



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Municipal Hall, 1229 Esquimalt Road, Esquimalt, B.C. V9A 3P1
Telephone (250) 414-7100 Fax (250) 414-7111

File 0550-06

May 8, 2013

NOTICE

A SPECIAL MEETING OF COUNCIL WILL BE HELD ON MONDAY, MAY 13, 2013 AT 5:45 PM, IN THE COUNCIL CHAMBERS, ESQUIMALT MUNICIPAL HALL, 1229 ESQUIMALT ROAD TO MAKE A MOTION TO GO *IN CAMERA* PURSUANT TO SECTION 90 OF THE *COMMUNITY CHARTER* AND WILL RECONVENE AT THE CONCLUSION OF THE REGULAR COMMITTEE OF THE WHOLE MEETING TO:

- **REVIEW STAFF REPORT FIN-13-005, 2012 AUDITED FINANCIAL STATEMENTS; AND**
- **ADOPT THE FOLLOWING BYLAWS:**
 - **FINANCIAL PLAN BYLAW**
 - **TAX RATES BYLAW.**

**ANJA NURVO
CORPORATE OFFICER**



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

A G E N D A **SPECIAL MEETING OF COUNCIL**

Monday, May 13, 2013

5:45 p.m.

Council Chambers, Esquimalt Municipal Hall

1. **CALL TO ORDER**
2. **LATE ITEMS**
3. **APPROVAL OF THE AGENDA**
4. **MOTION TO GO *IN CAMERA***

Motion to go *In Camera* pursuant to Section 90 of the *Community Charter* to discuss:

- Personal information about an identifiable individual who holds or is being considered for a position as an officer, employee or agent of the municipality or another position appointed by the municipality; and
- Labour relations or other employee relations; and
- Negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public.

In accordance with Section 90 (1) (a), (c) and (k) of the *Community Charter*, and that the general public be excluded.

5. **RECESS SPECIAL MEETING OF COUNCIL TO GO *IN CAMERA***
6. **RECONVENE SPECIAL MEETING OF COUNCIL FOLLOWING THE REGULAR MEETING OF COMMITTEE OF THE WHOLE**
7. **PUBLIC INPUT (On items listed on the Agenda)**
Excluding items which are or have been the subject of a Public Hearing.
8. **STAFF REPORTS**

Finance

- (1) 2012 Audited Financial Statements, Staff Report No. FIN-13-005

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RECOMMENDATION:

That Council receive and approve the Township's audited financial statements for the year ended December 31, 2012 attached to Staff Report No. FIN-13-005

9. **BYLAWS**

For Adoption

(1) Financial Plan Bylaw, 2013, No. 2802

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(2) Tax Rates Bylaw, 2013, No. 2803

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10. **PUBLIC QUESTION AND COMMENT PERIOD**

*Excluding items which are or have been the subject of a Public Hearing.
Limit of two minutes per speaker.*

11. **ADJOURNMENT**



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Municipal Hall, 1229 Esquimalt Road, Esquimalt, B.C. V9A 3P1
Telephone (250) 414-7100 Fax (250) 414-7111

Special Council Meeting: May 13, 2013
Staff Report No. FIN-13-005

REQUEST FOR DECISION

SUBJECT:

2012 Audited Financial Statements

RECOMMENDATION:

That Council receive and approve the Township's audited financial statements for the year ended December 31, 2012 attached to Staff Report No. FIN-13-005.

RELEVANT POLICY:

As required by the Community Charter, the municipal financial statements must be approved by Council each year.

STRATEGIC RELEVANCE:

This request for decision does not directly relate to any specific Strategic Priority.

Submitted by: Writer *J. J. J.*

Reviewed by: CAO *R. J. J.*

Date: *May 7/13*

STAFF REPORT

DATE: May 7, 2013 Report No. FIN-13-005
TO: Laurie Hurst, Chief Administrative Officer
FROM: Ian Irvine, Director of Financial Services
SUBJECT: 2012 Audited Financial Statements

RECOMMENDATION:

That Council receive and approve the Township's audited financial statements for the year ended December 31, 2012 attached to Staff Report No. FIN-13-005.

BACKGROUND:

For each fiscal year end, the Financial Services department completes the required accounting analysis and work, compiles an audit file, and prepares financial statements, which satisfy the criteria as set out by KPMG. The annual audit was conducted during March and April, with the audited financial statements finalized on May 1, 2013.

The audited financial statements are prepared in compliance with legislation and in accordance with Canadian public sector accounting standards. The statements, prepared by management, fairly present the financial position and operational results of the Township for the year ended December 31, 2012.

The audited financial statements for the year ended December 31, 2012 are attached for Council receipt and approval.

ISSUES:

1. Rationale for Selected Option

The receipt and approval of the audited financial statements are required under the Community Charter and will allow for completion of the 2012 Annual Report.

2. Organizational Implications

There are no organizational implications.

3. Financial Implications

There are no financial implications.

4. Sustainability/Environmental Implications

There are no sustainability implications.

5. Communication

The audited financial statements will form a key component of the 2012 annual municipal report. This annual report will be made available for public inspection for a two week period prior to June 30 in accordance with the Community Charter.

ALTERNATIVES:

1. That Council receive and approve the Township's audited financial statements for the year ended December 31, 2012 attached to Staff Report No. FIN-13-005.
2. That Council not receive and approve the audited financial statements.

Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF ESQUIMALT**

Year ended December 31, 2012

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Financial Statements

Year ended December 31, 2012

Financial Statements

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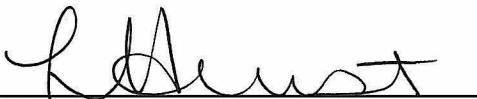
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Corporation of the Township of Esquimalt (the "Township") are the responsibility of management and have been prepared in compliance with applicable legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

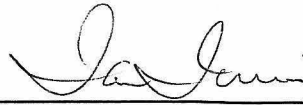
The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to Council's approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's financial statements.



Chief Administrative Officer



Director of Financial Services



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
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Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of the Corporation of the Township of Esquimalt

We have audited the accompanying financial statements of the Corporation of the Township of Esquimalt which comprise the statement of financial position as at December 31, 2012, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Esquimalt as at December 31, 2012, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

May 6, 2013
Victoria, Canada

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Financial Position

December 31, 2012 with comparative information for 2011

	2012	2011
Financial assets:		
Cash and cash equivalents (note 2)	\$ 19,417,090	\$ 18,027,197
Property taxes receivable	595,649	676,239
Accounts receivable	762,463	725,893
Government grant receivable	677,339	413,424
MFA debt reserve cash (note 12(b))	185,223	188,108
	<u>21,637,764</u>	<u>20,030,861</u>
Liabilities:		
Accounts payable and accrued liabilities	6,907,805	7,167,327
Deferred revenue and deposits (note 3)	3,094,528	2,913,467
Long-term debt (note 4)	9,492,180	10,122,439
Obligations under capital leases (note 5)	49,773	87,708
Employee benefit and retirement obligations (note 6)	1,157,677	1,114,971
	<u>20,701,963</u>	<u>21,405,912</u>
Net financial assets (debt)	935,801	(1,375,051)
Non-financial assets:		
Tangible capital assets (note 7)	77,164,927	76,860,961
Inventory of supplies	108,034	104,166
Prepaid expenses	39,223	52,173
	<u>77,312,184</u>	<u>77,017,300</u>
Commitments and contingencies (note 12)		
Accumulated surplus (note 8)	\$ 78,247,985	\$ 75,642,249

The accompanying notes are an integral part of these financial statements.



Director of Financial Services

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2012 with comparative information for 2011

	Financial plan (Unaudited - note 13)	2012	2011
Revenues:			
Taxes for municipal purposes (note 9)	\$ 14,291,051	\$ 14,294,912	\$ 14,057,224
Payments in place of taxes (note 10)	8,931,695	8,979,202	9,126,457
Sale of services	3,309,137	3,273,914	3,085,378
Other revenue from own sources	2,442,035	1,894,117	2,227,366
Conditional transfers from other governments (note 11)	1,620,100	1,617,418	1,036,409
Unconditional transfers from other governments (note 11)	830,024	830,320	806,811
Total revenue	31,424,042	30,889,883	30,339,645
Expenses:			
General government	3,473,390	3,142,752	3,108,758
Protective services	11,005,738	11,135,571	10,909,700
Transportation	2,430,315	3,490,019	3,262,687
Environmental health	1,195,783	1,511,999	1,510,825
Environmental development	882,886	672,967	460,351
Recreation, parks and culture	8,497,119	8,330,839	8,142,206
Total expenses	27,485,231	28,284,147	27,394,527
Annual surplus	3,938,811	2,605,736	2,945,118
Accumulated surplus, beginning of year	75,642,249	75,642,249	72,697,131
Accumulated surplus, end of year	\$ 79,581,060	\$ 78,247,985	\$ 75,642,249

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Change in Net Financial Assets

Year ended December 31, 2012 with comparative information for 2011

	Financial plan (Unaudited - note 13)	2012	2011
Annual surplus	\$ 3,938,811	\$ 2,605,736	\$ 2,945,118
Contributed tangible capital assets	-	(259,566)	(849,447)
Acquisition of tangible capital assets	(7,624,961)	(3,030,419)	(2,694,695)
Amortization of tangible capital assets	-	2,875,270	2,722,350
Proceeds on sale of tangible capital assets	-	5,470	-
Loss on disposal of tangible capital assets	-	105,279	212,387
	(7,624,961)	(303,966)	(609,405)
Acquisition of inventory supplies	-	(108,034)	(104,166)
Consumption of inventory supplies	-	104,166	92,523
Acquisition of prepaid expenses	-	(39,223)	(52,173)
Consumption of prepaid expenses	-	52,173	666,426
		9,082	602,610
Change in net financial assets (debt)	(3,686,150)	2,310,852	2,938,323
Net debt, beginning of year	(1,375,051)	(1,375,051)	(4,313,374)
Net financial assets (debt), end of year	\$ (5,061,201)	\$ 935,801	\$ (1,375,051)

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Cash Flows

Year ended December 31, 2012 with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 2,605,736	\$ 2,945,118
Items not involving cash:		
Contributed tangible capital assets	(259,566)	(849,447)
Amortization of tangible capital assets	2,875,270	2,722,350
Change in employee benefits and other liabilities	42,706	53,105
Actuarial adjustment on debt	(182,431)	(157,450)
Loss on disposal of tangible capital assets	105,279	212,387
Change in non-cash operating assets and liabilities:		
Property taxes receivable	80,590	(66,410)
Accounts receivable	(36,570)	133,253
Government grant receivable	(263,915)	1,250,283
Property acquired for taxes	-	181,200
MFA debt reserve fund cash	2,885	(6,201)
Accounts payable and accrued liabilities	(259,522)	45,039
Deferred revenue and deposits	181,061	997,179
Inventory of supplies	(3,868)	(11,643)
Prepaid expenses and deposits	12,950	614,253
	4,900,605	8,063,016
Capital activities:		
Acquisition of tangible capital assets	(3,020,093)	(2,694,695)
Proceeds on disposal of tangible capital assets	5,470	-
	(3,014,623)	(2,694,695)
Financing activities:		
Capital lease obligation repaid	(48,261)	(57,462)
Long-term debt principal repaid	(447,828)	(447,828)
	(496,089)	(505,290)
Increase in cash and cash equivalents	1,389,893	4,863,031
Cash and cash equivalents, beginning of year	18,027,197	13,164,166
Cash and cash equivalents, end of year	\$ 19,417,090	\$ 18,027,197
Supplemental cash flow information:		
Cash paid for interest	\$ 667,023	\$ 680,135
Cash received from interest	380,106	227,457
Assets acquired under capital lease	10,326	-

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

The Corporation of the Township of Esquimalt (the "Township") was incorporated on September 1, 1912 under the Municipal Act, a statute of the Province of British Columbia. Its principal activities are the provisions of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

1. Significant accounting policies:

The financial statements of the Township are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Township are as follows:

(a) Reporting entity:

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the Township's activities and funds. Inter-departmental balances and organizational transactions have been eliminated. The Township does not control any significant external entities and accordingly, no entities have been consolidated in these financial statements.

(b) Basis of accounting:

The Township follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenditures are not yet incurred are included in deferred revenue.

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

1. Significant accounting policies (continued):

(d) Deferred revenue (continued):

Casino revenues are required to be spent on eligible expenditures as defined in the agreement with the provincial government. The gross revenue received is deferred and recorded as revenue when the related expenditures are incurred.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Cash and cash equivalents:

Cash and cash equivalents include investments in the Municipal Finance Authority of British Columbia (the "MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(g) Long-term debt:

Long-term debt is reported net of related payments and actuarial adjustments.

(h) Employee future benefits:

The Township and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave benefits and other retirement benefits are also available to the Township's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life in years
Land improvements	15 - 50
Building and building improvements	10 - 40
Vehicles, machinery and equipment	3 - 30
Water and wastewater infrastructure	25 - 60
Roads infrastructure	20 - 80

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Township's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions including tangible capital assets received in lieu of a developer cost charge, are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(v) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from those estimates.

(k) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

2. Cash and cash equivalents:

	2012		2011	
Cash and bank deposits	\$	3,249,112	\$	2,361,414
Municipal Finance Authority Money Market Funds		16,167,978		15,665,783
	\$	19,417,090	\$	18,027,197

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

3. Deferred revenue and deposits:

Deferred revenue, reported on the statement of financial position, includes the following:

	2012	2011
Gas Tax Agreement Funds	\$ 914,543	\$ 1,044,741
Gaming revenue	160,258	206,727
Trust and deposit liabilities	525,305	489,630
Unearned recreation fees	328,759	367,720
Property tax instalments	545,199	498,284
Miscellaneous	620,464	306,365
	<u>\$ 3,094,528</u>	<u>\$ 2,913,467</u>

Gas Tax Agreement funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Township and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

Schedule of Receipts and Disbursements of Gas Tax Agreement Funds:

	2012	2011
Balance, beginning of year	\$ 1,044,741	\$ 535,363
Add:		
Amounts received during the year	502,566	502,566
Interest earned	12,157	6,812
	<u>1,559,464</u>	<u>1,044,741</u>
Less: Eligible expenditures	(644,921)	-
Balance, end of year	<u>\$ 914,543</u>	<u>\$ 1,044,741</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

4. Long-term debt:

Bylaw	Purpose	Matures	Rate	Original Amount	Sinking Fund*	Net Balance	
						2012	2011
<u>General Capital</u>							
2492	Recreation Centre	2023-03-10	4.775%	\$ 2,800,000	\$ 945,105	\$ 1,854,895	\$ 1,981,557
2492	Recreation Centre	2022-03-12	5.370%	4,000,000	1,527,388	2,472,612	2,661,010
				6,800,000	2,472,493	4,327,507	4,642,567
<u>Sewer Capital</u>							
2281	Sanitary Sewers	2012-05-11	5.850%	425,000	425,000	-	36,044
2565	Sanitary Sewers	2022-03-12	4.820%	2,353,000	429,393	1,923,607	2,016,353
2565	Sanitary Sewers	2022-03-12	4.430%	1,129,000	253,493	875,507	922,008
2565	Sanitary Sewers	2025-02-12	4.170%	2,012,000	538,280	1,473,720	1,559,964
2565	Sanitary Sewers	2024-02-12	4.975%	1,256,000	364,161	891,839	945,503
				7,175,000	2,010,327	5,164,673	5,479,872
				\$ 13,975,000	\$ 4,482,820	\$ 9,492,180	\$ 10,122,439

* Sinking fund column includes principal payments and actuarial adjustments.

In 2002, the Council of the Township of Esquimalt adopted Bylaw No. 2492 to authorize the borrowing for estimated renovation and upgrade costs for the Esquimalt Recreation Centre in the sum of \$6,800,000.

In 2003, the Council of the Township of Esquimalt adopted Bylaw No. 2565 to authorize the construction of improvements to the sanitary sewer system and to borrow upon the credit of the Township a sum not to exceed \$6,750,000.

Total interest on long-term debt for the year was \$678,801, including accrued interest of \$81,493 (2011-\$678,801, including accrued interest of \$94,670).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

4. Long-term debt (continued):

The Township issues its debt instruments through the MFA. The debt is issued on a sinking fund basis, whereby MFA invests the Township's principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial adjustments on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal payments.

Principal payments on long-term debt for the next five years are as follows:

2013	\$	428,132
2014		428,132
2015		428,132
2016		428,132
2017		428,132

5. Obligations under capital lease:

The Township financed specific municipal hall, recreational and fire department equipment by entering into capital leases with the MFA Leasing Corp. The Township will acquire ownership of the equipment at the end of the lease term. Repayments are due as shown.

2013	\$	37,557
2014		6,916
2015		2,827
2016		2,172
2017		1,278
Total minimum payments		50,750
Less: Amounts representing interest (at prime plus 1%)		(977)
Present value of net minimum capital lease payments	\$	49,773

Total interest on leases for the year was \$1,366 (2011 - \$2,423).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

6. Employee benefit and retirement obligations:

The Township provides sick leave and certain benefits to its employees. These amounts and other employee related liabilities that require funding in future periods are set out below:

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw downs at future dates. Retirement benefit payments represent the Township's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees.

Information about liabilities for employee benefit plans is as follows:

	2012	2011
Accrued benefit obligation, beginning of year	\$ 1,114,971	\$ 1,061,866
Service cost	84,200	72,900
Interest cost	36,500	39,300
Benefits payments	(63,800)	(50,400)
Past agreement refund accrual	(14,194)	(8,695)
Accrued benefit liability, end of year	\$ 1,157,677	\$ 1,114,971

The actuarially accrued benefit obligation set out in the actuarial valuation is \$1,037,800 (2011 - \$948,800), resulting in a variance of \$119,877 between the obligation and the accrued benefit liability of \$1,157,677 (2011 - \$1,114,971). The variance is composed of the following two amounts: an actuarial net gain of \$103,900 (2011 - \$149,700) and the special agreement refund accrual of \$15,977 (2011 - \$16,471). This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 11 years. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$107,000 (2011 - \$93,800).

The accrued benefit obligations and the net periodic benefit cost were estimated by actuarial valuation as of December 31, 2010. At December 31, 2012, the valuation was updated to reflect specific changes in the assumptions adopted in measuring the Township's accrued employee benefit obligations. The significant assumptions adopted in measuring the Township's accrued benefit obligations are as follows:

	2012	2011
Discount rates	3.50%	3.60%
Expected inflation rate	2.50%	2.50%
Expected wage and salary increase, based on age and gender	2.58% - 4.63%	2.58% - 4.63%

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

6. Employee benefit and retirement obligations (continued):

Municipal Pension Plan

The Township and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local government.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available later in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Township paid \$852,436 (2011 - \$824,476) for employer contributions while employees contributed \$687,118 (2011 - \$652,565) to the plan in fiscal 2012.

GVLRA - CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employee locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. The Township and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2011. At December 31, 2012, the total plan provision for approved and unreported claims was \$16,019,500 with a net deficit of \$4,097,874. The actuary does not attribute portions of the unfunded liability to individual employers. The Township paid \$41,955 (2011 - \$29,680) for employee contributions in fiscal 2012.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

7. Tangible capital assets:

Cost	Balance December 31, 2011	Additions	Disposals/ transfers	Balance December 31, 2012
Land and land improvements	\$ 39,341,005	\$ 579,193	\$ -	\$ 39,920,198
Building and building improvements	19,893,301	474,585	(80,586)	20,287,300
Vehicles, machinery and equipment	7,960,583	487,399	(79,347)	8,368,635
Water and wastewater infrastructure	21,322,401	513,595	-	21,835,996
Roads infrastructure	33,623,923	737,535	(204,850)	34,156,608
Work in progress	438,459	634,904	(137,225)	936,138
Total	\$ 122,579,672	\$ 3,427,211	\$ (502,008)	\$ 125,504,875

Accumulated amortization	Balance December 31, 2011	Disposals	Amortization expense	Balance December 31, 2012
Land and land improvements	\$ 9,367,199	\$ -	\$ 197,581	\$ 9,564,780
Building and building improvements	7,325,182	(80,586)	682,775	7,927,371
Vehicles, machinery and equipment	4,271,477	(48,261)	490,299	4,713,515
Water and wastewater infrastructure	10,030,109	-	362,132	10,392,241
Roads infrastructure	14,724,744	(125,186)	1,142,483	15,742,041
Total	\$ 45,718,711	\$ (254,033)	\$ 2,875,270	\$ 48,339,948

Net book value	Balance December 31, 2011	Balance December 31, 2012
Land and land improvements	\$ 29,973,806	\$ 30,355,418
Building and building improvements	12,568,119	12,359,929
Vehicles, machinery and equipment	3,689,106	3,655,120
Water and wastewater infrastructure	11,292,292	11,443,755
Roads infrastructure	18,899,179	18,414,567
Work in progress	438,459	936,138
Total	\$ 76,860,961	\$ 77,164,927

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

7. Tangible capital assets (continued):

(a) Assets under construction

Assets under construction having a value of \$936,138 (2011 - \$438,459) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. There were contributed tangible capital assets having a value of \$259,566 during the year (2011 - \$849,447).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category to which nominal values were assigned.

(d) Works of art and historical treasures

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets

There were no write-downs of tangible capital assets during the year (2011 - \$nil).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

8. Accumulated surplus:

Accumulated surplus includes unappropriated operating funds and various appropriated operating accounts and reserve funds.

	2012	2011
Surplus:		
Equity in tangible capital assets	\$ 67,622,974	\$ 66,650,814
Unappropriated operating funds	3,599,026	2,667,772
	<u>71,222,000</u>	<u>69,318,586</u>
Appropriated operating funds:		
Celebrations Rainy Day	8,000	8,000
Future expenditures	212,349	226,874
Uncollected taxes	100,000	100,000
Working capital	400,000	400,000
	<u>720,349</u>	<u>734,874</u>
Reserve funds set aside for specific purposes by Council:		
Capital Projects	3,130,446	2,683,943
Local Improvement	133,906	127,860
Machinery and Equipment	2,627,538	2,460,723
Municipal Archives Trust	5,562	5,444
Parkland Acquisition	81,154	38,496
Tax Sale Lands	146,589	145,044
Sustainability	141,721	89,125
Eva Chafe	38,720	38,154
	<u>6,305,636</u>	<u>5,588,789</u>
	<u>\$ 78,247,985</u>	<u>\$ 75,642,249</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

9. Taxes:

	2012	2011
Taxes for municipal purposes:		
Property tax	\$ 14,045,425	\$ 13,811,311
Local Improvement	4,686	4,685
1% Utility tax	244,801	241,228
	\$ 14,294,912	\$ 14,057,224

As well as taxes for its own purposes, the Township is required to collect taxes on behalf of, and transfer these amounts to, the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2012	2011
Taxes, requisitions and levies collected on behalf of the following agencies are not included in these statements:		
Province of British Columbia - school purposes	\$ 5,590,526	\$ 5,629,749
Capital Regional District - requisition	1,528,918	1,541,363
Capital Regional District - 9-1-1 call answer levy	55,917	54,474
Capital Regional Hospital District - requisition	848,605	841,022
British Columbia Assessment Authority	189,767	195,789
British Columbia Transit - Victoria Regional Transit Commission	753,754	746,555
Municipal Finance Authority	588	591
	\$ 8,968,075	\$ 9,009,543

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

10. Payments in place of taxes:

	2012	2011
Payments in place of taxes received for municipal purposes:		
Federal government	\$ 8,861,697	\$ 9,016,826
British Columbia Hydro & Power Authority	98,461	93,099
Liquor Distribution Branch	16,524	14,081
Provincial Rental Housing Corporation	2,520	2,451
	<u>\$ 8,979,202</u>	<u>\$ 9,126,457</u>
Payments in place of taxes collected on behalf of the following agencies are not included in these statements:		
Province of British Columbia - school purposes	\$ 2,806,148	\$ 2,935,092
Capital Regional District	922,503	1,011,872
Capital Regional Hospital District	414,802	418,096
British Columbia Assessment Authority	131,335	137,007
British Columbia Transit - Victoria Regional Transit Commission	514,263	532,175
Municipal Finance Authority	292	298
	<u>\$ 4,789,343</u>	<u>\$ 5,034,540</u>

11. Transfers from other governments:

	2012	2011
Conditional transfers from other governments:		
Federal	\$ 32,909	\$ 134,602
Provincial	1,584,509	890,458
Other agencies	-	11,349
	<u>1,617,418</u>	<u>1,036,409</u>
Unconditional transfers from other governments:		
Small communities protection	295,593	290,284
Traffic fine revenue sharing	534,727	516,527
	<u>830,320</u>	<u>806,811</u>
Total transfers from other governments	<u>\$ 2,447,738</u>	<u>\$ 1,843,220</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

12. Commitments and contingencies:

(a) Contractual commitments:

At December 31, 2012, the following major contracts were in progress:

	Total amount of contract	Paid on contract to December 31, 2012
Coral Engineering Ltd.	\$ 1,174,794	\$ 602,669

(b) MFA debt reserve fund deposits:

Under borrowing arrangements with the MFA, the Township is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits totalling \$185,223 (2011 - \$188,108) are included in the Township's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. At December 31, 2012 there were contingent demand notes of \$408,943 (2011 - \$426,971), which are not recorded in the financial statements of the Township. If the debt is repaid without default, the deposits are refunded to the Township and demand notes are cancelled.

(c) Capital Regional District (the "District") debt, under a provision of the Local Government Act, is a direct, joint and several liability of the District and each member municipality within the District, including the Township.

(d) The Township is a shareholder and member of the Capital Regional Emergency Service Telecommunications (CREST) Incorporated whose services provide centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

12. Commitments and contingencies (continued):

- (e) The Township is a defendant in various lawsuits. An accrual is recorded in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The Township is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the Association pay out claims in excess of premiums received, it is possible that the Township, along with the other participants, would be required to contribute towards the deficit.
- (f) Each year, the Township receives payments in place of taxes for properties owned by the Department of National Defense. The amounts are paid by the Public Works and Government Services Canada based on their assessment of the land and improvement valuations. The revenue recorded in the Township's financial statements represents the actual amounts received.

As part of its annual grant roll, BC Assessment provides the Township with a separate assessment of these same properties based on its own analysis. The figures in the assessment typically differ from the actual payments received.

The Township has filed formal dispute applications for each of the 2010, 2011 and 2012 fiscal years. These applications represent a request for the difference in revenue between the two calculations to be paid to the Township. These disputes are ongoing and resolution could result in additional revenue being received by the Township. The outcome of this matter is not determinable at this time and any amounts received will be recorded as revenue upon the dispute being resolved.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

13. Financial plan data:

The unaudited data presented in these financial statements is based upon the 2012 operating and capital financial plan approved by Council on May 14, 2012. Amortization was not contemplated on the development of the financial plan and, as such, has not been included. The chart below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Operating budget	\$ 37,011,612
Less:	
Transfer from other funds	(5,330,315)
Proceeds on debt issue	(257,255)
Total revenue	31,424,042
Expenses:	
Operating budget	37,011,612
Less:	
Capital expenditures	(7,624,961)
Transfer to other funds	(1,453,580)
Debt principal payments	(447,840)
Total expenses	27,485,231
Annual surplus	\$ 3,938,811

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

14. Segmented information:

The Township is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the Township's operations and activities are organized and reported by service area. Municipal services are provided by departments and their activities are reported in these service areas. Service areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

The general government operations provide the functions of building services and maintenance, corporate administration, finance, human resources, legislative services and any other functions categorized as non-departmental.

(b) Protective Services:

Protective services is comprised of four functions, including the Township's emergency program services, fire, police and regulatory and development services. The emergency program services prepare the Township to be more prepared and able to respond to, recover from, and be aware of the devastating effects of a disaster or major catastrophic event that will impact the community. The fire department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies.

The police services provided by the City of Victoria ensure the safety of the lives and property of the Township as well as Victoria citizens through the enforcement of municipal bylaws, criminal laws and the laws of British Columbia, the maintenance of law and order, and the prevention of crime. The mandate of the regulatory and development services is to promote, facilitate and enforce general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community and to provide a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

(c) Transportation:

Transportation services is responsible for a wide variety of transportation functions such as parking, engineering operations and street maintenance management. This department provides infrastructure, traffic control and transportation planning services, as well as providing services related to infrastructure, land development impacts on transportation, traffic management, pedestrian and cycling issues and on-street parking regulations.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

14. Segmented information (continued):

(d) Environmental Health:

Environmental and health services include solid waste services and services related to sanitary and storm sewer systems. Solid waste services include collection of solid waste, household garbage and recycling. Sanitary and sewer services include the construction and maintenance of the sewer distribution systems to protect the environment and public health from the impacts of liquid wastes generated as a result of human occupation and development in the Township.

(e) Environmental Development:

Environmental development works to achieve the Township's community planning goals through the official community plan, neighbourhood plans, special sector and precinct plans and urban design and other policy initiatives. The department is also responsible for the heritage program, downtown vitality and public use of space.

(f) Recreation, Parks and Culture:

Recreation services facilitates the provision of recreation and wellness programs and services through the Township's pool, arena, community and seniors' centres. The parks department preserves and enhances green spaces on public lands; and is responsible for the maintenance, planning and development of all park facilities such as ornamental gardens, natural ecosystems, sport and entertainment venues and playgrounds for recreational and cultural enjoyment in a beautiful and safe environment. The cultural department is responsible to co-ordinate and lead efforts to enhance our neighbourhoods, foster arts and culture, and work to create a Township that is vibrant and people-centric.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

14. Segmented information (continued):

2012	General government	Protective services	Transportation	Environmental health	Environmental development	Recreation, parks and culture	Total
Revenues:							
Taxation	\$ 23,274,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,274,114
Goods and services	1,874,125	67,806	385,654	205,764	39,051	2,595,631	5,168,031
Government transfers	555,926	295,593	987,934	-	-	608,285	2,447,738
Total revenue	25,704,165	363,399	1,373,588	205,764	39,051	3,203,916	30,889,883
Expenses:							
Salary and wages	1,815,054	3,427,915	1,503,993	295,765	391,331	4,786,049	12,220,107
Materials, supplies and services	1,023,513	7,566,132	520,314	534,863	281,636	2,595,289	12,521,747
Interest and other	1,399	-	-	327,158	-	338,466	667,023
Amortization	302,786	141,524	1,465,712	354,213	-	611,035	2,875,270
Total expenses	3,142,752	11,135,571	3,490,019	1,511,999	672,967	8,330,839	28,284,147
Annual surplus (deficit)	\$ 22,561,413	\$ (10,772,172)	\$ (2,116,431)	\$ (1,306,235)	\$ (633,916)	\$ (5,126,923)	\$ 2,605,736

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2012

14. Segmented information (continued):

2011	General government	Protective services	Transportation	Environmental health	Environmental development	Recreation, parks and culture	Total
Revenues:							
Taxation	\$ 23,183,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,183,681
Goods and services	2,217,006	69,745	331,161	171,767	23,397	2,499,668	5,312,744
Government transfers	516,527	297,007	1,015,351	-	-	14,335	1,843,220
Total revenue	25,917,214	366,752	1,346,512	171,767	23,397	2,514,003	30,339,645
Expenses:							
Salary and wages	1,678,352	3,418,824	1,436,771	292,687	364,623	4,726,093	11,917,350
Materials, supplies and services	1,147,292	7,293,693	458,246	528,033	95,728	2,481,200	12,004,192
Interest and other	1,834	70,000	-	330,301	-	348,500	750,635
Amortization	281,280	127,183	1,367,670	359,804	-	586,413	2,722,350
Total expenses	3,108,758	10,909,700	3,262,687	1,510,825	460,351	8,142,206	27,394,527
Annual surplus (deficit)	\$ 22,808,456	\$ (10,542,948)	\$ (1,916,175)	\$ (1,339,058)	\$ (436,954)	\$ (5,628,203)	\$ 2,945,118

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CORPORATION OF THE TOWNSHIP OF ESQUIMALT

BYLAW NO. 2802

A Bylaw to adopt the Financial Plan for the years 2013 to 2017.

THE MUNICIPAL COUNCIL OF THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT, in open meeting assembled, enacts as follows:

1. This Bylaw may be cited for all purposes as the "*FINANCIAL PLAN BYLAW, 2013, NO. 2802*"
2. Schedule "A" and "B" attached hereto and made part of this Bylaw is hereby adopted as the Financial Plan of the Corporation of the Township of Esquimalt for the period 2013 to 2017.

READ a first time by the Municipal Council on the 6th day of May, 2013.

READ a second time by the Municipal Council on the 6th day of May, 2013.

READ a third time by the Municipal Council on the 6th day of May, 2013.

ADOPTED by the Municipal Council on the day of , 2013.

BARBARA DESJARDINS
MAYOR

ANJA NURVO
CORPORATE OFFICER



Revenue, Tax, Budget and Financial Sustainability Policies & Objectives

1. PROPERTY TAX REVENUE and TAX RATIOS

Background

Property taxes account for approximately 48% of the Township of Esquimalt's (Township's) revenue (excluding unconditional or non-reoccurring grants and transfers from own sources) and provide a stable and consistent source of funding for many services that are either difficult or undesirable to fund on a user-pay basis. Property taxes are more predictable than other revenue sources, resulting in less likelihood of a shortfall relative to other budgeted revenue.

Payments In Lieu of taxes provided by CFB Esquimalt accounts for the Township's second largest revenue source, at approximately 37%.

The Township's distribution of taxes among the property classes is typical, where the residential class is proportionately the largest of the total tax base at approximately 78%. Properties in the business class provide the second largest portion of the tax base at approximately 16%. The major industry, light industry, and recreation/non-profit classes provide the remaining 6% of the tax base.

The Township's tax rates appear high in comparison to other municipalities in the Capital Regional District, primarily because the Township provides its own police, fire, recreation and library services, while these services are either cost-shared or provided on a volunteer basis by other municipalities and because the Township has a limited retail base and comparably lower assessed values than other municipalities. Consequently, the Township must fund higher costs amongst fewer sources than other municipalities resulting in higher tax rates.

Reducing taxes can only come about by either lower overall costs, increasing revenue from sources other than property taxes, increasing the number of tax payers or from a combination of these measures. Council is constrained in its ability to shift the tax burden as a means of driving change in the community. Shifting of one property tax class burden to drive new initiatives will result in higher taxes applied against the other classes.

Consequently, the tax burden may only be shifted over time by looking to new initiatives that increase non tax revenues and tax base.

Objectives

- 1.1 Distribute property tax increases equitably among the classes of property.
- 1.2 Increase the percentage of revenue from sources other than property value taxes over time by considering:
 - (a) new initiatives that increase the tax base and facilitate shifting tax ratios without increasing the residential tax burden; and
 - (b) the impact of a 'Downtown Revitalization' bylaw to stimulate development in the downtown core and adjust the tax base provided by Class 6
- 1.3 Consider implementing property tax strategies or incentives that promote economic development within the community.

Policies

- 1.4 Consider the annual property tax increase required to cover the projected cost of the existing service levels as well as any new or enhanced services.
- 1.5 Adjust the tax rate ratios each year to maintain stability while ensuring the tax rate is reflective of both market and non market changes.
- 1.6 Set annual property tax rates after considering significant new growth or loss of assessment in each property class.
- 1.7 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.
- 1.8 Mitigate the impact on property taxes by researching non-property tax revenue sources whenever possible, applying for government grants, charging appropriate user fees and developing strategic alliances, partnerships and shared project funding to reduce costs of service delivery.

2. PERMISSIVE TAX EXEMPTIONS**Background**

The Township will continue to support local not for profit organizations who qualify for permissive tax exemptions on their merits and under Section 224 of the Community Charter.

Objectives

- 2.1 Continue to consider granting permissive tax exemptions which promote social benefit to the community; and
- 2.2 Consider implementing permissive tax exemptions that promote economic development within the community

Policies

- 2.3 Continue to grant permissive tax exemptions to agencies and organizations that:
 - 2.3.1 provide benefits to the Township and its residents
 - 2.3.2 qualify under the legislation and any formal policy adopted by Council
- 2.4 Review permissive tax exemptions in conjunction with other financial support provided by the Township to ensure funding is reasonable and appropriate
- 2.5 Continue to review and update the existing evaluation criteria to ensure the Township is benefitting from organizations that receive tax exemptions

3. GROWTH AND REVITALIZATION STRATEGIES**Background**

Growth, improvement and forward thinking are necessary to maintain a desirable, healthy and sustainable community. A desirable environment will also attract and retain new business and thus add to the tax base and achieving the goal of reducing individual property taxes. The Township will continue to seek out and be open to employing strategies which assist in retaining and furthering this goal.

Objectives

- 3.1 To stimulate and reinforce development initiatives in locations where such uses are permitted.

Policies

- 3.2 Review and consider the provision of permissive exemptions for revitalization, beautification and heritage tax exemptions that are consistent with enhancing the quality of life (social, economic and environmental) objectives of the community.
- 3.3 Revise or coordinate economic development, revitalization and heritage plans to determine where opportunities for permissive tax exemptions may exist.

4. PARCEL TAX REVENUE

There are no parcel tax levies in use by the Township of Esquimalt.

5. FEES AND CHARGES**Background**

Fees and charges account for 12% of the Township's revenue. While this revenue source includes revenue generated from licences and permits, the largest component of user fee revenue is generated from recreation programs.

Objectives

- 5.1 User fees may be charged for services that are identifiable to specific users, versus levying a general tax to all property owners.
- 5.2 User fees charged for recreation programs are appropriate; and
- 5.3 Other fees, such as fees for licences and permits are:
 - (a) reviewed regularly to ensure the Township is working towards full cost recovery for the service provided;
 - (b) consistent with similar fees charged within the region; and
 - (c) consistent with the social and economic objectives of the Township.

Policies

- 5.4 Review recreation user fees at least annually to ensure that increases are consistent with inflation and those services remain affordable and competitive within the regional market.
- 5.5 Review other fees and charges at least annually to ensure the Township recovers at least 100% of the cost of services provided, and the cost is consistent with similar fees charged in the region.
- 5.6 Fees required to recover the cost of services may be reduced by government grants or transfers allocated to specific programs.

6. FINANCIAL SUSTAINABILITY

Long term financial sustainability is important if the Township is to deliver the services and programs expected by the community. It is also important that community assets are maintained as a means to retain and attract vibrant businesses and to ensure that the costs do not become a burden for future rate payers.

Responsible long term financial management:

- means that a healthy financial position is maintained
- gives financial outcomes greater stability and certainty

- ensures consistent delivery of essential community services and the efficient development and maintenance of infrastructure

6.1 INFRASTRUCTURE AND CAPITAL ASSET SUSTAINABILITY

Background

Capital projects are funded through a number of sources including grants, reserves and property tax levies. Once acquired or completed, the costs of maintaining the capital assets are included in the annual operating budget and replacement or improvement costs are requested as part of the capital plan.

Objectives

- 6.1.1 Capital funding provided through the annual budget process will be adequate to maintain the Township's capital assets and infrastructure and to provide for the replenishment of capital assets.
- 6.1.2 Capital projects will be monitored to ensure they are completed in a timely manner and they remain within budgetary cost allocations.
- 6.1.3 A capital plan will be developed to maintain the capital assets and infrastructure in a proper state of repair to avoid costly failures and, where possible, to economically and effectively extend the asset's life.

Policies

- 6.1.4 To ensure capital funding is adequate:
 - (a) an amount equal to the value of matured debt charges is transferred annually to the Capital Projects Reserve Fund;
 - (b) an amount approximating the sales tax rebates received by the Township is transferred annually to the Capital Projects Reserve Fund;
 - (c) all money from the sale of land and improvements (other than park land and tax sale land) is credited to the Capital Projects Reserve Fund and set aside for future land purchases;
 - (d) donations and bequests for capital purposes are transferred to the Capital Projects Reserve Fund unless otherwise specified by the donor;
 - (e) the Capital Projects Reserve Fund, and all interest earned upon it, is only used to acquire capital assets.
- 6.1.5 Capital projects and programs unable to be acquired or fully completed during the year they were budgeted may be eligible for carry forward to the next fiscal year. During the creation of the annual capital plan:
 - (a) previously approved capital projects may be carried forward if a commenced project has not yet been completed;
 - (b) new capital project requests will be scaled back to accommodate any carry forward requests; and
 - (c) projects that have not commenced will not be automatically carried forward. These projects must be submitted with all newly proposed projects for assessment during budget deliberations.

- 6.1.6 Capital projects are expected to be completed or acquired within the budgeted allocation however, when unforeseen cost overruns do occur, an additional funding approval is required. These will require formal approval from Council except in instances where the following have been met:
- (a) The total capital budget for that item is less than \$100,000;
 - (b) Total expenditures are less than 110% of the total approved capital budget for that item;
 - (c) The amount exceeding the budget can be offset by other completed capital expenditures within the same fund which were acquired/completed for less than the approved capital amount; and
 - (d) Each instance where capital projects exceed budgetary allocation must be reviewed and approved by the CFO

6.2 RESERVES

Background

The Township has various reserve funds which have been established for specific purposes. These funds are developed and maintained to ensure financial obligations with respect to infrastructure, equipment and fiscal requirements are met.

Objectives

- 6.2.1 Establish and maintain reserves to provide stability to municipal operations and ensure the Township can meet both current fiscal requirements and future obligations.
- 6.2.2 The budget process and ongoing operations must strive to establish and maintain sufficient funding to achieve the reserve balances set out.

Policies

- 6.2.3 Strive to ensure the sum of the following balances represents a minimum of 25% of the total revenue required each year (excluding unconditional or non-reoccurring grants and transfers from own sources) by the year 2020:
 - Reserve Funds;
 - Appropriated for Uncollected Taxes Account;
 - Appropriated for Working Capital Account; and
 - Unappropriated Surplus Account

6.3 DEBT MANAGEMENT

Background

The maximum amount that can be borrowed by the Township is set by the Community Charter. Debt funding is provided by the Municipal Finance Authority and should be used only for capital projects and not operational programs. In comparison to the debt available, the Township's debt has been maintained at a fairly low level in recent years.

Objectives

- 6.3.1 Maintain the long term debt servicing liability at a manageable level.

Policies

- 6.3.2 Limit the creation of long term debt to the financing of large infrastructure and economic development projects.
- 6.3.3 Minimize debt costs by seeking out and applying for provincial and federal government grants whenever possible.

7. RESTRICTED ACCOUNTS**Background**

Funds may be set aside for specified purposes either through external or internal requirements. Minimum balances may be set to ensure availability of funds.

Objectives

- 7.1 These funds are used primarily to finance specific projects for which the funds were advanced, capital and one time operating projects. Internally restricted funds may also be used from time to time to strategically offset specific operating costs

Policies

- 7.2 A minimum balance of \$100,000 will be maintained in the Casino Revenue Sharing account
- 7.3 A minimum balance of \$250,000 will be maintained in the Community Works Fund account
- 7.4 A minimum balance of \$500,000 will be maintained in the Machinery and Equipment Depreciation Fund account
- 7.5 A minimum balance of \$1,000,000 will be maintained in the Capital Projects Reserve Fund account
- 7.6 The funds set out in S7.2 and 7.3 may be used for specific one time capital and operating project costs
- 7.7 The balances set out in S7.2, 7.3, 7.4 and 7.5 may temporarily drop below the established minimum balances, provided a plan is in place to re-establish the minimum balance

**CORPORATION OF THE TOWNSHIP OF ESQUIMALT
FINANCIAL PLAN 2013 - 2017**

	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$
REVENUE					
Taxes					
Property Value Taxes	14,116,280	15,029,025	14,901,096	15,224,163	15,343,224
Parcel Taxes	0	0	0	0	0
Utility Taxes	250,376	255,395	233,132	235,460	237,811
Payments/Grants in Lieu of Taxes					
Federal	10,193,042	10,396,910	10,604,855	10,816,955	11,033,300
Provincial Agencies	111,568	113,805	116,085	118,415	120,795
Fees and Charges	3,278,245	3,208,720	3,278,790	3,334,130	3,398,735
Other Revenue					
Services to Other Governments	0	10,000	0	0	0
Grants from Other Governments	896,108	407,032	407,032	407,032	407,032
Other	1,801,137	1,255,220	1,261,210	1,267,325	1,138,560
Proceeds from Borrowing	234,562	0	0	0	0
Proceeds from Leases	0	0	0	0	0
Transfers from Statutory Reserve Funds					
Capital Projects Reserve Fund	3,097,498	1,051,810	79,000	70,000	70,000
Local Improvement Fund	0	0	0	0	0
Machinery & Equipment Depreciation Reserve Fund	1,413,435	710,575	61,695	62,840	64,005
Park Land Acquisition Reserve Fund	0	0	0	0	0
Sustainability Reserve Fund	16,000	0	0	0	0
Off-Street Parking Reserve Fund	0	0	0	0	0
Tax Sale Lands Reserve Fund	0	0	0	0	0
Transfers from Accumulated Surplus	0	0	0	0	0
Transfers from Operating Reserves	252,181	57,840	50,000	50,000	50,000
	<u>35,660,432</u>	<u>32,496,332</u>	<u>30,992,895</u>	<u>31,586,320</u>	<u>31,863,462</u>
EXPENDITURE					
Debt Interest	658,326	658,326	658,326	658,326	658,326
Debt Principal	428,141	428,141	428,141	428,141	428,141
Capital Expenditure	6,076,204	2,345,110	683,125	675,450	517,505
Other Municipal Purposes					
General Government	3,126,281	3,091,768	3,097,447	3,153,466	3,224,619
Protective	11,124,459	11,331,926	11,527,055	11,745,878	11,882,976
Transportation (Public Works)	2,437,607	2,595,337	2,460,457	2,613,556	2,636,998
Environmental Health (Garbage and Sewer)	863,387	878,325	893,600	909,170	925,055
Environmental Development (Planning)	578,909	592,411	480,466	487,708	500,260
Recreation and Cultural	7,849,058	8,784,348	8,973,043	9,122,780	9,297,112
Other Fiscal	34,300	36,880	37,475	38,085	38,710
Other (Contingency)	920,000	250,000	250,000	250,000	250,000
Transfers to Statutory Reserve Funds					
Capital Projects Reserve Fund	992,760	992,760	992,760	992,760	992,760
Reserve For Expenditures	60,000	0	0	0	0
Local Improvement Fund	0	0	0	0	0
Machinery & Equipment Depreciation Reserve Fund	441,000	441,000	441,000	441,000	441,000
Sustainability Reserve Fund	20,000	20,000	20,000	20,000	20,000
Tax Sale Lands Reserve Fund	0	0	0	0	0
Transfers to Operating Reserves	50,000	50,000	50,000	50,000	50,000
	<u>35,660,432</u>	<u>32,496,332</u>	<u>30,992,895</u>	<u>31,586,320</u>	<u>31,863,462</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

BYLAW NO. 2803

A Bylaw for the levying of rates for Municipal,
Regional District and Regional Hospital District purposes for the year 2013.

THE MUNICIPAL COUNCIL OF THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT, in open meeting assembled, enacts as follows:

1. This Bylaw may be cited as the "TAX RATES BYLAW, 2013, NO. 2803".
2. The following rates are hereby imposed and levied for the year 2013:
 - (a) For all lawful purposes of the municipality on the assessed value of land and improvements taxable for general municipal purposes, rates appearing in column "1" of Schedule "A" attached hereto and forming a part hereof.
 - (b) For purposes of the Capital Regional District on the assessed value of land and improvements taxable for general municipal purposes, rates appearing in column "2" of Schedule "A" attached hereto and forming a part hereof.
 - (c) For purposes of the Capital Regional Hospital District on the assessed value of land and improvements taxable for regional hospital district purposes, rates appearing in column "3" of Schedule "A" attached hereto and forming a part hereof.
3. The minimum amount of taxation upon a parcel of real property shall be One Dollar (\$1.00).
4. The aforesaid rates and taxes shall be considered to have been imposed on and from January 1, 2013 and shall be due and payable at the office of the Collector of Taxes of the Corporation of the Township of Esquimalt, in the Province of British Columbia, by July 2, 2013 or mailed within Canada with a legible postmark dated June 21, 2013 or prior; or paid at a financial institution in Canada on or before July 2, 2013.

READ a first time by the Municipal Council on the 6th day of May, 2013.

READ a second time by the Municipal Council on the 6th day of May, 2013.

READ a third time by the Municipal Council on the 6th day of May, 2013.

ADOPTED by the Municipal Council on the day of _____, 2013.

BARBARA DESJARDINS
MAYOR

ANJA NURVO
CORPORATE OFFICER

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

TAX RATES - 2013

(Dollars of tax per \$1,000 value)

Property Class	1 Municipal	2 Regional District	3 Hospital District
1 Residential	4.85510	0.66317	0.30036
2 Utilities	21.54743	2.94321	1.05127
4 Major Industry	31.45665	4.29673	1.02123
5 Light Industry	16.52340	2.25696	1.02123
6 Business & Other	12.45060	1.70065	0.73589
8 Recreational & Non-Profit	5.44052	0.74313	0.30036