

MUNICIPAL FINANCE & BUDGET OVERVIEW

January 25, 2021



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 2021 tax revenue increase scenarios
- Staff will present various scenarios to Council in March once the draft 2021-2025 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 Approved 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

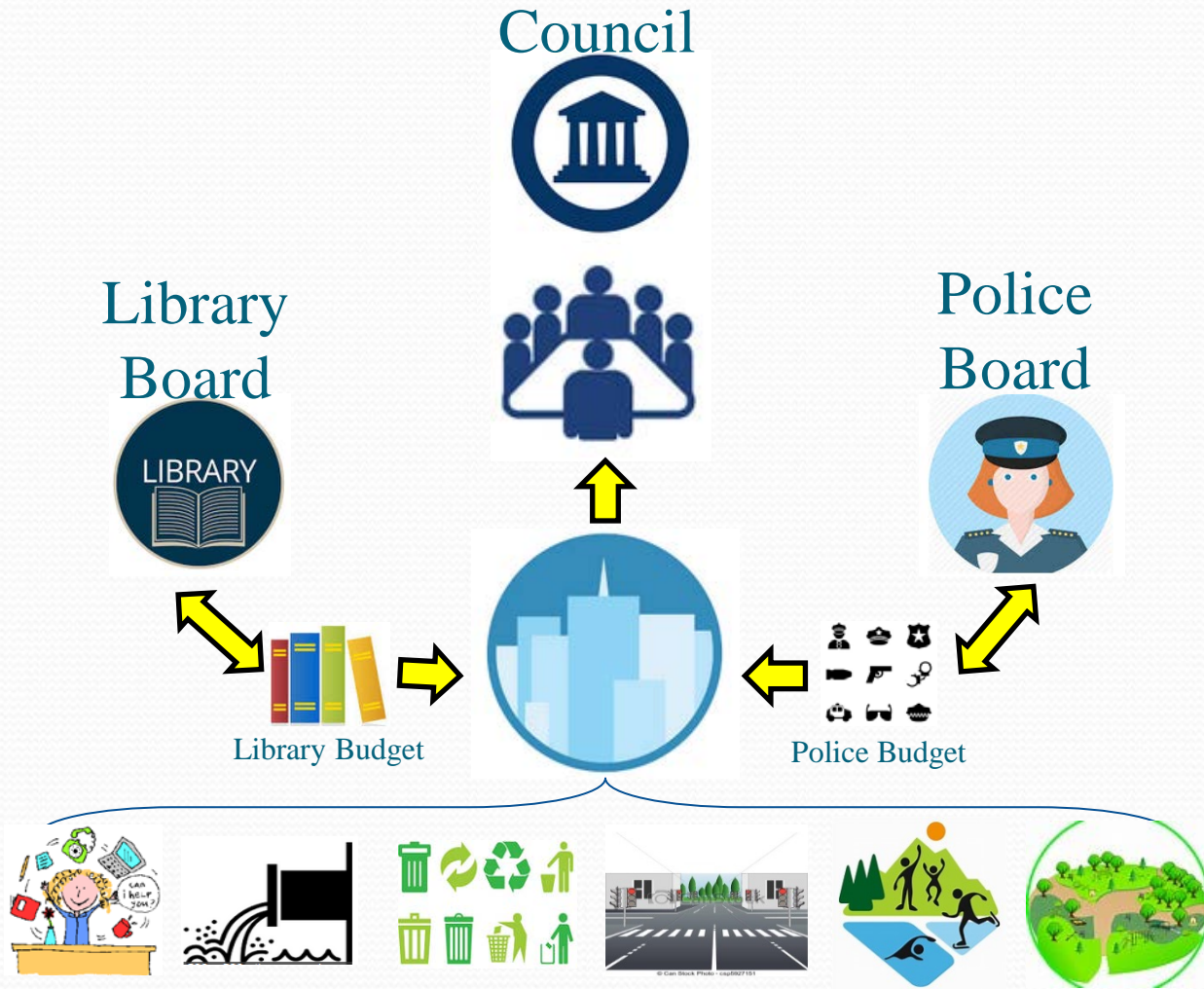


Budget Management

- 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

- Policy and Objectives Review – January 25
- Local Grant Approvals – February 1
- Early Budget Approvals – February 1
- Department Core Presentations – February 1
- Consideration of Operating and Capital Requests & – March 16 (& March 17 if required)
- Tax Rate Scenarios – April 12
- Financial Plan and Tax Rate Bylaws – adoption May 3



OPERATING & CAPITAL EXPENDITURES

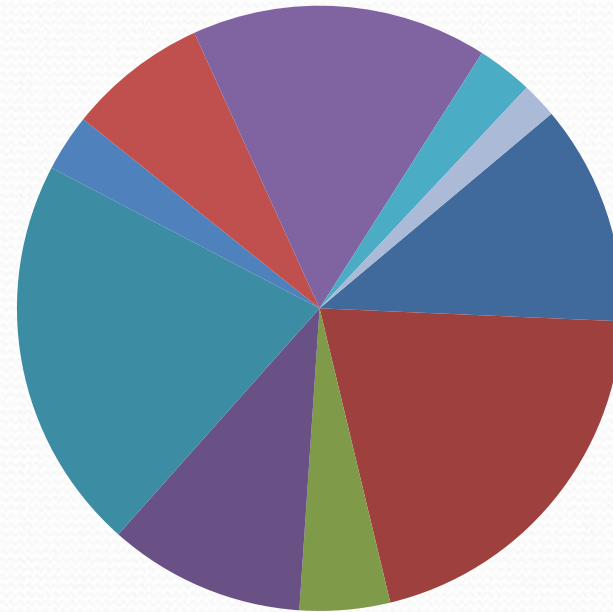
Operating Expenditures

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



Where are Funds Spent?

- Parks & Recreation 23%
- Police 22%
- Fire 12%
- Public Works 12%
- Transfers 10%
- Corporate/HR 8%
- Finance/IT 5%
- Fiscal/Debt 4%
- Development 2%
- 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

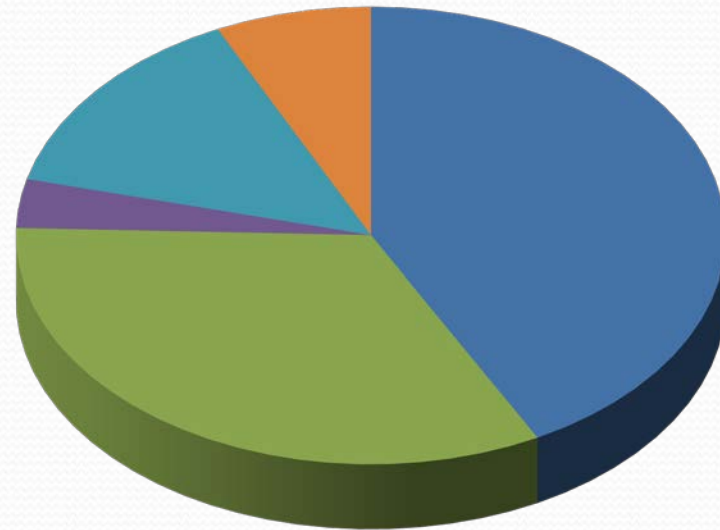
Revenue

- 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 44%
- PILT 34%
- Parks & Recreation 8%
- Fees and Charges 7%
- Gov`t Transfers 7%



Debt

- Long Term and Short Term Loans (5-30 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

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Long-term debt (principal & interest)					
Recreation Centre Revitalization	\$375,450	\$375,450	\$164,480		
Sewer I & I Program	356,173	348,152	348,152	348,152	281,907
Admirals Road Corridor	<u>135,950</u>	<u>135,950</u>	<u>135,950</u>	<u>135,950</u>	
	<u>867,573</u>	<u>859,552</u>	<u>648,582</u>	<u>484,102</u>	<u>281,907</u>
Short Term Debt (principal & interest)					
Fraser Park Development	312,300				
	<u>312,300</u>				
Total Annual Cost	<u><u>\$1,179,873</u></u>	<u><u>\$859,552</u></u>	<u><u>\$648,582</u></u>	<u><u>\$484,102</u></u>	<u><u>\$281,907</u></u>
Unutilized Liability Servicing Capacity at December 31, 2020	\$ 7,793,078				



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 (2020: \$294,000)
- **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**
 - Funds available for tax sale purchases; funded from previous tax sale fees received
- **Public Art**
 - For the selection, acquisition, maintenance and de-accession of Public Art
- **McLoughlin Amenities**
 - Separate funds for the purposes of public safety and waterfront park improvements



Reserve Fund Balances

M&E Reserve Fund	\$2,970,799
Capital Projects Reserve Fund	3,414,083
Infrastructure & Revitalization Reserve Fund	1,710,800
Park Land Acquisition Reserve Fund	88,937
Sustainability Reserve Fund	77,415
Municipal Archives Trust Fund	4,214
Local Improvement Fund	185,906
Eva Chafe Reserve Fund	28,044
Tax Sale Lands Reserve Fund	121,435
Public Art Reserve Fund	64,812
McLoughlin Amenity Funds	14,633,897
	<hr/>
	\$23,300,342
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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 (Gas Tax)**
 - Direct allocation based on population to support local priorities (2020: \$816,431)
 - Annual reporting to UBCM and verification with financial statements submitted to Province



Reserve Accounts

- **Casino**

- Payments received as part of Revenue Agreement
- 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)	\$3,161,183
Casino Revenue	489,746
Community Impact Fee	232,046
Library Reserve	433,408
Safe Restart	3,570,000
	<u>\$7,886,383</u>

As at December 31, 2020



BUDGET CHALLENGES

Budget Challenges

- Effects of Pandemic and Provincial Health Orders
- Infrastructure Renewal and Asset Management
- Increasing Construction Costs
- Balancing Community 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

	2021 Budget	2020 Budget	Increase	
			Revenue	%
Victoria-Esquimalt Police Services	\$8,696,070	\$8,585,548	\$110,522	0.37%
Wages & Benefits-CUPE, Fire & Exempt	\$16,939,687	\$16,606,444	\$333,243	1.10%
Greater Victoria Public Library	\$953,701	\$964,684	-\$10,983	-0.04%
Budget Pre-approvals	\$130,750	\$0	\$130,750	0.43%
	<u>\$26,720,208</u>	<u>\$26,156,676</u>	<u>\$563,532</u>	<u>1.86%</u>

***1% tax increase = \$303,000 based on 2020 actual*



Assessed Values

	2020 Revised Roll \$	2021 Completed Roll \$	Increase/ (Decrease) \$	Increase/ (Decrease) %
Class 1 Residential	3,720,860,105	3,954,612,305	233,752,200	6.28%
Class 2 Utilities	1,830,800	2,132,800	302,000	16.50%
Class 4 Major Industry	34,911,300	36,039,500	1,128,200	3.23%
Class 5 Light Industry	16,722,100	16,841,900	119,800	0.72%
Class 6 Business/Other	245,244,151	307,549,201	62,305,050	25.41%
Class 8 Recreation/Non-Profit	16,568,200	24,925,700	8,357,500	50.44%
	<u>4,036,136,656</u>	<u>4,342,101,406</u>	<u>305,964,750</u>	<u>7.58%</u>

Assessed Value Increases

	<u>Existing</u> <u>Assessments</u>	<u>%</u> <u>Increase</u>	<u>Non Market</u> <u>Change</u>	<u>%</u> <u>Increase</u>
Residential	155,746,900	4.19%	78,005,300	2.10%
Utilities	264,900	14.47%	37,100	2.03%
Major Industry	1,128,200	3.23%	-	0.00%
Light Industry	119,800	0.72%	-	0.00%
Business/Other	39,362,250	16.05%	22,942,800	9.36%
Recreation/Non-Profit	8,137,400	49.11%	220,100	1.33%
	<u>204,759,450</u>		<u>101,205,300</u>	

Council Direction

- Staff are looking for direction regarding the desired range of 2021 tax revenue increase scenarios
- Staff will present various scenarios to Council in March once the draft 2021-2025 Financial Plan has been fully compiled

