

**CORPORATION OF THE TOWNSHIP OF ESQUIMALT**

**BYLAW NO. 2802**

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

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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 13<sup>th</sup> day of May, 2013.

  
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BARBARA DESJARDINS  
MAYOR

  
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ANJA NURVO  
CORPORATE OFFICER



## Revenue, Tax, Budget and Financial Sustainability Policies & Objectives

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### 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
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
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>
<b>EXPENDITURE</b>					
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>