

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

BYLAW NO. 3137

A Bylaw to adopt the Financial Plan for the years 2024 to 2028.

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, 2024, NO. 3137*"
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 2024 to 2028.

READ a first time by the Municipal Council on the 22nd day of April, 2024.

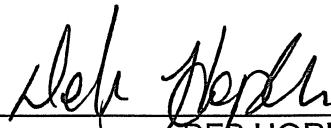
READ a second time by the Municipal Council on the 22nd day of April, 2024.

READ a third time by the Municipal Council on the 22nd day of April, 2024.

ADOPTED by the Municipal Council on the 6th day of May, 2024.

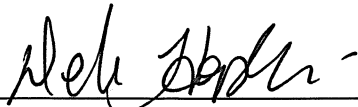


BARBARA DESJARDINS
MAYOR



DEB HOPKINS
CORPORATE OFFICER

I hereby certify that this is a true and correct copy of "Financial Plan Bylaw, 2024, No. 3137" as having been adopted by the Township of Esquimalt Council on May 6, 2024.



Deb Hopkins, Corporate Officer



CORPORATION OF THE TOWNSHIP OF ESQUIMALT

COUNCIL POLICY

TITLE:	Financial Sustainability; Revenue and Tax	NO.	FIN-23
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Effective Date:	April 22, 2024
Approved by:	Council
Reference:	[FIN-24-010]
Amends:	New

POLICY:

The purpose of the Financial Sustainability, Revenue and Tax Policy is to guide the Township's financial planning to meet financial obligations while delivering on Council's desired service levels.

1. PROPERTY TAX REVENUE AND RATIOS

Property taxes and Payment in Lieu of Taxes provided by the Federal Government are the main sources of revenue for the Township 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. Taxes tend to be more predictable than other revenue sources, resulting in less likelihood of a shortfall relative to other budgeted revenue. Therefore, property taxes will continue to be the Township's main revenue source.

The Township has a limited retail base and comparatively lower assessed values than other municipalities. Consequently, the Township must fund higher costs through fewer revenue sources which could potentially result in higher tax rates. The Township's distribution of property taxes among the classes is typical, where the residential class (Class 1) is proportionately the largest of the total tax base. Properties in the business class (Class 6) represent the second largest portion of the tax base while all other property classes combine to make up the remaining percentage.

Council is constrained in its ability to shift the tax burden as a means of driving change in the community. Market value changes that result in uneven assessment changes between property classes result in a tax burden shift to the class experiencing greater market changes unless ratios are modified. These modifications would eliminate the burden between property classes but not the shift within a property class which depends on the market value in relation to the average.

Policies

- 1.1 Consider the tax rates each year to maintain stability while considering market and non-market changes.
- 1.2 Consider commercial to residential property tax rates and the potential for a tax ratio of 2.50:1 while recognizing the impacts of market values on this calculation.

- 1.3 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.
- 1.4 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.
- 1.5 Mitigate the impact on property taxes by researching non-property tax revenue sources whenever possible, such as applying for government grants, charging appropriate user fees and developing strategic alliances, partnerships and shared project funding to reduce service delivery costs.

2. PERMISSIVE TAX EXEMPTIONS

The Township will continue to consider supporting local not-for-profit organizations who qualify for permissive tax exemptions under the *Community Charter*. Consideration will be given to those organizations that provide social benefits and economic development to the community.

Policies

- 2.1 Permissive property tax exemptions are governed by the Township's Council Policy – FIN-16 Permissive Tax Exemptions, which outlines the criteria for which property tax exemptions may be granted.

3. GROWTH AND REVITALIZATION

The Township is surrounded by other municipalities and water with no ability to expand outward. Growth, improvement and progressive thinking are necessary to create, develop and maintain a desirable and healthy community. Such an environment is likely to attract new, and retain existing, business and housing which could add to the tax base and help reduce individual property taxes. While development continues to generate new property tax revenue, the Township recognizes that this also increases demand on existing infrastructure and the potential need for expansion.

Policies

- 3.1 Explore opportunities and employ property tax strategies or incentives to promote economic development within the community.
- 3.2 Stimulate and reinforce development initiatives, including an increase to the commercial tax base, where such uses are permitted.

4. FINANCIAL SUSTAINABILITY

Departments strive to find operational efficiencies and as the Township does not have the resources to meet all service demands. These demands must be managed to ensure expectations reflect the fiscal realities and the need to contain expenditures. Rising costs at existing service levels must be recognized. One-time revenues or non-renewable reserves must not be used to fund ongoing operating expenditures.

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 potential means to attract and retain businesses and to ensure that the costs do not become a greater burden for future taxpayers.

Policies

- 4.1 Within each budget, Council will consider the property tax increase required by the projected cost increases for existing service levels before considering other service level enhancements.
- 4.2 All departments will make every attempt at accessing funding from external sources including other levels of government. Any additional funding secured could result in reduced property tax increases, increased service levels or the provision of new services.
- 4.3 Any new services or enhancements to existing service levels will be funded by one, or a combination of, the following:
 - a) An increase in property taxes
 - b) A reduction in existing service costs which may include a reallocation of resources
 - c) An increase in non-taxation revenues

5. CAPITAL ASSET ACCOUNTABILITY

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. This funding could be through grants and donations however, most funding comes from capital reserves. 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 included within the capital portion of the Financial Plan.

Efforts are made to complete all approved capital projects in the current year and within approved budgetary allocations, However, there are instances where projects and programs are not completed during the year they were budgeted. In these instances, costs to complete the project or program will be included for approval in the budget.

Policies

- 5.1 Capital assets and infrastructure are adequately maintained to avoid costly failures and, where possible, to extend the life of each asset economically and effectively.
- 5.2 Each year Council will consider a property tax increase of at least 1% to generate an increased cumulative capital infrastructure investment.
- 5.3 Approved capital items not acquired or fully completed during the year may be eligible for carry forward to the next fiscal year. However, other capital items may be reduced or deferred to accommodate the request.
- 5.4 Requests to carry forward projects that have not yet started are not automatically granted. Instead, these projects are considered and prioritized along with all other capital items being requested.

- 5.5 Capital items are expected to be completed or acquired within the approved budget allocation however, unforeseen cost overruns do occasionally occur. In all instances, departments will advise the Director of Financial Services once they are aware of the overspend to determine the next course of action.

6. DEBT MANAGEMENT

The maximum amount that can be borrowed by the Township is limited by the *Community Charter*. Debt funding is provided by the Municipal Finance Authority and is to be used for capital projects rather than operational programs. Borrowing allows for the project cost to be spread out over the asset useful life which results in costs being paid by future beneficiaries as well as current taxpayers.

Policies

- 6.1 Limit the creation of long-term debt to the financing of large infrastructure and economic development projects.
- 6.2 Minimize debt costs by seeking out, and applying for, provincial and federal government grants whenever possible.
- 6.3 Assess all potential borrowing options to ensure both flexibility and cost effectiveness while maintaining long term debt servicing liability at an acceptable and manageable level.

7. FEES AND CHARGES

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

Policies

- 7.1 Recreation user fees will be reviewed at least annually to ensure that they remain affordable and competitive within the regional market.
- 7.2 Review other fees and charges at least annually to ensure that the Township is working towards full recovery for the cost of services provided.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT
FINANCIAL PLAN 2024 - 2028

	2024	2025	2026	2027	2028
	Budget	Budget	Budget	Budget	Budget
REVENUE					
Taxes					
Property Value Taxes	(23,199,119)	(24,933,012)	(25,848,121)	(26,944,909)	(28,029,886)
Parcel Taxes	(4,686)	(4,686)	0	0	0
Utility Taxes	(258,454)	(276,544)	(290,371)	(301,985)	(314,244)
Payments/Grants in Lieu of Taxes					
Federal	(13,581,967)	(14,532,564)	(15,259,193)	(15,869,560)	(16,504,343)
Provincial Agencies	(121,008)	(129,478)	(135,951)	(141,389)	(147,045)
Fees and Charges	(4,623,824)	(4,160,524)	(4,204,524)	(4,246,524)	(4,287,524)
Other Revenue					
Grants from Other Governments	(3,816,229)	(1,753,339)	(1,738,339)	(1,738,339)	(1,748,339)
Other	(2,589,273)	(2,092,295)	(2,082,295)	(2,047,295)	(1,997,295)
Proceeds from Borrowing	(34,918,559)	0	0	0	0
Transfers from Statutory Reserve Funds					
Capital Projects Reserve Fund	(4,908,842)	(3,365,368)	(3,430,368)	(4,195,368)	(4,195,368)
Machinery and Equipment Depreciation Reserve Fund	(2,301,369)	(2,191,800)	(2,692,900)	(2,742,200)	(2,771,100)
Sustainability Reserve Fund	(160,000)	(110,000)	(110,000)	(110,000)	(110,000)
Infrastructure Reserve Fund	(3,156,500)	(3,640,000)	(5,625,000)	(6,970,000)	(8,315,000)
Transfers from Accumulated Surplus	(7,315,900)	0	0	0	0
Transfers from Operating Reserves	(5,380,419)	(7,884,172)	(9,224,172)	(10,574,172)	(10,649,172)
	(106,336,149)	(65,073,782)	(70,641,234)	(75,881,741)	(79,069,316)
EXPENDITURE					
Debt Interest	1,098,666	1,034,406	1,016,096	998,822	998,822
Debt Principal	1,193,515	1,055,580	973,594	935,680	935,680
Capital Expenditure	57,676,795	15,797,168	19,688,268	23,197,568	24,646,468
Other Municipal Purposes					
General Government	5,444,829	5,095,868	5,176,868	5,239,868	5,304,368
Protective	17,031,414	18,162,914	19,276,914	20,435,914	21,575,414
Public Works and Engineering	4,959,390	4,432,165	4,464,765	4,498,365	4,532,865
Garbage and Sewer	1,429,999	1,467,999	1,474,999	1,479,999	1,484,999
Planning and Development	1,339,910	1,143,410	1,171,410	1,192,410	1,214,410
Recreation and Cultural	11,556,548	11,482,688	11,643,688	11,769,688	11,899,688
Other Fiscal	40,500	40,500	40,500	40,500	40,500
Contingency	358,459	250,000	250,000	250,000	250,000
Transfers to Statutory Reserve Funds					
Capital Projects Reserve Fund	1,398,933	1,601,128	2,051,424	2,106,612	2,106,612
Machinery and Equipment Depreciation Reserve Fund	360,000	890,000	800,000	800,000	800,000
Local Improvement Fund	4,686	4,686	0	0	0
Sustainability Reserve Fund	147,082	0	0	0	0
Infrastructure Reserve Fund	990,000	1,320,000	1,310,000	1,640,000	1,980,000
Public Art Reserve Fund	13,989	16,011	20,514	21,066	21,066
Transfers to Operating Reserves	1,291,434	1,279,259	1,282,194	1,275,249	1,278,424
	106,336,149	65,073,782	70,641,234	75,881,741	79,069,316