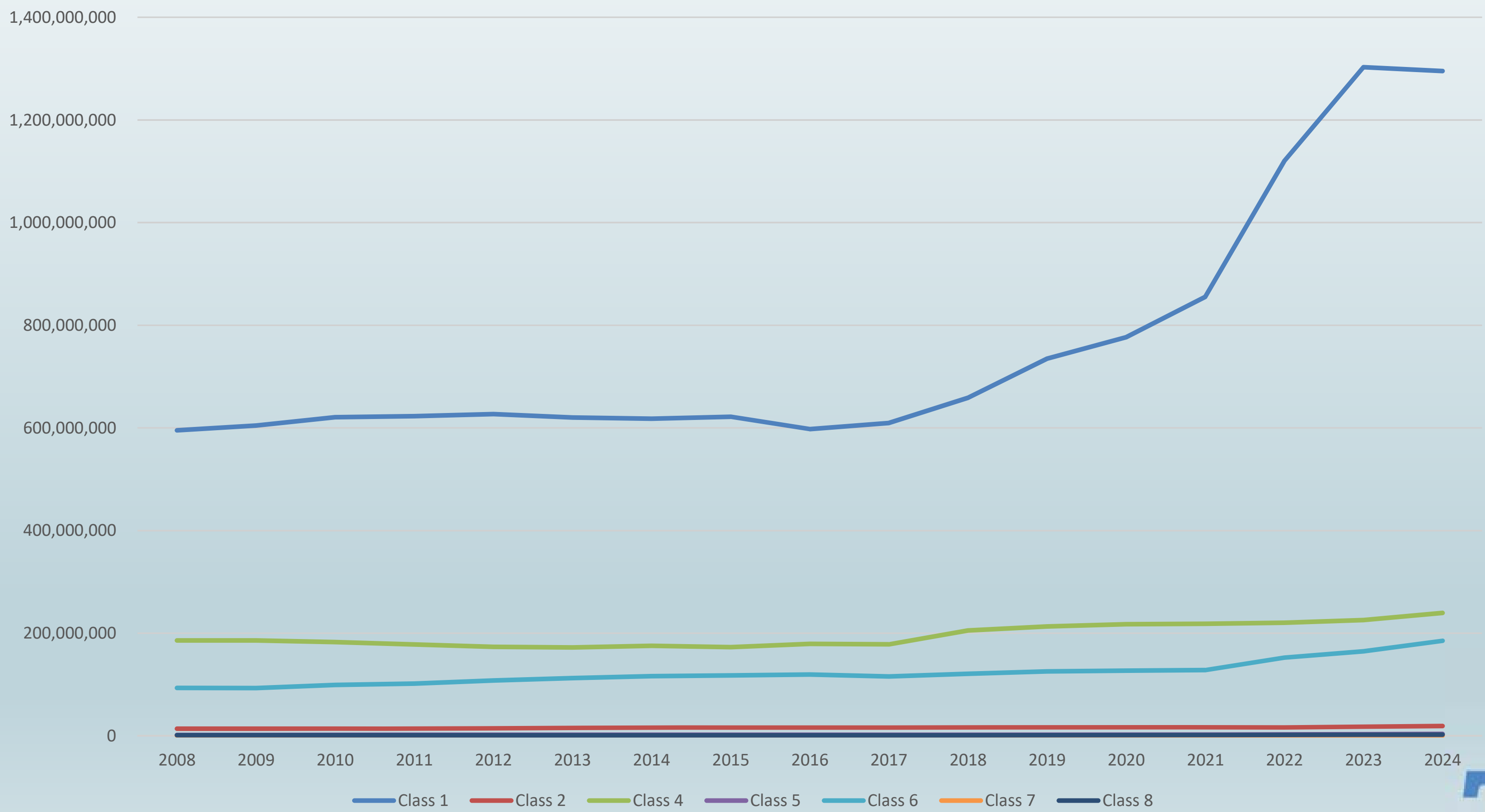
2008-2024 City of Trail Assessment History



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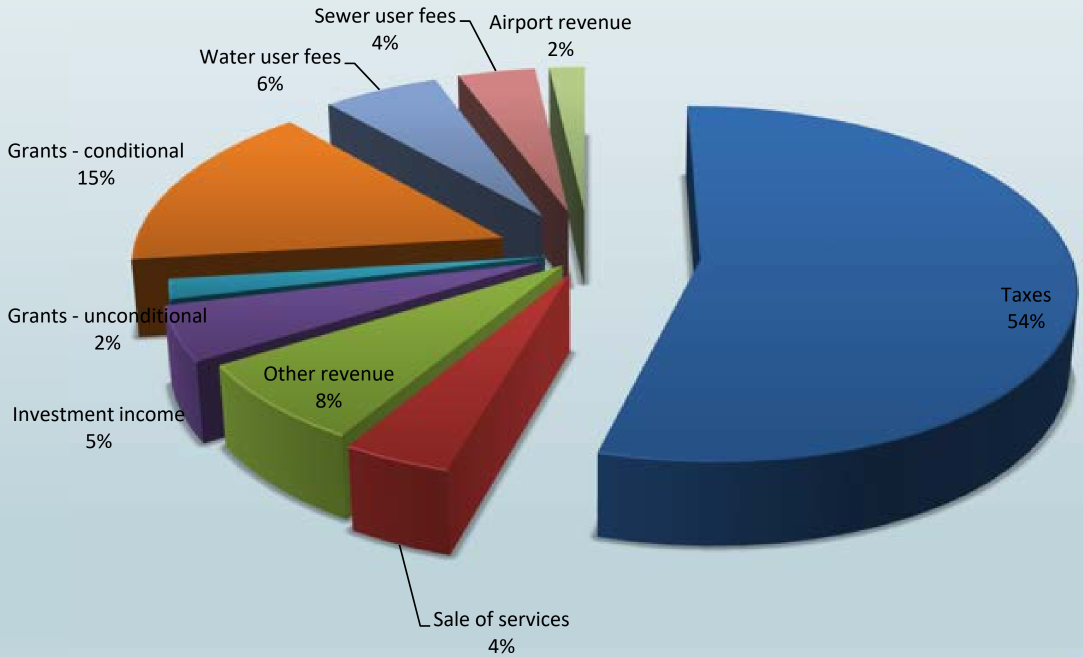
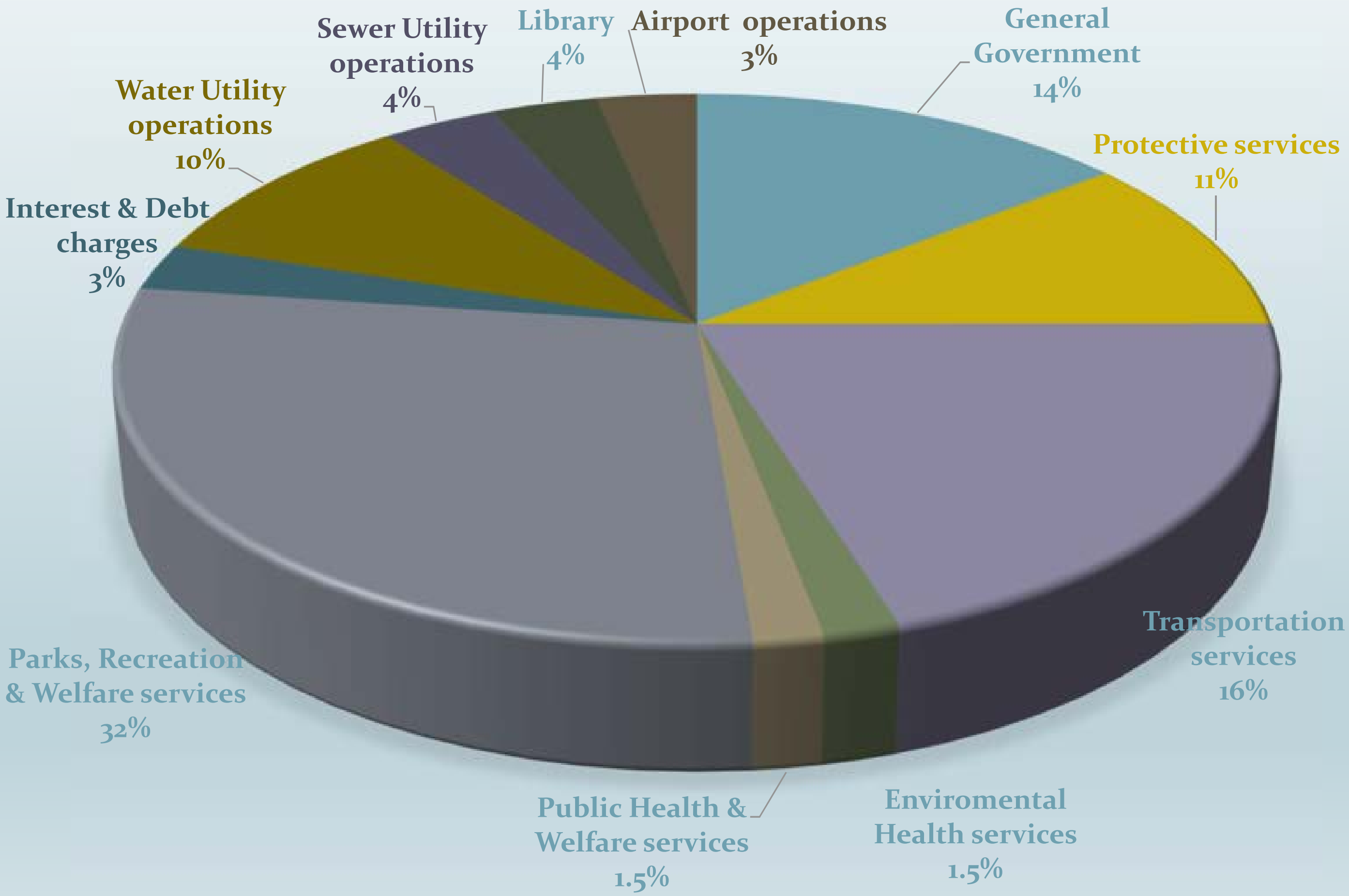
City of Trail Revenues 2023 (Unaudited)

Taxes	$17,526,072
Sale of services	1,335,258
Other revenue	2,420,124
Investment income	1,619,110
Grants - unconditional	588,782
Grants - conditional	4,993,857
Water user fees	1,871,561
Sewer user fees	1,251,817
Airport revenue	570,805
Total	$32,177,386



City of Trail Expenses 2023 (Unaudited)

General Government	$2,811,553
Protective services	2,284,436
Transportation services	3,190,461
Environmental health services	305,039
Public Health & Welfare services	334,347
Parks, recreation & culture	6,615,220
Interest & Debt charges	573,424
Water utility operations	1,933,129
Sewer utility operations	764,364
Library	837,184
Airport operations	677,000
Total	$20,326,157



2024 Proposed Budget – City only

Effect on an Average SFD

	Average Single Family Dwelling $382,351 (.57% decrease from 2023)			
	2023	2024	Net Change	Net Monthly Change
Property Tax (municipal only)	$1,042	$1,086	$44	$3.67
Water Rates (after discount)	403	433	30	2.50
Sewer Rates (after discount)	265	276	11	0.92
Resource Recovery*	147	25	-122	-10.17
Overall	**$1,857**	**$1,820**	**-$37**	**-$3.08**

*2024: Difference from 2023 is RDKB took over residential collection of garbage as of Oct 1, 2023 as well as started the collection of organics and the fee for collection is now part of the RDKB Regional Solid Waste Service

2024 Property Tax – All Agencies

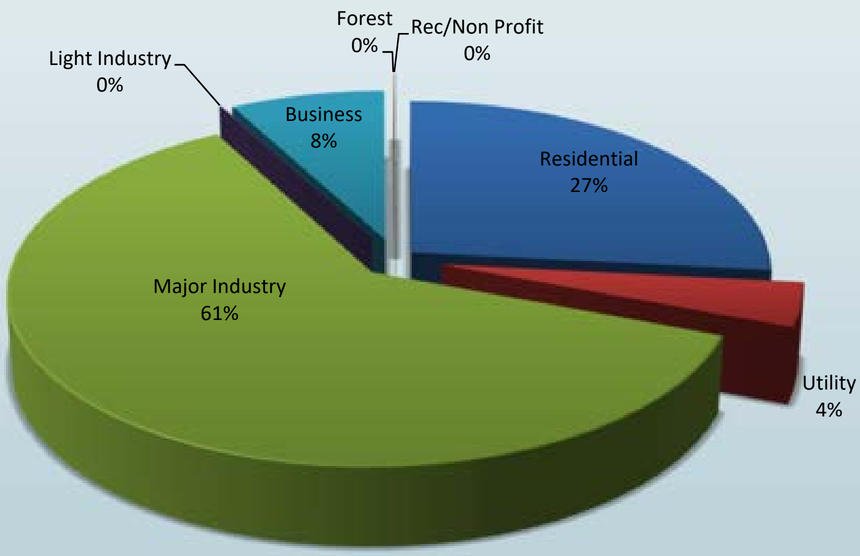
Effect on Average Single Family Dwelling - $382,351 in 2024

	2023	2024	Net Change	% Change
Municipal Property Tax	$1,042	$1,086	$44	4.25%
RDKB*	730	780	50	6.92%
Kootenay Boundary Regional Hospital	63	60	-3	-4.76%
School Tax	665	667	2	.03%
BC Asses/MFA	13	13	0	0%
Less HOG	(770)	(770)	0	
Overall	**$1,743**	**$1,836**	**$93**	**5.33%**

*The effect on the RDKB tax requisition would have been more if there had not been tax shifting due to the higher increase in assessed value in 2024 of Major Industry

*Note 2023 RDKB tax charge on average SFD (387,698) should have been $730 but due to error was $638 a tax break of $92 to be recovered in 2024 RDKB tax amount

2024 Municipal General Fund Tax Allocation



Residential	$4,307,209
Utility	714,283
Major Industry	9,924,362
Light Industry	8,343
Business	1,274,889
Forest	3,835
Rec/Non profit	9,489
Total	**$16,242,410**

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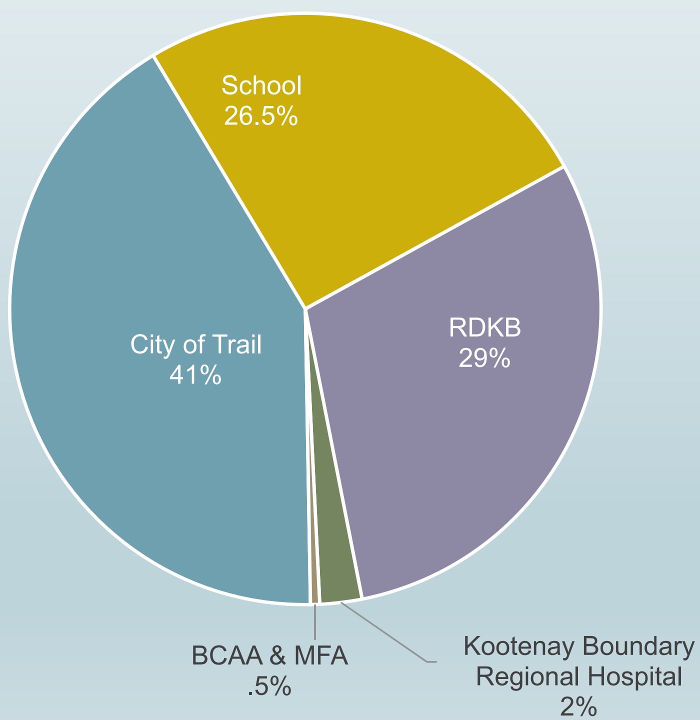
2024 Tax Distribution of
Average Single Family Dwelling - $382,351 in 2024



City of Trail	$1,086
School	667
RDKB	780
Kootenay Boundary Regional Hospital	60
BCAA & MFA	13
Total	**$2,606**

2024 RDKB City of Trail Services & Portion of Requisition

City of Trail participation in RDKB Services

May 1, 2024

Service #	Service Name	Partners	% of service paid by Trail	2023	% of service paid by Trail	**2024**	Diff	% change
S001	General Admin	All	20.69%	233,862	19.34%	**273,494**	39,632	16.95%
S004	Building inspection	All	25.56%	295,229	25.37%	**293,041**	-2,188	-0.74%
S005	Planning & Development	All	5.44%	48,333	6.19%	**54,986**	6,653	13.76%
S009	Police Based Victims Assistance	East End 7	39.56%	36,554	38.96%	**37,816**	1,262	3.45%
S010	Regionalized Solid Waste Mgmt	All	20.73%	398,129	19.69%	**467,908**	69,779	17.53%
S012	Emergency Preparedness	All (except Rossland)	20.73%	93,068	20.16%	**105,640**	12,572	13.51%
S015	911 Emerg communications	All	20.71%	79,605	21.82%	**83,872**	4,267	5.36%
S018	Culture Arts & Rec Lower Columbia	East End 7	39.28%	106,224	39.07%	**108,787**	2,563	2.41%
S050	Fire protection Reg East End	East End 7	39.47%	1,641,794	38.90%	**1,815,921**	174,127	10.61%
S070	Animal control	Fruitvale, Montrose, Trail	56.90%	7,817	0.00%	**0**	-7,817	-100.00%
S150	Cemeteries - East End	East End 7	39.46%	239,906	38.90%	**240,628**	722	0.30%
S700	East End Regional Sewer	Rossland, Trail, Warfield	68.34%	1,264,637	69.31%	**1,365,968**	101,331	8.01%
S005	East End Transit	East End 7	39.37%	481,565	38.99%	**635,358**	153,793	31.94%
				4,926,723		**5,483,419**	556,696	11.30%

Actual RDKB Tax Requisition Increases and Proposed

Year	City's portion $ Change	City of Trail Portion of Requisition	Total Requisition for Services	% Change
2022	$66,621	$4,725,927	$13,569,461	1.43%
2023	$200,716	$4,926,723	$14,146,163	4.25%
2024	$556,696	$5,483,419	$16,295,750	11.30%
2025	$1,922,504	$7,405,923	$20,837,029	35%

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Capital, Utilities & Debt

Overall Capital Plan – 2024 Highlights

General Capital asks - $11,535,005

- Daniel St retaining wall synergy project - $2.2 million
- TMC Phase I Heat Recovery & dehumidifier replacement project – total project $3.6 million
- IT Server & Desktop/Laptop replacement – $570K
- New Wheeled Excavator, Field mower & ride on Trimmer $613k
- TALC interior & exterior improvements
- Pool system upgrades
- Completion of Groutage "Missing Link" project
- Cemetery memorial wall

Water – $2,656,000

- Water Master Plan update
- Water Treatment Plant equipment
- Completion of Groutage infrastructure work
- Infrastructure upgrades as part of the Daniel St retaining wall synergy project

Sewer – $1,709,000

- Completion of Groutage infrastructure work
- Infrastructure upgrades as part of the Daniel St retaining wall synergy project

2024 Project Highlights

Groutage Avenue – Missing Link

2024 WATER utility budgets notes

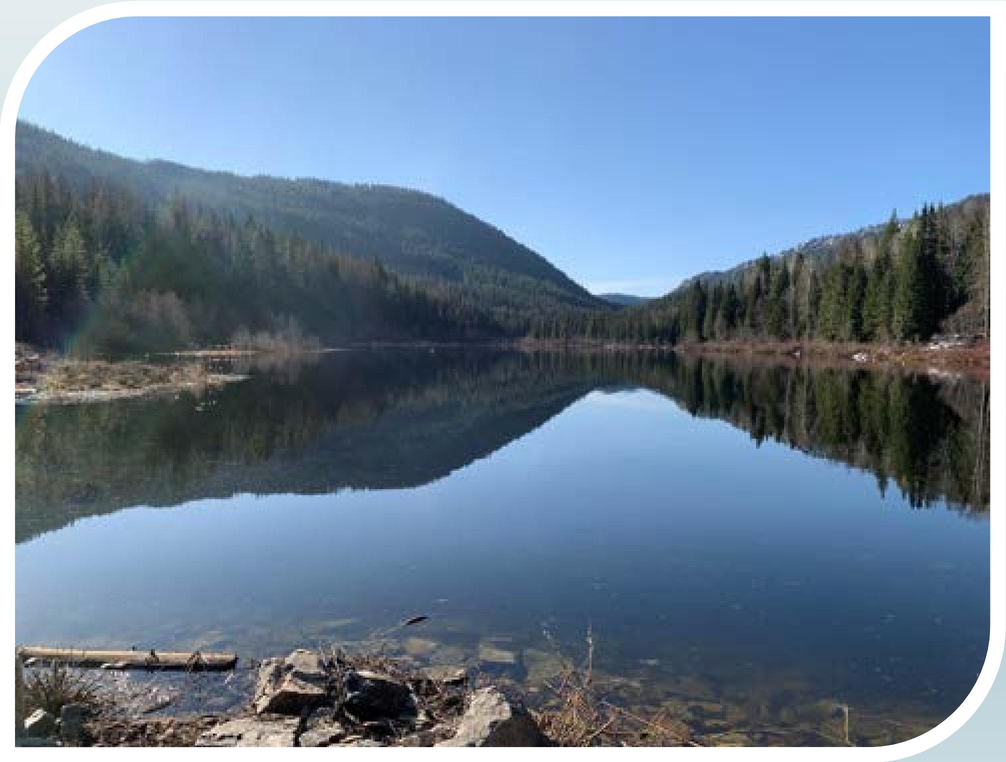
- The proposed Water rates are not at a level to provide enough net operational revenue to fund capital into the future
- There is a significant deficit between potential capital projects and the annual net operating contribution to capital
- The $150 water parcel tax was created in 1991, was lowered to $100 from 1997 to 2007 where it increased back to $150, which it has stayed at since
- Currently it provides $500k & makes up 19% of the Water utility revenues but it is static
- The value today of the water parcel tax from 2007 if increased by an average rate of inflation of 2% it would be at $714k today ($214 K diff)
- Council could consider increasing the “tax contribution”, which currently is at $30k annually
- Council could consider borrowing funds to create a healthy reserve
- If the City general operating fund creates an unexpected surplus Council could consider allocating a portion into the Water Capital reserve fund

2024 water Utility discussion options

- Additional information will be available in 2024 with the completion of the Water Master plan
- Although the $ 2 million a year is sitting in Waterline replacement it is meant as a placeholder for the amount of Capital money required for the water utility
- Water Treatment Plant is going to be 30 years old in 2024 and there is an expectation that significant upgrades will be required in the next 5 to 10 years
- Funding options outlined at the Public Utility Budget meetings
  - Reallocate $650k from general surplus
  - Allocate all the Community works funds to the Water Utility
  - Borrow $10 million in 2026 and pay back over 30 years (Interest is $14.9 million)
  - Consider increasing the “tax contribution”, which currently is at $30k annually

2023 Water Utility Project Highlights

Cambridge Creek and Violin Lake Ecosystem Restoration Pre-construction (View South)



2023 Water Utility Project Highlights

Cambridge Creek and Violin Lake Ecosystem Restoration Post-construction (View South)

2023 Water Utility Project Highlights

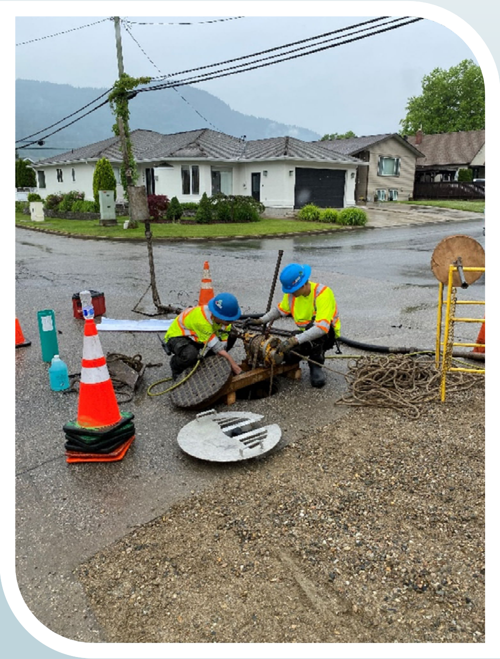
Cambridge Creek and Violin Lake Ecosystem Restoration Post-construction (View North)

2024 SEWER Utility budgets notes

- The proposed Sewer rates are not providing enough net operational revenue to fund capital into the future as the reserve is being depleted over time, however it is gradual
- Sewer debt ending in 2025 assists with the funding required to keep up with Capital work and the rate of inflation
- The $176K tax contribution has been unchanged since 2007
- It makes up 13% of the Sewer revenues
- If the “tax contribution to Sewer had increased by an average rate of inflation of 2% it would be at $250k today ($74 K diff)
- If the City general operating fund creates an unexpected surplus Council could consider allocating a portion into the Sewer Capital reserve fund

2023 Sewer Utility Project Highlights

Trenchless Sewer Rehabilitation – 1.4 KM Cured in Place Pipe (CIPP)



Debt and Debt Servicing

- Major capital projects typically funded by using combination of existing reserves and by borrowing funds.
- Strategic decision when to borrow vs using reserves or taxation.
- At the Dec 31, 2023 year end the City has long-term General debt of $12,783,694
- The Water fund has $701,790 in long-term debt at the end of 2023, with that current debt expected to be paid off by 2028
- It is expected that the Water fund will need to take on additional long-term debt in the near future to fund required significant infrastructure upgrades
- The Sewer fund has $290,786 in long-term debt, which will be paid off by 2025

Questions?