

# Report

City of Merritt  
REGULAR Council Meeting  
March 15, 2023

File Number: 1700

**To:** Sean Smith, Chief Administrative Officer  
**From:** Sheila Thiessen, Finance Contractor  
**Date:** March 14, 2023  
**Subject:** 2023-2027 Financial Plan Overview

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**RECOMMENDATION:**

**THAT this report be received for information.**

**Background:**

Work is underway on the 2023 – 2027 Financial Plan. The 2023 – 2027 Financial Plan Bylaw must be adopted by May 15, 2023.

In addition to working on the Financial Plan, the finance department is working on preparing for the year end audit. The two projects go hand in hand, as in order to complete the financial plan, surplus and reserve balances need to be confirmed.

The department heads have been working diligently on providing information for the budget preparation. I would like to acknowledge all the efforts by the department heads to review the last year's activity and develop their department's budgets.

This report will provide an overview of the budget process and highlight some of the opportunities and challenges. The primary focus will be on the sources of revenue.

**Discussion:**

***Overview***

The Financial Plan is required to authorize the expenditures of the municipality and for Council to provide priorities and direction to staff.

The financial plan is the basis for the tax rate bylaw. This is the only chance to collect taxes for the year, so it is important to identify all sources of revenues to fund the City's operations and capital projects and collect enough taxes to cover the operations after all other forms of revenue are considered.

The financial plan can be amended during the year, if there is a change in requirements or potential funding, for example unexpected equipment failures, or opportunities to take advantage of grant funding.

The budget must be balanced, but often there are surpluses generated during the year, as revenues are budgeted conservatively, and expenses may come in lower due to changes in operations, or savings identified during the year.

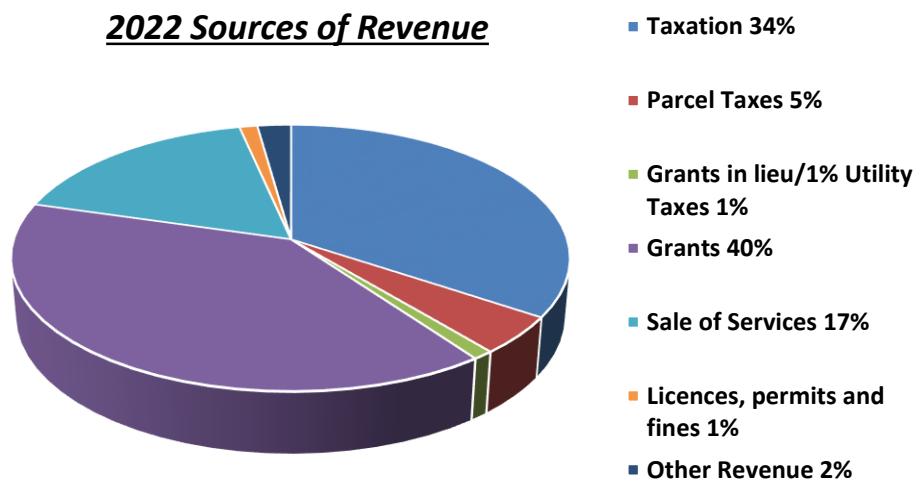
The City has a Reserve Policy to allocate the surpluses for future projects. This ensures that surpluses are used to reduce future tax requirements to meet the organization's financial needs.

### ***Funds***

There are four funds: General, Water, Sewer, and Transit. Any funds collected for a fund are to be limited to that fund. The General and Transit funds are mainly funded by taxation. The Water and Sewer funds are funded through user fees (sale of services) and parcel taxes.

### ***Funding Sources***

The graphic below shows the City's funding sources for 2022. For this graphic, the funding related to emergency operations and recovery have been removed as they are an exception to regular operations.



**Property Tax**

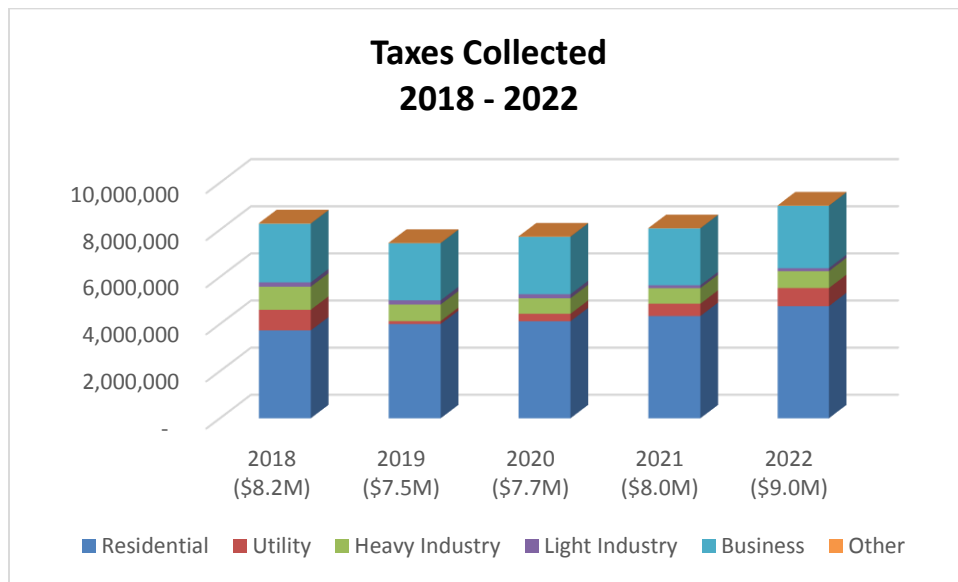
The chart below shows the total taxes collected for the years 2018 – 2022. The different colours depict different classes.

Light Industry has consistently represented approximately 2% of total taxes, while Business properties have ranged between 29 to 30%.

The Heavy Industry share of the total taxes collected dropped from 12% to 8% when Tolko closed in 2018.

The Utility class share was 11% in 2018 and dropped in 2019 as the revitalization exemption for the energy plant started and was completed in 2022. In 2023, the Trans Mountain Expansion will be added to the Utility class.

As the residential class is the largest class, its share of the tax distribution increases or decreases as the other classes change.



**Historical rates**

The chart below shows the changes to the mill rate over the last five years. The mill rate for the utility class has been consistently 40.00. The other classes include farm and recreation properties. Setting the mill rates will be Council’s decision with recommendations from staff.

Class	2018	2019	2020	2021	2022
Residential	5.3244	5.179	4.8815	4.624	3.942
Heavy Industry	67.6412	65.7941	62.0143	62.642	48.346

Light Industry	31.4086	30.5509	28.7958	20.44	18.826
Business	16.223	15.682	14.7811	14.752	13.514

### ***Challenges and Opportunities***

The challenges that staff are working with include:

- rising costs due to inflation, supply chain issues, and limited suppliers bidding on projects.
- increased requirements for water and sewer operator certification and treatments.
- increased utility costs including natural gas and electricity.

There are grant funding opportunities to help with the capital plans. In addition, due to constraints and shortages, staff is looking at workflows and processes which hopefully, will lead to efficiencies.

### ***Process***

Staff is preparing the budget including all contracted increases and the costs required to maintain current service levels, while meeting all legislated requirements and standards. Council will be presented with this budget as the base, and then be provided with supplemental items for consideration. These supplemental items will either be for service level enhancements, new services, and projects.

A capital plan that ensures that the City can replace infrastructure and other assets as they reach the end of their life is called an asset management plan, and requires dedicating funding towards building reserves or updating and replacing infrastructure. Council will be given the funding levels identified in existing master plans. It is anticipated that these master plans will be updated in 2023 or 2024 as the existing ones are from 2016. For 2023, staff will be utilizing the current masterplans to develop the capital program.

To meet the statutory requirements, public input is required. Staff will be discussing with Council what form this will take.

Staff will work on scheduling some meetings for Council to consider the budget items. It is anticipated that at least two meetings will be required.

**Respectfully submitted,**

**Sheila Thiessen,  
Finance Contractor**