

# FINANCIAL PLAN POLICIES & OBJECTIVES

March 5, 2018

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 85% 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 that are expected to be applied for the 2018 taxation year are \$86,068 (Total \$144,592)





# 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 minimum 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)	2,371,263
Capital Projects Reserve Fund (Minimum balance = \$1,000,000)	2,504,413
Infrastructure Reserve Fund (Minimum balance = \$250,000)	751,480
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	5,627,156
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Balances as at December 31, 2017





# 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 = \$5,969,000 (@ Dec 31, 2017)





# 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	309,963
(Minimum balance = \$25,000)	

Community Works Funding	2,045,609
(Minimum balance = \$100,000)	

2,355,572

Balances as at December 31, 2017





# Next Steps

- Review Capital and Supplemental Requests      March 13
- Review Initial Tax Rate Scenarios      April 9
- Adopt 2018 Financial Plan and Tax Rate Bylaws      May 14



Questions?

