

FINANCIAL PLAN POLICIES & OBJECTIVES

March 6, 2017

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 text is a white, stylized wave graphic that curves under the letters.

Community Charter Requirements

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



Property Tax Revenue & Tax Ratios

- Property Tax and Payment in Lieu of Taxes represent 87% of total Township revenue
- Residential (Class 1) is 76% of total tax base (92% if PILT excluded)
- Tax rates difficult to compare:
 - includes all costs for police, fire, recreation and library services
 - Other municipalities have volunteer or cost sharing agreements
 - Separate utility billings
- Tax rate reductions can be achieved by:
 - lowering overall costs
 - increasing overall revenue
 - increasing the tax base



Property Tax Revenue & Tax Ratios

- Attempt to distribute property tax increases equitably among all classes of property
- Increase % of revenue over time by considering new initiatives and strategies that increase the tax base and promote economic development
- Set annual property tax rates after considering new growth or changes in assessed value within each property class
- Mitigate the property tax impact through alternate funding sources such as grants, user fees or cost sharing agreements



Permissive Tax Exemptions

- The Community Charter grants municipalities the authority to provide exemptions for land and/or improvements
 - Must satisfy specific criteria
 - Places of worship were granted annual exemptions for a 10 year term commencing in 2015
 - The municipal portion of all exemptions to be applied for the 2017 taxation year are \$235,365



Permissive Tax Exemptions

- Consider exemptions promoting economic development, revitalization or beautification which are consistent with enhancing quality of life within the community
- Continue to evaluate exemption criteria to help ensure recipients are providing benefits to the Township
- Assess exemptions in conjunction with other financial support provided to ensure funding is reasonable and appropriate



Growth and Revitalization

- A desirable environment is likely to attract new, and retain existing, business which will add to the tax base
- Consider the provision of tax exemptions for revitalization, beautification and heritage that are consistent with the social, economic and environmental objectives of the community
- Promotion of the existing Revitalization Tax Exemption Bylaw



Fees and Charges

- Fees are charged for services that are identifiable to specific users rather than levying a general tax to all property owners
- Represents 10% of total revenue, includes licences and permits, but recreation user fees are the largest component
- Established at an appropriate level
 - Review recreation user fees annually to ensure they are affordable and comparable within the region
 - Review other fees & charges annually to ensure the Township is working towards full cost recovery



Financial Sustainability

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



Infrastructure Sustainability

- Capital funding provided through the annual budget must be adequate to maintain infrastructure and replenish capital assets
- To ensure capital funding is available, annual transfers include:
 - the equivalent value of matured debt charges;
 - an amount based on the useful life and expected replacement cost of all mobile assets; and
 - the equivalent of a 1% tax revenue increase to support revitalization initiatives and long term infrastructure renewal



Capital Project Accountability

- Approved capital projects in progress at the end of the year may be carried forward to the following year
- New capital project requests will be scaled back or deferred to accommodate any projects carried forward
- Approved capital projects not started during the year will be re-assessed during budget discussions the following year
- Cost overruns may be offset by savings on other capital projects within the same fund; otherwise require Council approval



Capital Asset Reserve Funds

Machinery & Equipment Depreciation Fund (Minimum balance = \$500,000)	2,324,769
Capital Projects Reserve Fund (Minimum balance = \$1,000,000)	1,442,536
Infrastructure Reserve Fund	<u>3,478,095</u>
	<u>7,245,400</u>

Balances as at December 31, 2016



Reserves

- Establish and maintain reserves to provide stability to municipal operations and ensure the Township can meet both current fiscal requirements and future obligations
- 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



Debt Management

- Maintain long term debt servicing liability at manageable level
- Limit new debt to the financing of large infrastructure and economic development projects
- Provincial government determines Liability Servicing Capacity
 - equal to 25% of prior year adjusted revenue
 - represents the maximum amount of principal and interest payments a municipality can agree to pay
 - additional capacity = \$6,747,000 (@ Dec 31, 2016)



Reserve Accounts

- Restricted funds may be set aside for specified purposes
 - Externally: to finance specific projects
 - Internally: to strategically offset specific one time operating costs
- Account balances may temporarily drop below the minimum balance if there is a plan in place to replenish the account



Restricted Accounts

Casino Revenue	254,690
(Minimum balance = \$100,000)	

Community Works Funding	1,926,258
(Minimum balance = \$250,000)	

2,180,948

Balances as at December 31, 2016



Next Steps

- Review Capital and Supplemental Requests March 14
- Review Initial Tax Rate Scenarios April 3
- Adopt 2017 Financial Plan and Tax Rate Bylaws May 8



Questions?

