

MUNICIPAL FINANCE & BUDGET OVERVIEW

January 7, 2019



Overview

- Financial Plan and Budget
- Fund Accounting
- Operating and Capital Expenditures
- Funding Sources
- Reserve Funds & Accounts
- Budget Challenges
- Public Input
- Council Direction



FINANCIAL PLAN

Township of
ESQUIMALT

A decorative white wavy line that starts under the 'E' and 'S' of 'ESQUIMALT' and extends to the right, ending under the 'T'.

Legislative Requirements

- Community Charter and Local Government Act set the provisions that municipalities must follow including:
 - Financial Plan provides spending authority
 - No deficit permitted (revenues must equal expenditures)
 - Municipality must have both an operating and a capital budget
 - Council to undertake a “process of public consultation”



Bylaw Requirements

Two separate bylaws:

Financial Plan Bylaw gives the municipality spending authority

Tax Rates Bylaw authorizes the levying of property taxes

- The Financial Plan Bylaw must be adopted prior to the adoption of the Tax Rates Bylaw



What is a Financial Plan?

- Multi year, high level estimate of future expenditures, staffing and revenues required to maintain service levels and infrastructure and to manage growth
- Adopted annually by Council through bylaw
- Sets out policies and objectives
 - Proportion of revenue from each funding source
 - Distribution of property taxes among the classes
 - Use of permissive exemptions



Financial Plan Process

- Management prepares draft plan and recommendations based on Council direction
 - Completed Assessment Roll
 - Includes Accepted PILT Values
- Tax Revenue Increase Scenario Selected by Council
 - Potential adjustment based on Revised Assessment Roll
- Policies and Objectives
- Tax Rate Review
- Financial Plan and Tax Rates Bylaws

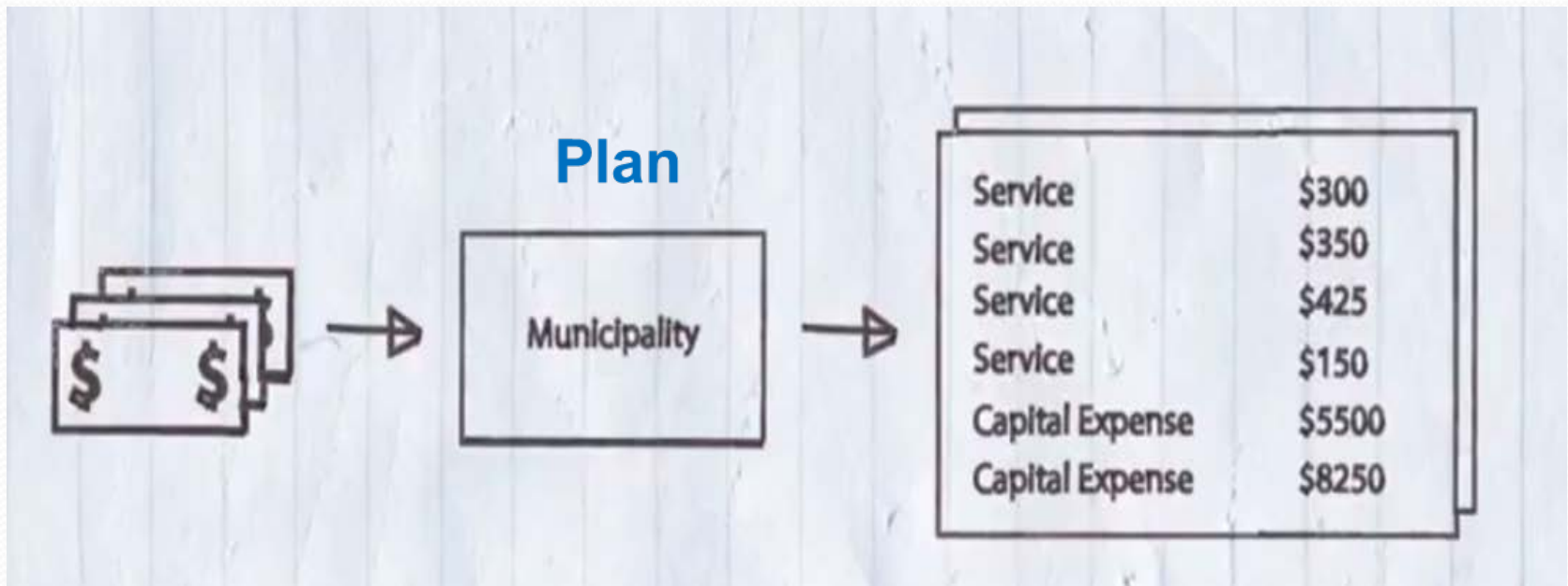


What is a Budget?

- A plan for the revenues and expenses required over a specified future period of time
- A detailed quantitative plan for acquiring and using financial and other resources over a specified forthcoming time period
- **Departmental work plans converted into dollars**



What is a Budget?

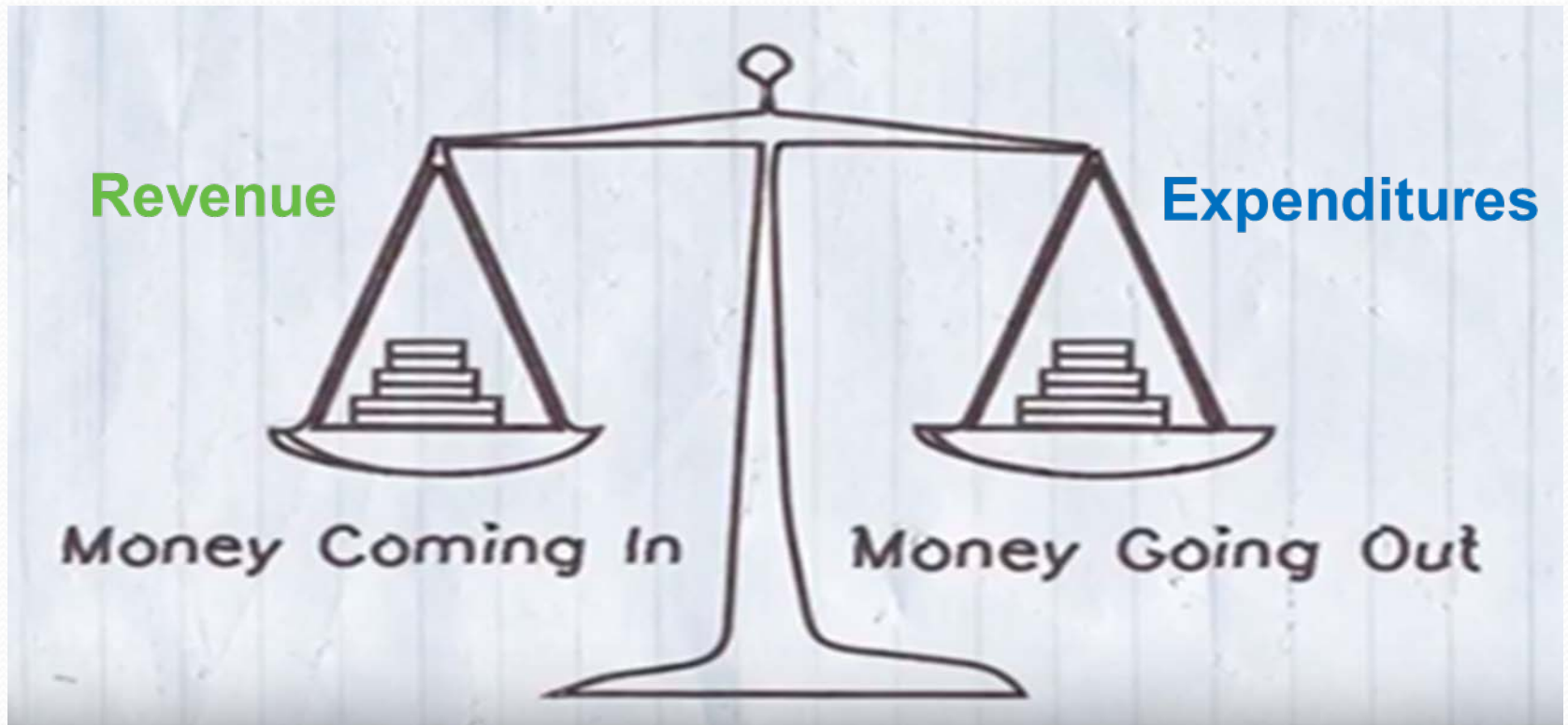


Budget Management

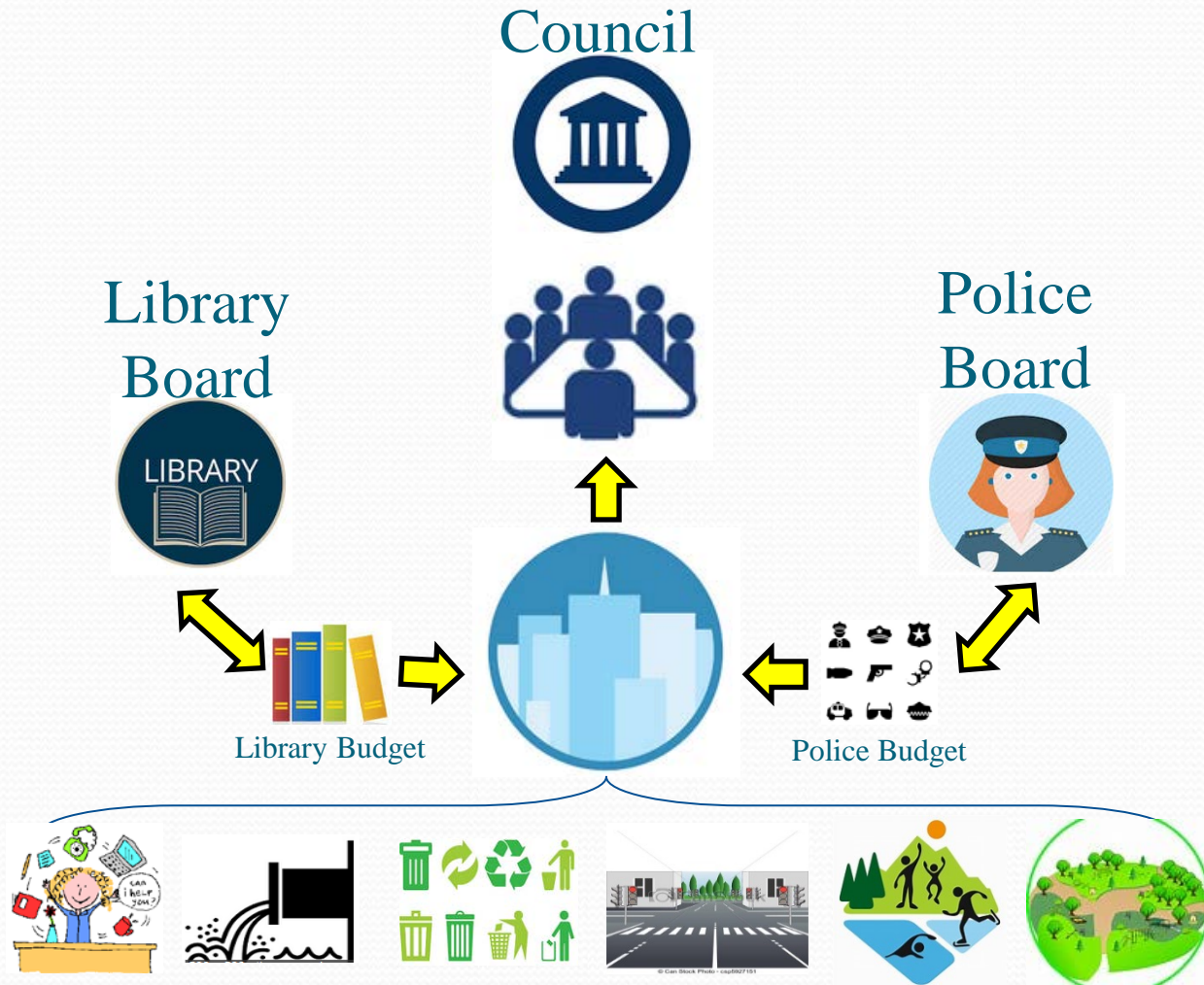
- Keep overall expenditures within the approved budget
- Manage post budget events and changed circumstances
- Maintain integrity of financial system and reporting
- Accountability and responsibility clearly defined
- Early identification of surpluses and deficits



Balanced Budget



Approval Process



Budget Timeline

Key Dates

- Early Budget Approvals – February 4
- Department Core Presentations – February 4
- Local Grant Approvals – March 4
- Policy and Objectives Review – March 4
- Consideration of Operating and Capital Requests & Public Input Opportunity – March 12 (& March 13 if required)
- Tax Rate Scenarios & Final Public Input Opportunity – April 1
- Updated Tax Rate Scenarios (if necessary) – April 15
- Financial Plan and Tax Rate Bylaws – adoption May 13



FUND ACCOUNTING

Fund Accounting

- “Fund” = self balancing set of accounts, segregated for a specific purpose
- Emphasizes accountability rather than profitability
 - How money was spent, not how much profit was earned
- Expenditures not to exceed total funding sources
 - New or increased services or expenditures must have offsetting funding source



Fund Accounting

- “Core”: necessary funding to maintain current service levels
- “Supplemental”: funding associated with providing new or increased service levels
- “Prior Year”: items approved in the previous year’s budget but remain outstanding at the end of the fiscal year



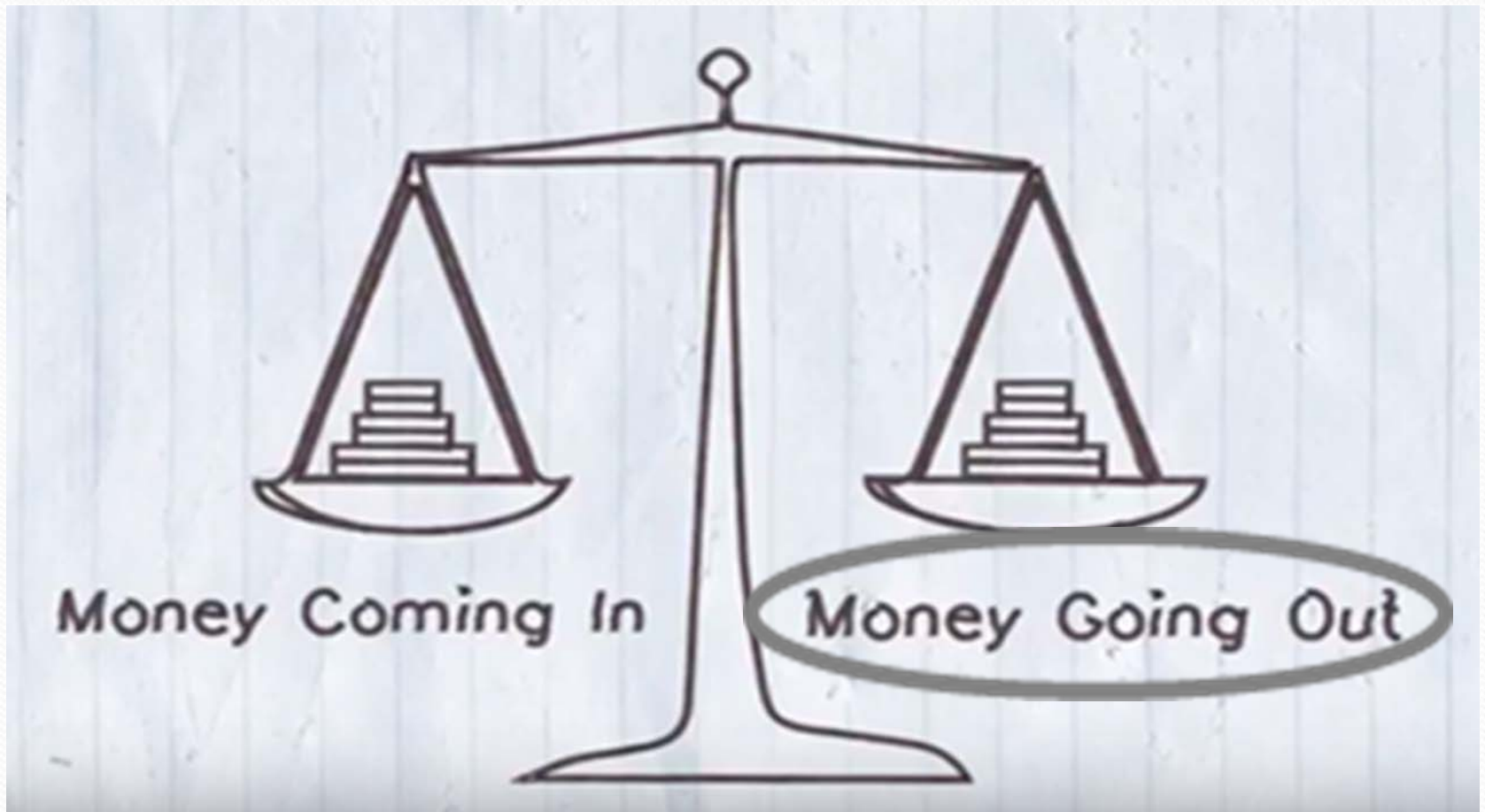
Fund Accounting

- General - Operating & Capital
- Sewer - Operating & Capital
- Offset by Funding Sources
 - General Revenue/Property Taxes
 - PILT
 - Reserves
 - Accumulated Surplus
 - Grants/Donations
 - Borrowing (Debt)



OPERATING & CAPITAL

Township of
ESQUIMALT



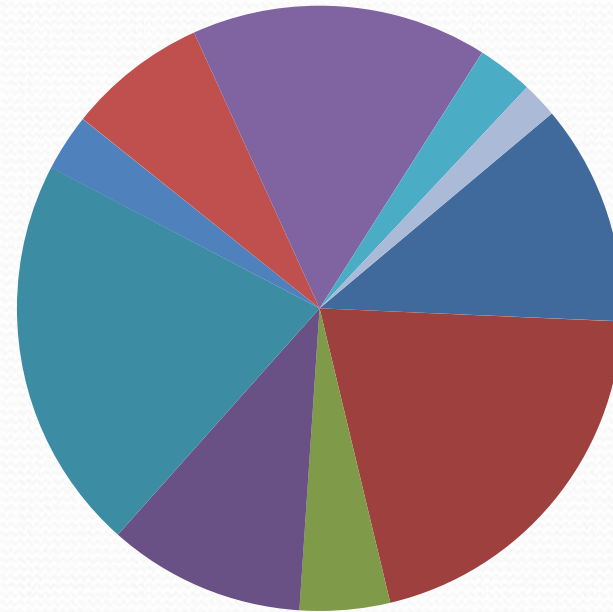
Operating Expenditures

- Expenditures incurred to met local demands for services and infrastructure
- Examples:
 - Wages & Benefits
 - Equipment & Supplies
 - Contracted Services
 - Program Costs
 - Repairs & Maintenance
 - Debt Servicing



Where are Funds Spent?

• Parks & Recreation	21%
• Police	21%
• Transfers	16%
• Fire	12%
• Public Works	10%
• Corporate/HR	7%
• Finance/IT	5%
• Development	3%
• Debt Servicing	3%
• Community Safety	2%



Capital Expenditures

- One time expenditures for infrastructure
 - Roads & Sidewalks
 - Vehicles & Equipment
 - Parks & Playgrounds
 - Sanitary & Sewer Lines
- Funding transferred from Reserves do not require direct taxation
- Annual contributions to Reserves impact current year tax calculation



Capital Funding

Asset Reserves



- Capital Projects
- Infrastructure & Revitalization
- Machinery & Equipment
- Sustainability
- McLoughlin Amenity



List of Capital Projects

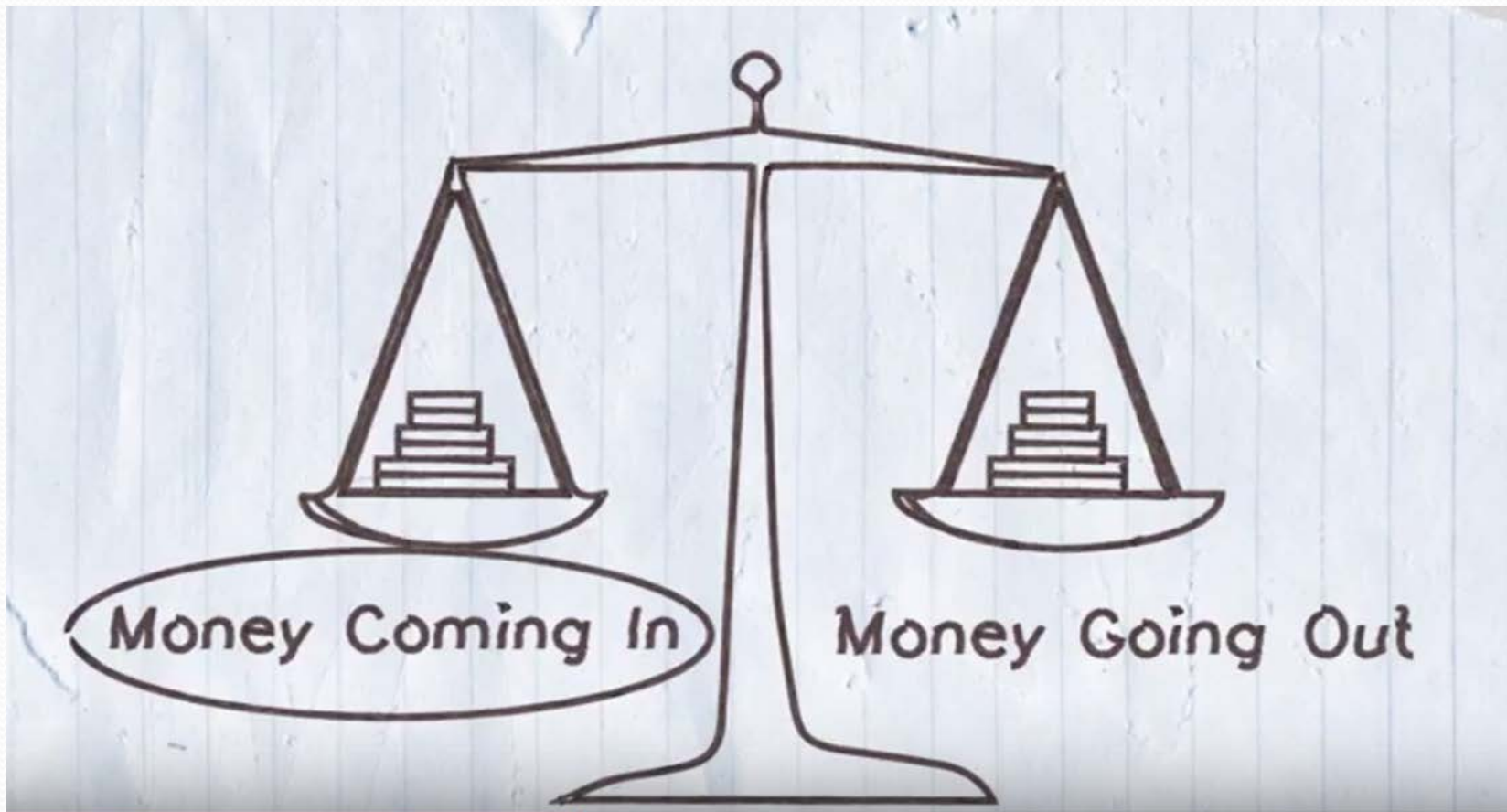


Council Approval



FUNDING SOURCES





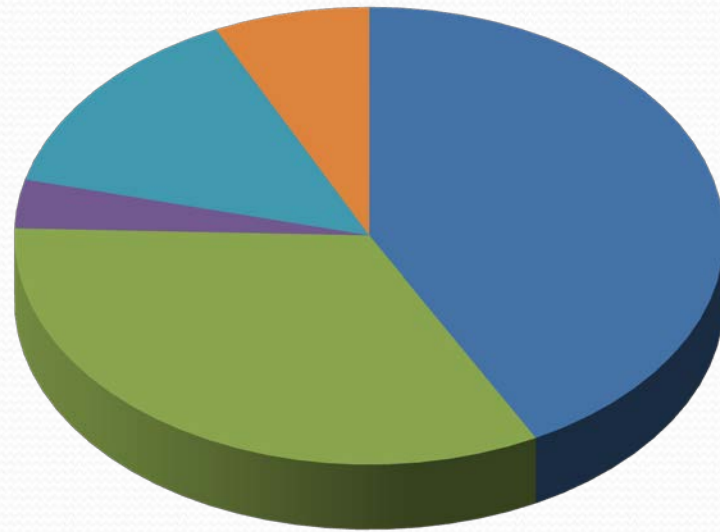
Revenue

- Property Taxes
- PILT
- Parks and Recreation Fees
- Other Fees and Charges
 - Permits, licences and cost recoveries
- Government Transfers
 - Small Community and Traffic Fine Amounts
- Other Sources
 - Casino, Gas Tax, Donations, Grants



Sources of Revenue

• Property Taxes	42%
• PILT	33%
• Gov't Transfers	14%
• Recreation	7%
• Fees and Charges	4%



Debt

- Long Term and Short Term Loans
 - Repayable over 5-40 years
- For Major Capital Expenditures
- Secured through Municipal Finance Authority and CRD
- Spreads project cost and related property tax increase over a number of years
 - Synchronizes the costs and benefits of infrastructure over time
 - Avoids need for large year to year tax rate fluctuations



Township Debt

Sewers I&I Program	1,256,000	Matures 2024
	2,012,000	Matures 2025
	1,129,000	Matures 2026
	<u>2,353,000</u>	Matures 2027
	<u>6,750,000</u>	
Revitalization Project	4,000,000	Matures 2022
	<u>2,800,000</u>	Matures 2023
	<u>6,800,000</u>	
Admirals Road Corridor	1,200,000	Matures 2024
Sports Centre Façade	100,000	Matures 2019
Fraser Park Development	450,000	Matures 2021
Total Debt	<u><u>\$15,300,000</u></u>	



Township Debt

ANNUAL DEBT COSTS

	2019	2020	2021	2022	2023
Long-term debt (principal & interest)					
Recreation Centre Revitalization	\$375,450	\$375,450	\$375,450	\$375,450	\$164,480
Sewer I & I Program	362,918	362,918	362,918	362,918	362,918
Admirals Road Corridor	135,950	135,950	135,950	135,950	135,950
	<u>874,318</u>	<u>874,318</u>	<u>874,318</u>	<u>874,318</u>	<u>663,348</u>
Short Term Debt (principal & interest)					
Archie Browning Façade	102,800				
Fraser Park Development	158,400	156,300	154,200		
	<u>261,200</u>	<u>156,300</u>	<u>154,200</u>		
Total Annual Cost	<u>\$1,135,518</u>	<u>\$1,030,618</u>	<u>\$1,028,518</u>	<u>\$874,318</u>	<u>\$663,348</u>
Unutilized Liability Servicing Capacity at December 31, 2018	\$ 7,607,427				



RESERVE FUNDS

Reserve Funds

- Established through bylaw
- May only be used for specified use
- Requires Council resolution to expend these funds



Reserve Funds

- **Capital Projects (CPRF)**
 - Fixed annual contribution (approx. \$1,300,000)
 - Additional allocation for any retired debt payments
 - Can be used for any capital expenditures
- **Machinery & Equipment Depreciation (M&E)**
 - Annual contributions made based on useful life and replacement cost of capital items
 - Used to replace existing fleet and equipment



Reserve Funds

- **Infrastructure & Revitalization**
 - Replacement of existing long-term infrastructure
 - Revitalization initiatives
 - Annual minimum contribution (2019: \$290,000)
- **Park Land Acquisition**
 - Funded from disposal or sale of park land and/or money received in lieu of parkland
- **Sustainability**
 - Funded by Provincial carbon tax grant program (CARIP)



Reserve Funds

- **Municipal Archives Trust**
 - For acquisitions, restorations, reproductions and equipment for the Archives
- **Local Improvement**
 - To assist with local area service improvements
 - Alternative to borrowing
- **Eva Chafe**
 - For maintenance of 398 Fraser Street property



Reserve Funds

- **Tax Sale**
 - Funded from annual tax sale monies including any administration fees collected
- **Public Art**
 - For the selection, acquisition, maintenance and de-accession of Public Art
- **McLoughlin Amenities**
 - 3 separate funds for the purposes of public safety, recreation and waterfront park improvements



Reserve Fund Balances

M&E Reserve Fund	\$2,444,532
Capital Projects Reserve Fund	1,844,047
Infrastructure & Revitalization Reserve Fund	762,557
Park Land Acquisition Reserve Fund	86,073
Sustainability Reserve Fund	100,770
Municipal Archives Trust Fund	3,851
Local Improvement Fund	169,205
Eva Chafe Reserve Fund	33,969
Tax Sale Lands Reserve Fund	117,519
Public Art Reserve Fund	33,670
McLoughlin Amenity Funds	17,000,000
	<hr/>
	\$22,596,193
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RESERVE ACCOUNTS

Reserve Accounts

- Used to account for specific funds received from external sources
- Held for a future specified purpose
- Unexpended amounts may be transferred to surplus



Reserve Accounts

- **Casino**

- Payments received as part of Revenue Agreement (2018: \$325,000)
- Used for specific projects or one time purchases rather than for general or ongoing expenditures
- Internal commitment to fund recreation revitalization project debt payments (\$275,000 annually)
- Must maintain a minimum account balance of \$25,000



Reserve Accounts

- **Community Works (CWF)**
 - Direct allocation based on population to support local priorities (2018: \$771,000)
 - Annual reporting to UBCM and verification with financial statements submitted to Province
 - Maintain a minimum account balance of \$100,000



Reserve Accounts

- **Community Impact Fee**
 - To mitigate the community impacts of the CWWTP
 - Annual invoice to CRD for \$55,000 and adjusted annualized by CPI each year
 - No stipulation about how funds can be spent
 - No minimum account balance



Reserve Accounts

Casino Revenue	\$405,544
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Community Works	2,156,001
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Community Impact Fee	55,566
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	<u>\$2,617,111</u>
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As at December 31, 2018



BUDGET CHALLENGES

Budget Challenges

- Infrastructure Renewal and Asset Management
- Increasing Construction Costs
- Balance Expectations and Township Resources



Service Comparison

	POLICE		FIRE		RECREATION		LIBRARY	
	OWN	COST	OWN	VOLUNTEER	OWN	COST	OWN	COST
		SHARED				SHARED		SHARED
Esquimalt	X		X		X		X	
Oak Bay	X		X		X		X	
Saanich	X		X		X		X	
Victoria	X		X		X		X	
Central Saanich	X			X		X		X
Colwood		X		X		X		X
Highlands		X		X		X		X
Langford		X		X		X		X
Metchosin		X		X		X		X
North Saanich		X		X		X		X
Sidney		X		X		X		X
View Royal		X		X		X		X



Fiscal Challenges

	2019 Budget	2018 Budget	Increase	
			Revenue	%
Victoria-Esquimalt Police Services	\$8,401,014	\$7,944,657	\$456,357	1.57%
Wages & Benefits-CUPE, Fire & Exempt	\$15,909,221	\$15,328,450	\$580,771	2.00%
Greater Victoria Public Library	\$909,411	\$918,319	-\$8,908	-0.03%
Budget Commitments	\$0	\$210,469	-\$210,469	-0.73%
	<u>\$25,219,646</u>	<u>\$24,401,895</u>	<u>\$817,751</u>	<u>2.82%</u>

****1% tax increase = \$290,000 based on 2018 actual**



Assessed Values

	2018 Revised Roll \$	2019 Completed Roll \$	Increase/ (Decrease) \$	Increase/ (Decrease) %
Class 1 Residential	3,263,346,605	3,625,629,505	362,282,900	11.10%
Class 2 Utilities	1,382,800	1,447,300	64,500	4.66%
Class 4 Major Industry	36,568,400	37,526,600	958,200	2.62%
Class 5 Light Industry	13,782,100	15,348,600	1,566,500	11.37%
Class 6 Business/Other	217,444,451	230,161,901	12,717,450	5.85%
Class 8 Recreation/Non-Profit	16,101,400	16,354,100	252,700	1.57%
	<u>3,548,625,756</u>	<u>3,926,468,006</u>	<u>377,842,250</u>	<u>10.65%</u>

PUBLIC INPUT

Township of
ESQUIMALT

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Council Direction

- Staff are looking for direction regarding the desired range of 2019 tax revenue increase scenarios
- Staff will present various scenarios to Council in March once the draft 2019-2023 Financial Plan has been fully compiled

