

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

BYLAW NO. 2920

A Bylaw to adopt the Financial Plan for the years 2018 to 2022.

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, 2018, NO. 2920*"
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 2018 to 2022.

READ a first time by the Municipal Council on the 7th day of May, 2018.

READ a second time by the Municipal Council on the 7th day of May, 2018.

READ a third time by the Municipal Council on the 7th day of May, 2018.

ADOPTED by the Municipal Council on the 14th day of May, 2018.



BARBARA DESJARDINS
MAYOR



ANJA NURVO
CORPORATE OFFICER



Bylaw 2920, 2018
Schedule A

Revenue, Tax, Budget and Financial Sustainability Policies & Objectives

1. PROPERTY TAX REVENUE and TAX RATIOS

Background

Property taxes account for approximately 41% of the Township of Esquimalt's ("Township") revenue (excluding unconditional or non-recurring 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 tend to be more predictable than other revenue sources, resulting in less likelihood of a shortfall relative to other budgeted revenue.

The other major source of revenue is Payments In Lieu of Taxes (PILT) provided by the Federal Government for the CFB Esquimalt properties accounts for approximately 34% of total revenue. This figure increases to 45% when analysing these payments as a percentage of taxation revenue only.

The Township's distribution of taxes among the property classes is typical, where the residential class (Class 1) is proportionately the largest of the total tax base at approximately 76%. Properties in the business class (Class 6) provide the second largest portion of the tax base at approximately 16%. All remaining property classes provide the remaining 8% of the tax base. These figures are calculated based on total taxation, including PILT revenue.

The Township's tax rates are difficult to compare with other municipalities in the Capital Regional District. The Township provides its own police, fire, recreation, and library services however these services are either cost-shared or provided on a volunteer basis by other municipalities. Another factor to consider is that the Township includes all utility costs in its property tax levies while some municipalities issue separate periodic invoices to taxpayers. Additionally, the Township has a limited retail base and comparably lower assessed values than other municipalities. Consequently, the Township must fund higher costs through fewer sources which results in higher tax rates.

Reducing taxation requirements can be achieved by (i) lowering overall costs, (ii) increasing revenue from sources other than property taxes, (iii) increasing the number of taxpayers or (iv) from any 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 the burden for one property tax class to drive new initiatives will result in higher tax rates 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 the overall tax base.

Objectives

- 1.1 Distribute property tax increases equitably among all property classes.
- 1.2 Increase the percentage of revenue from sources other than property taxes over time by considering new initiatives that increase the tax base and facilitate a shifting of tax ratios without increasing the tax burden on the residential property class.
- 1.3 Implement property tax strategies or incentives that promote economic development within the community.
- 1.4 Consider the Consumer Price Index and cost of living changes within the Region.

Policies

- 1.5 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.
- 1.6 Adjust the tax rate ratios each year to maintain stability while ensuring the tax rate is reflective of both market and non-market changes.
- 1.7 Set annual property tax rates after considering significant new growth or loss of assessment in each property class.
- 1.8 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.
- 1.9 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 under Section 224 of the Community Charter.

Objectives

- 2.1 Continue to consider granting permissive tax exemptions to promote social benefit to the community.
- 2.2 Consider implementing permissive tax exemptions to 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; and
 - 2.3.2 qualify under the legislation or 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 receiving benefits from organizations that receive permissive tax exemptions.

3. GROWTH AND REVITALIZATION STRATEGIES

Background

Growth, improvement and progressive thinking are necessary in order to create, develop and maintain a desirable and healthy community. Such a community is likely to attract new, and retain existing, business and housing which will add to the tax base and help to achieve the goal of reducing property taxes.

Objectives

- 3.1 Explore opportunities and employ strategies which are intended to grow and revitalize the community.
- 3.2 Stimulate and reinforce development initiatives where such uses are permitted.

Policies

- 3.3 Continue to consider the provision of tax exemptions for revitalization, beautification and heritage tax exemptions that are consistent with the social, economic and environmental objectives of the community.
- 3.4 Examine economic development, revitalization and heritage plans to determine where opportunities for tax exemptions may exist.
- 3.5 Continue to promote the existing Revitalization Tax Exemption Bylaw.
- 3.6 Increase the commercial tax base including new development proposals where applicable.

4. PARCEL TAX REVENUE

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

5. FEES AND CHARGES

Background

Fees and charges account for approximately 10% of the Township's revenue. While this figure includes revenue generated from licences and permits, the largest component is represented by user fee revenue generated from recreation programs.

Objectives

- 5.1 User fees may be charged for services that are identifiable to specific users, versus applying a general tax levy on all property owners.

- 5.2 User fees charged for recreation programs are appropriate.
- 5.3 Other fees, such as fees for licences and permits are:
- (a) reviewed regularly;
 - (b) comparable 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 they remain affordable and competitive within the regional market.
- 5.5 Review other fees and charges at least annually to ensure that the Township is working towards full recovery for the cost of services provided.
- 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 continue delivering the services and programs expected by the community. It is also important that community assets are maintained as a means to attract and retain businesses and to ensure that the costs do not become a burden for future taxpayers.

With long term financial management as the overall principle, the Township places an emphasis on sustainability through the following objectives:

- services and infrastructure are adequately funded
- expenditures are efficiently managed
- operations are prudently administered
- sufficient future reserves are maintained
- debt is strategically utilized

6.1 INFRASTRUCTURE AND CAPITAL ASSET SUSTAINABILITY

Background

Capital projects are funded through a number of sources including grants, reserve funds and property tax levies. Once acquired or completed, the future costs of maintaining the capital assets are included within the annual operating budget while replacement or improvement costs are requested within the capital portion of the Financial Plan.

Objectives

- 6.1.1 Capital funding provided through the annual budget process will be adequate to maintain the Township's infrastructure and provide for the renewal of capital assets.
- 6.1.2 Approved capital projects are completed in a timely manner and costs remain within approved budgetary allocations.

- 6.1.3 Adequately maintain the capital assets and infrastructure are adequately maintained in order to avoid costly failures and, where possible, to economically and effectively extend the life of each asset.

Policies

- 6.1.4 To ensure capital project 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) donations and bequests for capital purposes are transferred to the Capital Projects Reserve Fund unless otherwise specified by the donor;
 - (d) the Capital Projects Reserve Fund, and all interest earned upon it, is only used to acquire capital assets;
 - (e) an amount based on the approximate useful life and replacement cost of the Township's mobile assets is calculated and transferred annually to the Machinery and Equipment Depreciation Reserve Fund;
 - (f) the Machinery and Equipment Depreciation Reserve Fund, and all interest earned upon it, is only used to replace existing mobile capital assets;
 - (g) an amount equal to, or greater than, the value of a one percent tax revenue increase from the previous year is transferred to the Infrastructure and Revitalization Reserve Fund; and
 - (h) the Infrastructure and Revitalization Reserve Fund, and all interest earned upon it, is only to be used for revitalization initiatives or the replacement of existing long term infrastructure.
- 6.1.5 Capital items not acquired or fully completed during the year they were approved may be eligible for carry forward to the next fiscal year. During the creation of the annual capital plan:
- (a) previously approved capital items may be carried forward if a project has commenced but has not yet been completed;
 - (b) new capital requests will be scaled back or deferred to accommodate any carry forward requests; and
 - (c) capital projects that have not commenced by the end of the fiscal year will not automatically be carried forward to the following fiscal year. These projects must be re-submitted for approval during budget discussions.
- 6.1.6 Capital items are expected to be completed or acquired within the approved budget allocation however, unforeseen cost overruns do occasionally occur. In these instances, formal approval from Council is required except when all of the following conditions have been met:
- (a) the total capital budget for the item or project is less than \$100,000;
 - (b) total expenditures do not exceed 110% of the approved capital budget for the item or project; and
 - (c) any amount, in excess of the budget, may be offset within the same fund by unspent budget allocations for other capital assets acquired or completed; and
- 6.1.7 Each instance of a cost overrun must be individually reviewed and approved by the Chief Financial Officer.

6.2 RESERVE FUNDS

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 Maintain a certain level of financial resources sufficient to protect against the need for service level reductions or taxation increases as a result of temporary revenue shortfalls or unpredicted one time expenditures.
- 6.2.3 The budget process and ongoing operations must strive to establish and maintain sufficient reserve funds balances as set out in this document.

Policies

- 6.2.4 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
- 6.2.5 Maintain a minimum balance of \$500,000 in the Machinery and Equipment Depreciation Reserve Fund.
- 6.2.6 Maintain a minimum balance of \$1,000,000 in the Capital Projects Reserve Fund.
- 6.2.7 Maintain a minimum balance of \$250,000 in the Infrastructure and Revitalization Reserve Fund.
- 6.2.8 The balances set out in S6.2.5, S6.2.6 and S6.2.7 may temporarily drop below the established minimum balances, provided a plan is in place to replenish the fund to a balance above the minimum.

6.3 DEBT MANAGEMENT

Background

The maximum amount that can be borrowed by the Township is limited by the Community Charter and the provincial government. Debt funding is provided by the Municipal Finance Authority and is to be used for capital projects rather than operational programs. In comparison to the maximum allowable levels, 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 an acceptable and 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.
- 6.3.4 Assess all potential borrowing options to ensure both flexibility and cost effectiveness

7. RESTRICTED ACCOUNTS

Background

Funds may be set aside in reserve accounts for specified or restricted purposes. Minimum balances may be established to ensure availability of funds in future years.

Objectives

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

Policies

- 7.2 Maintain a minimum balance of \$25,000 in the Casino Revenue Sharing Account.
- 7.3 Maintain a minimum balance of \$100,000 in the Community Works Fund Account.
- 7.4 The funds set out in S7.2 and S7.3 may be used for specific one time capital and operating project costs.
- 7.5 The balances set out in S7.2 and S7.3 may temporarily drop below the established minimum balances, provided a plan is in place to replenish the account to a balance above the minimum.

FINANCIAL PLAN 2018 - 2022

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Budget | Budget | Budget | Budget | Budget |
| REVENUE | | | | | |
| Taxes | | | | | |
| Property Value Taxes | (16,076,287) | (15,943,193) | (15,945,276) | (16,198,377) | (16,298,240) |
| Parcel Taxes | (4,686) | (4,686) | (4,686) | (4,686) | (4,686) |
| Utility Taxes | (239,725) | (244,654) | (249,672) | (254,780) | (259,979) |
| Payments/Grants in Lieu of Taxes | | | | | |
| Federal | (12,758,411) | (12,576,693) | (12,578,397) | (12,785,479) | (12,867,186) |
| Provincial Agencies | (92,740) | (95,522) | (99,213) | (102,189) | (105,259) |
| Fees and Charges | (3,327,071) | (3,415,071) | (3,488,071) | (3,533,571) | (3,579,571) |
| Other Revenue | | | | | |
| Grants from Other Governments | (1,720,496) | (1,699,863) | (1,687,930) | (1,676,191) | (1,664,661) |
| Other | (802,366) | (814,188) | (820,682) | (824,599) | (828,390) |
| Transfers from Statutory Reserve Funds | | | | | |
| Capital Projects Reserve Fund | (2,198,837) | (2,449,768) | (5,024,768) | (8,099,768) | (11,099,768) |
| Machinery & Equipment Depreciation Reserve Fund | (366,100) | (344,100) | (422,000) | (575,500) | (700,600) |
| Sustainability Reserve Fund | (109,951) | (191,000) | (386,000) | (416,000) | (446,000) |
| Infrastructure Reserve Fund | (924,746) | (2,504,000) | (2,529,000) | (2,554,000) | (2,579,000) |
| Transfers from Accumulated Surplus | (200,000) | 0 | 0 | 0 | 0 |
| Transfers from Operating Reserves | (3,626,868) | (2,331,585) | (2,409,156) | (2,335,820) | (2,394,278) |
| | (42,448,284) | (42,614,323) | (45,644,851) | (49,360,960) | (52,827,618) |
| EXPENDITURE | | | | | |
| Debt Interest | 338,436 | 338,436 | 338,436 | 338,436 | 338,436 |
| Debt Principal | 784,482 | 784,482 | 684,482 | 684,482 | 534,482 |
| Capital Expenditure | 6,040,908 | 6,505,868 | 9,413,768 | 12,732,268 | 15,947,368 |
| Other Municipal Purposes | | | | | |
| General Government | 3,794,578 | 3,663,835 | 3,670,819 | 3,678,708 | 3,688,174 |
| Protective | 13,235,130 | 13,494,108 | 13,728,508 | 13,982,658 | 14,257,658 |
| Transportation (Public Works) | 3,479,247 | 3,158,912 | 3,175,282 | 3,195,402 | 3,210,372 |
| Environmental Health (Garbage and Sewer) | 964,527 | 948,457 | 951,577 | 954,877 | 958,377 |
| Environmental Development (Planning) | 1,181,196 | 1,036,737 | 1,053,009 | 1,072,459 | 1,095,584 |
| Recreation and Cultural | 9,111,447 | 9,161,405 | 9,243,737 | 9,329,637 | 9,400,484 |
| Other Fiscal | 20,300 | 17,800 | 17,300 | 17,600 | 17,600 |
| Other (Contingency) | 338,443 | 338,443 | 338,443 | 338,443 | 338,443 |
| Transfers to Statutory Reserve Funds | | | | | |
| Capital Projects Reserve Fund | 934,419 | 934,419 | 934,419 | 934,419 | 934,419 |
| Machinery & Equipment Depreciation Reserve Fund | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Local Improvement Fund | 4,686 | 4,686 | 4,686 | 4,686 | 4,686 |
| Sustainability Reserve Fund | 32,000 | 32,250 | 31,900 | 32,400 | 32,050 |
| Infrastructure Reserve Fund | 630,000 | 636,000 | 640,000 | 646,000 | 651,000 |
| Public Art Reserve Fund | 12,711 | 12,711 | 12,711 | 12,711 | 12,711 |
| Transfers to Operating Reserves | 1,245,774 | 1,245,774 | 1,105,774 | 1,105,774 | 1,105,774 |
| | 42,448,284 | 42,614,323 | 45,644,851 | 49,360,960 | 52,827,618 |