

FINANCIAL PLAN POLICIES & OBJECTIVES

January 25, 2021

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 78% of total Township revenue
- Residential (Class 1) is 80% of total assessment base (91% if PILT excluded)
- Tax rates difficult to compare:
 - levels of police, fire, recreation and library services
 - separate utility and user fee billings
- Tax rate reductions can be achieved by:
 - reducing expenditures
 - increasing revenue
 - increasing the tax base



Property Tax Objectives

- 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



Property Tax Policies

- Adjust the tax rates each year with the intent of gradually working towards a commercial to residential ratio of 2.50:1
- Adjust the tax rate ratios each year to maintain stability while ensuring the tax rate considers both market and non-market changes
- Set annual property tax rates after considering significant new growth or loss of assessment in each property class
- Use the property tax levy and payments in lieu of taxes to balance the budget each year after reviewing the potential for sustainable revenue from all other sources



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 2021 taxation year are \$62,936 (Total \$93,414)



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
- Promote 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 15% 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
- Annual transfers consist of:
 - 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 long term infrastructure renewal

Capital Project Accountability

- Capital projects started during the year may be carried forward
 - New capital project requests will be scaled back or deferred to accommodate any projects carried forward
- 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 may require Council approval



Reserve Funds

- 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 = \$7,794,000 (@ Dec 31, 2020)



Reserve Accounts

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

Questions or Amendments

