

MUNICIPAL FINANCE & BUDGET OVERVIEW

January 6, 2020



Overview

- Financial Plan
- Operating and Capital Expenditures
- Funding Sources
- Reserves
- Budget Challenges
- Council Direction



Council Direction

- Staff are looking for direction regarding the desired range of 2020 tax revenue increase scenarios
- Staff will present various scenarios to Council in March once the draft 2020-2024 Financial Plan has been fully compiled



FINANCIAL PLAN



Legislative Requirements

- Community Charter and Local Government Act set the provisions that municipalities must follow:
 - Have a five year plan adopted annually
 - No deficit permitted (revenue=expenditures)
 - 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**

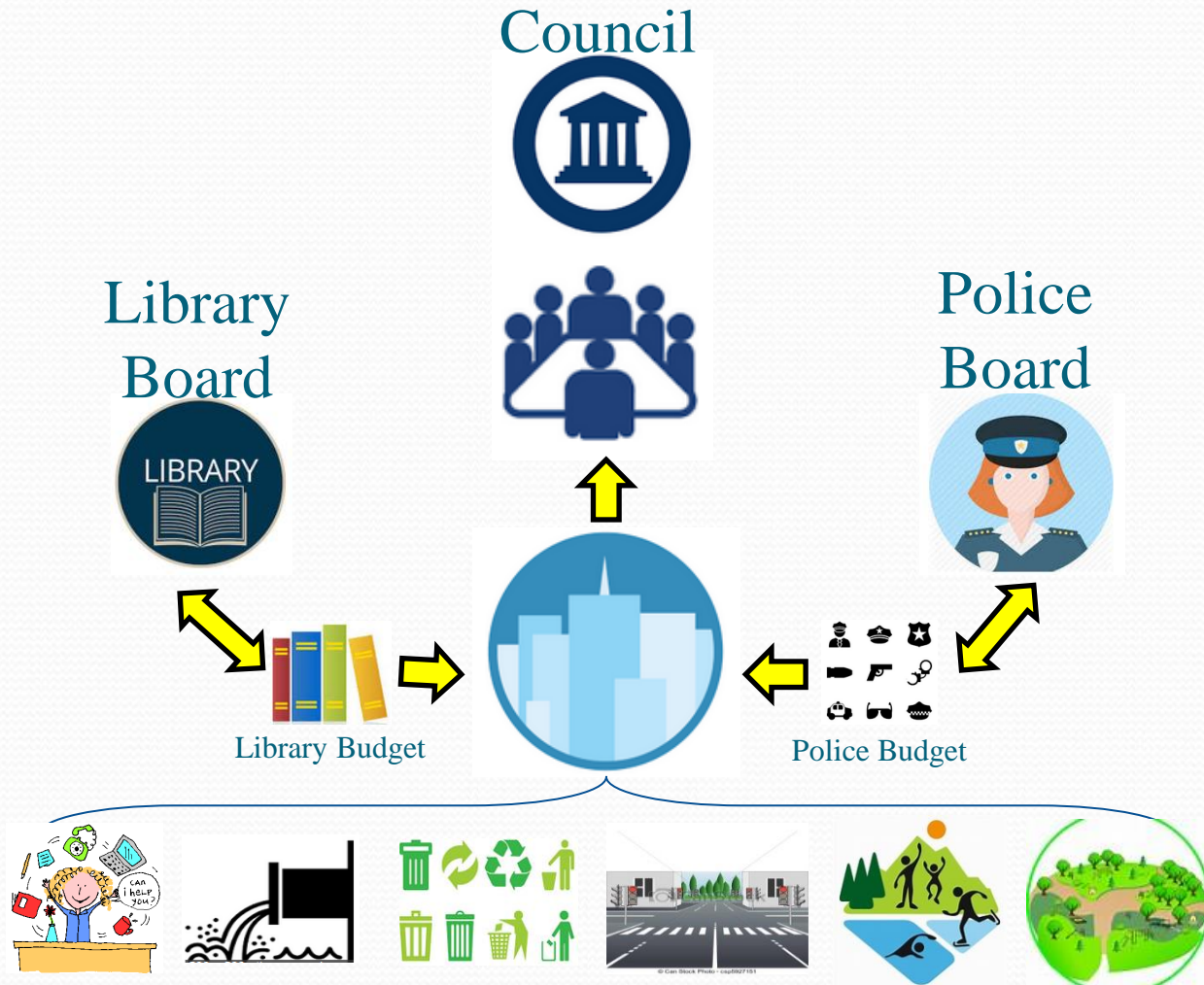


Budget Management

- 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



Approval Process



Budget Timeline

Key Dates

- Policy and Objectives Review – January 6
- Early Budget Approvals – February 3
- Department Core Presentations – February 3
- Local Grant Approvals – March 2
- Consideration of Operating and Capital Requests & – March 10 (& March 11 if required)
- Tax Rate Scenarios – April 6
- Financial Plan and Tax Rate Bylaws – adoption May 4



OPERATING & CAPITAL EXPENDITURES



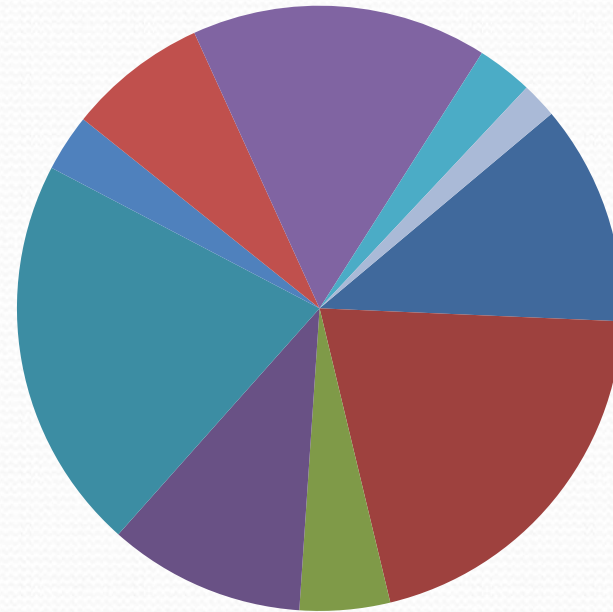
Operating Expenditures

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



Where are Funds Spent?

• Parks & Recreation	26%
• Police	22%
• Fire	13%
• Public Works	12%
• Transfers	9%
• Corporate/HR	6%
• Finance/IT	4%
• 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



FUNDING SOURCES



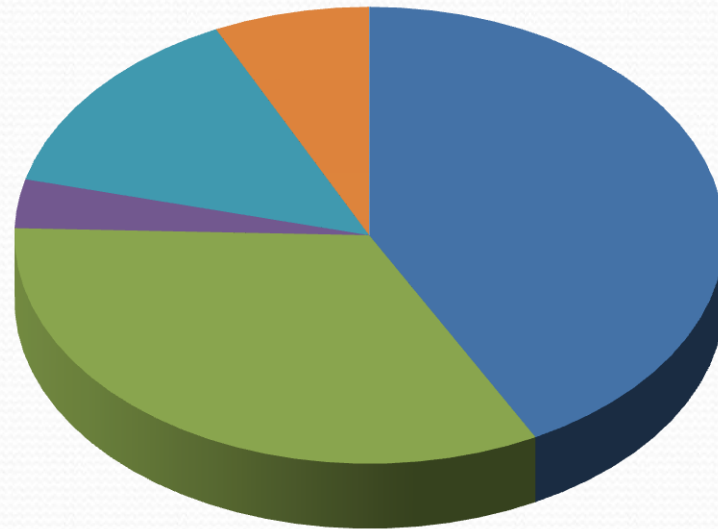
Revenue

- 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	32%
• Gov't Transfers	17%
• Recreation	7%
• Fees and Charges	2%



Debt

- Long Term and Short Term Loans (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



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
Fraser Park Development	300,000	Matures 2021
Total Debt	<u><u>\$15,050,000</u></u>	



Township Debt

ANNUAL DEBT COSTS

	2020	2021	2022	2023	2024
Long-term debt (principal & interest)					
Recreation Centre Revitalization	\$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>663,348</u>	<u>498,868</u>
Short Term Debt (principal & interest)					
Fraser Park Development	156,300	154,200			
	<u>156,300</u>	<u>154,200</u>			
Total Annual Cost	<u><u>\$1,030,618</u></u>	<u><u>\$1,028,518</u></u>	<u><u>\$874,318</u></u>	<u><u>\$663,348</u></u>	<u><u>\$498,868</u></u>
Unutilized Liability Servicing Capacity at December 31, 2019	\$ 8,024,542				



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	\$2,725,910
Capital Projects Reserve Fund	2,787,348
Infrastructure & Revitalization Reserve Fund	1,085,165
Park Land Acquisition Reserve Fund	88,080
Sustainability Reserve Fund	12,109
Municipal Archives Trust Fund	4,098
Local Improvement Fund	179,073
Eva Chafe Reserve Fund	34,763
Tax Sale Lands Reserve Fund	120,263
Public Art Reserve Fund	50,515
McLoughlin Amenity Funds	17,370,309
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	\$24,457,633
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Reserve Accounts

- Used to account for specific funds received from external sources
- No statutory requirement for accounts
- Used at Township's discretion
- Unexpended amounts may be carried forward or transferred to surplus



Reserve Accounts

- **Community Works (CWF)**
 - Direct allocation based on population to support local priorities (2019: \$1,569,611)
 - Annual reporting to UBCM and verification with financial statements submitted to Province



Reserve Accounts

- **Casino**

- Payments received as part of Revenue Agreement (2019: \$350,000)
- 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)



Reserve Accounts

- **Community Impact Fee**

- To mitigate the community impacts of the CWWTP
- Annual invoice to CRD for \$55,000 (adjusted for CPI)
- No stipulation about how funds must be spent
- No minimum account balance



Reserve Accounts

Community Works (Gas Tax)	\$1,432,180
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Casino Revenue	569,005
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Community Impact Fee	113,530
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Library Reserve	417,578
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	\$2,532,293
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BUDGET CHALLENGES

Budget Challenges

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



Service Comparison

	POLICE		FIRE		RECREATION		LIBRARY	
	OWN	COST SHARED	OWN	VOLUNTEER	OWN	COST SHARED	OWN	COST 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

	2020 Budget	2019 Budget	Increase	
			Revenue	%
Victoria-Esquimalt Police Services	\$8,561,440	\$8,228,378	\$333,062	1.13%
Wages & Benefits-CUPE, Fire & Exempt	\$16,606,444	\$16,323,973	\$282,471	0.96%
Greater Victoria Public Library	\$961,294	\$909,411	\$51,883	0.18%
Budget Commitments	\$0	\$0	\$0	0.00%
	<u>\$26,129,178</u>	<u>\$25,461,762</u>	<u>\$667,416</u>	<u>2.27%</u>

*****1% tax increase = \$294,000 based on 2019 actual***



Assessed Values

	2019 Revised Roll \$	2020 Completed Roll \$	Increase/ (Decrease) \$	Increase/ (Decrease) %
Class 1 Residential	3,624,061,090	3,728,931,605	104,870,515	2.89%
Class 2 Utilities	1,447,300	1,830,800	383,500	26.50%
Class 4 Major Industry	37,526,600	38,844,500	1,317,900	3.51%
Class 5 Light Industry	15,348,600	16,722,100	1,373,500	8.95%
Class 6 Business/Other	230,161,901	245,853,951	15,692,050	6.82%
Class 8 Recreation/Non-Profit	15,749,900	16,568,200	818,300	5.20%
	<u>3,924,295,391</u>	<u>4,048,751,156</u>	<u>124,455,765</u>	<u>3.17%</u>

Council Direction

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