

# FINANCIAL PLAN POLICIES & OBJECTIVES

April 4, 2022

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 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 PILT represent 77% of total Township revenue
- Residential (Class 1) is 77% of total assessment base (92% if PILT excluded)
- Tax rates difficult to compare:
  - levels of 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 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 2022 approved exemptions are expected to be \$64,179 (Total \$119,525)



# Permissive Tax Exemptions

- Consider exemptions that promote economic development, revitalization or beautification which are consistent with enhancing quality of life within the community
- Continue to evaluate criteria to help ensure recipients are providing benefits to the Township
- 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
- 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 (removed)**





# 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 12% 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 a schedule of useful lives and expected replacement costs of all mobile assets; and
  - the minimum of a 1% tax revenue increase to support long term infrastructure renewal

# Capital Project Accountability

- Only capital projects started during the year may be 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 cost savings within the same capital fund; otherwise 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 = \$7,322,000 (@ Dec 31, 2021)

# 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 to replenish the account



# Questions or Amendments

