

FINANCIAL PLAN POLICIES & OBJECTIVES

February 13, 2023

Township of
ESQUIMALT

The logo for the Township of Esquimalt features the words "Township of" in a small, white, sans-serif font above the word "ESQUIMALT" in a large, white, serif font. Below the word "ESQUIMALT" is a white, stylized wave graphic that curves under the letters.

Community Charter

- Each municipality must adopt a five year Financial Plan Bylaw prior to adoption of the annual Tax Rates Bylaw
- Must set out policies regarding:
 - revenue proposed to come from property taxes, borrowings, and fees & charges
 - distribution of taxation among property classes
 - use of tax exemptions



Property Tax Revenue

- Property Tax and PILT represent 82% of total Township revenue
- Residential (Class 1) is 83% of total assessment base (92% if PILT excluded)
- Tax rates difficult to compare:
 - Service levels for police, fire, recreation and library services
 - Utility and user fee billings
- Tax rate reductions can be achieved by:
 - reducing expenditures
 - increasing revenue
 - increasing the tax base



Property Taxes

- Increase revenue by considering initiatives and strategies that increase the tax base and promote economic development
- Set annual property tax rates after considering new growth and assessment changes within each property class
- Adjust the tax rates each year with the intent of gradually working towards a business to residential ratio of 2.50:1
- Use the municipal tax levy and PILT to balance the budget each year after reviewing the potential for sustainable revenue from all other sources



Permissive Tax Exemptions

- Community Charter grants municipalities the authority to provide exemptions for land and/or improvements
 - Must satisfy specific criteria
 - Municipal portion of 2022 approved exemptions = \$62,645
 - Total exemption value = \$112,485
 - Places of worship were granted annual exemptions for a 10 year term (due to expire in 2024)



Permissive Tax Exemptions

- Consider social benefits and economic development within the community when granting exemptions
- Continue to evaluate criteria to help ensure exemption recipients are providing benefits to the community
- Assess exemptions in conjunction with other financial support provided to ensure assistance is reasonable and appropriate

Growth and Revitalization

- A desirable environment is likely to attract new, and retain existing, businesses which will add to the tax base
- Explore opportunities and employ strategies which are intended to grow and revitalize the community
- Promote commercial building revitalization through incentivization programs



Fees and Charges

- Fees are charged for services that are identifiable to specific users rather than levying a general tax on all property owners
- Represents 14% of total revenue
 - Licences, permits, recreation usage
- Established at an appropriate level
 - Recreation user fees reviewed annually to ensure they remain affordable & comparable
 - Other fees & charges reviewed to help ensure cost recovery

Financial Sustainability

- Ensure adequate funding for services and infrastructure
- Efficient management of expenditures
- Prudent operations
- Strategic use of debt
- Maintain adequate capital reserve balances

Infrastructure Sustainability

- Capital funding provided through the annual budget must be adequate to maintain infrastructure and replenish capital assets
- Annual transfers consist of:
 - the value of matured debt charges
 - sufficient amounts based on the useful lives and expected replacement costs of all fleet and mobile equipment
 - the equivalent of a 1% tax revenue increase (minimum) to help fund long term renewal

Capital Project Accountability

- Capital projects started but not completed during the year may be carried forward
- Capital projects not started will be re-assessed during budget discussions the following year
- Cost overruns may be offset by cost savings within the same reserve fund; otherwise require Council approval



Reserve Funds

- Maintain reserves to provide operational stability and ensure current fiscal requirements and future obligations can be met
- Strive to ensure the sum of the following balances represents a minimum of 25% of the total revenue required each year:
 - Reserve Funds;
 - Appropriation for Uncollected Taxes;
 - Appropriation for Working Capital; and
 - Unappropriated Surplus



Reserve Accounts

- Restricted funds may be set aside for specified purposes
 - Externally: to finance specific operational projects
 - Internally: to strategically offset specific one time operating costs
- Balances may temporarily fall below the minimum balance with a replenishment plan in place



Debt Management

- Limit new debt to the financing of large infrastructure projects
- Maintain long term debt servicing liability at manageable level
- Province determines Liability Servicing Capacity
 - equal to 25% of prior year adjusted revenue
 - represents the maximum total of principal & interest payments a municipality can take on
 - additional capacity = \$8,843,121 (Dec 31, 2022)

