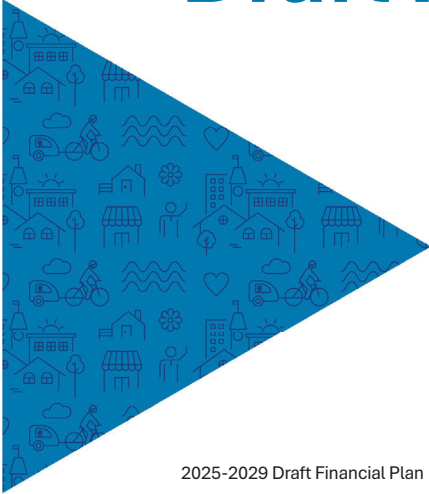


2024

CITY OF VICTORIA | Finance

2025-2029 Draft Financial Plan



2025-2029 Draft Financial Plan | October 24, 2024



Outline

Budget Framework

Budgeting | The Simple Math

2025-2029 Draft Financial Plan Summary

Financial Policies | Direction For Funding

Capital Budget Needs and Asset Management

Reserve Funds

Debt Capacity

Estimated Timeline

Budget Framework



Budgeting | The Simple Math

Operating Budget

Plus expenditures:

- + All programs and services
- + Debt servicing and lease payments
- + Transfer of property taxes to capital budget
- + Transfer of utility user fees to capital budget
- + Transfer of utility user fees to utility reserves
- + Transfer to reserves

Minus revenues:

- User fees
- Permits
- Fines
- Grants Etc.

Equals net cost = Required property tax levy

Capital Budget

Plus program/project expenditures

Minus funding

- Property taxes
- Utility user fees
- Grants
- Reserves
- Debt

Equals zero



2025-2029 Draft Financial Plan

Property Tax Impacts

	2025	2026	2027	2028	2029
Capital	3.04%	2.80%	2.80%	2.80%	2.80%
Debt Servicing Costs	0.78%	0.02%	0.67%	0.51%	0.00%
Reinstate Reserve Funding	0.39%	0.00%	0.00%	0.00%	0.00%
Remaining	5.22%	3.93%	2.31%	2.27%	2.24%
City	9.43%	6.75%	5.78%	5.58%	5.04%
VicPD	3.34%	2.17%	2.00%	2.11%	2.10%
Total	12.77%	8.92%	7.78%	7.69%	7.14%

Above figures exclude several large infrastructure upgrades/replacements identified in the Strategic Plan

Financial Policies | Direction for Funding

Financial Sustainability Policy and Reserve Fund Policy

- Rationale for use of each funding source:
 - Property taxes and utility user fees – used for ongoing services, programs, infrastructure life-cycle upgrades (always needed)
 - Reserves – used annually to smooth out impact to taxpayers for larger needs; needs vary but reserves are regular funding source for annual capital budget
 - Debt – used for larger one-off projects to ensure intergenerational equity (future users pay)
 - New tax revenue from new development:
 - Current policy is to partially use to increase annual funding for asset renewal and partially at the discretion of Council
 - **Proposed policy change to use all NMC for increased capital budget funding; if approved, this would reduce the tax increase**
 - User fees vary
 - Utilities – full cost recovery including infrastructure upgrades
 - Recreation – partial cost recovery augmented by property tax subsidy
 - Parking – market driven and generates surplus which funds other City services; however, some parking remains free including residential areas

Capital Budget Needs

Asset Management Journey

Elevating Asset Management for Sustainable Growth

1. **Asset Management 101**
2. **Current Status**
3. **The Challenges**
 - A. Aging Infrastructure
 - B. Condition and Risk Unknowns, Data Gaps, and Information Deficiency
 - C. Underinvestment, Rising Costs, and Climate Change
4. **Moving Forward**



Capital Budget Needs | Asset Management 101



Federation of Canadian Municipalities: Why Invest in Asset Management

Capital Budget Needs

Asset Management 101

Sustainable Service Delivery

- Community service needs
- Social, economic and environmental responsibility
- Care for infrastructure

Asset Management

Trade-offs between available resources and desired services



*Source: Asset Management BC



Asset Management 101 | Condition



1 / Very Good	2 / Good	3 / Fair	4 / Poor	5 / Very Poor
Sound physical condition.	Acceptable physical condition.	Deterioration is evident.	Advanced deterioration.	Deterioration to the point of failing.
No failures.	Minimal short-term failure but potential for deterioration in long-term.	Failure unlikely within short-term but further deterioration likely.	Failure likely within the short-term.	Failure imminent or failed.
Asset performs adequately.	Asset performs adequately.	Asset performs adequately and is still serviceable.	Asset does not perform adequately and is barely serviceable.	Asset does not perform adequately and is not serviceable.
Asset meets level of service requirements.	Asset meets level of service requirements.	Asset meets level of service requirements but monitoring recommended.	Asset meets level of service requirements, but frequent monitoring recommended.	Asset does not meet level of service requirements.

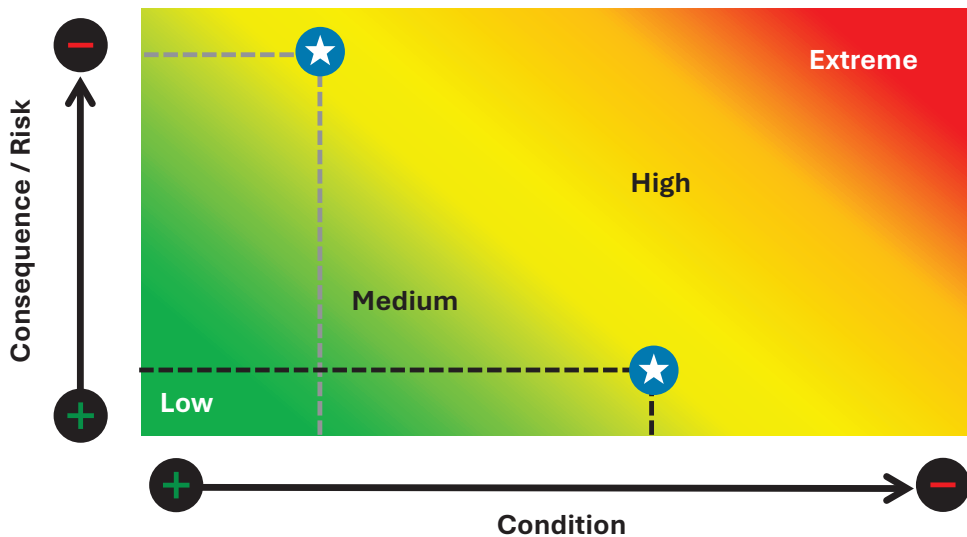


Asset Management 101 | Risk

	People	Environment	Property	Security	Service Delivery
	Fatality	Prosecution/ litigation probable	Over \$1M property or \$50K vehicle damage	Violent act resulting in death	Significant shut down of service
	Permanent disability	Long-term remediation required	\$50K-\$100K property or \$10K-\$30K vehicle damage	Theft over \$1K	Evacuation of over 25 individuals
	Temporary disability	Significant offsite impact	\$2K-\$50K property or \$2K-\$10K vehicle damage	Kidnapping or armed assault	Extended national or worldwide news coverage
	Minor injury	Regulatory notification required	Less than \$2K property or vehicle damage	Permanent or partial disability	Unacceptable service impairment
	Immediate return to work	No/low impacts likely		Theft \$300-\$500	Moderate public disruptions
				Medical treatment, more than one day off	
				Theft \$100-\$300	
				Minor effects, immediate return to work	
				Theft under \$100	



Asset Management 101 | Condition-Based Risk



Capital Budget Needs Current Status

Scale of our assets

Over \$3.6 billion replacement cost

Categories

Waterworks

Wastewater

Stormwater

Structures (e.g., retaining walls)

Transportation (roads, bridges)

Parks and Open Spaces

Facilities (buildings)

Fleet (vehicles and equipment)

Key Message

The vast array of assets under our stewardship is essential to community well-being and requires diligent management.

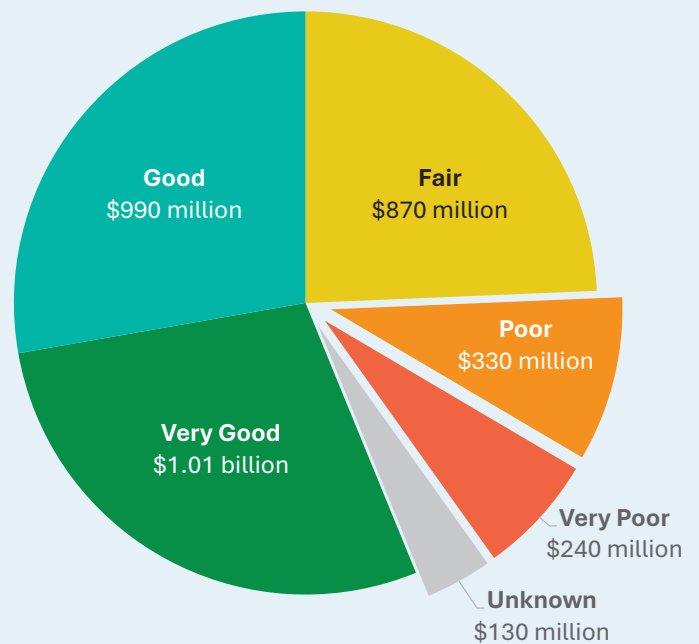
13 2025-2029 Draft Financial Plan | October 24, 2024



Capital Budget Needs Current Status

Condition by Estimated Replacement Costs

- Over \$570 million 'poor' or 'very poor'
- Replacement costs dated
- Condition assessments dated



14 2025-2029 Draft Financial Plan | October 24, 2024

Capital Budget Needs

Current Status

Condition-Based Risk

Work in Progress

Large Replacement Costs for Assets at High or Extreme Condition-Based Risk

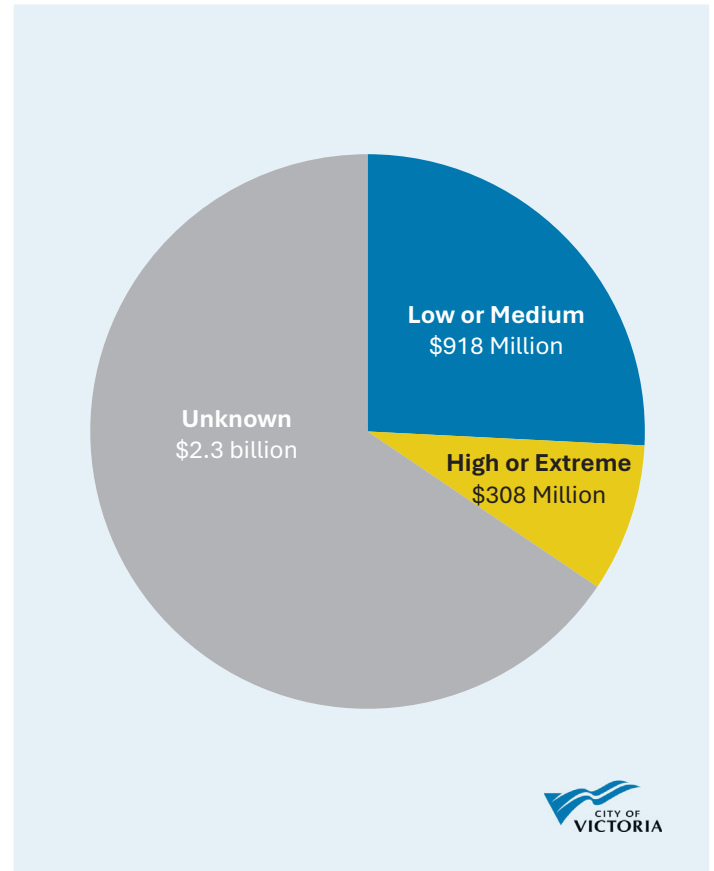
\$308m total

(largely incorporated into asset master plans and financial plan)

- Pedestrian Bridges (\$5.6m)
- Retaining Walls (\$55.1m)
- Wastewater Mains (\$60.9m)
- Wastewater Pump Stations (\$10.6m)
- Water Mains (\$175.7m)

Critical Asset Groups Not Assessed for Risk

Roads, critical facilities, stormwater infrastructure, some water infrastructure, critical marine structures



Capital Budget Needs

Challenge A: Aging Infrastructure

Asset Design Life vs. Actual Age

Many assets are nearing or have exceeded their design life.

Implication

- Increased maintenance costs
- Higher risk of asset failure
- Deteriorating conditions

Key Message

Aging assets pose a growing challenge that necessitates proactive planning and investment.



Capital Budget Needs

Challenge B: Condition and Risk Unknowns, Data Gaps, and Information Deficiency

Unknown Condition-Based Risk

66% of asset value unassessed for condition-based risk

Data Gaps

Lack of comprehensive data on asset conditions and performance

Implication

- Difficulty in prioritizing investments and maintenance
- Potential for unexpected failures and higher costs

Key Message

Addressing data gaps is crucial for informed decision-making and effective asset management.



Capital Budget Needs

Challenge C: Underinvestment, Rising Costs & Climate Change

Underinvestment

Failures, higher costs, service disruptions

Rising Costs

Budget strained by inflation

Climate Change

Increased frequency of extreme weather events affecting asset longevity and increasing demand for climate change resiliency and adaptation

Implication

Increased difficulty in maintaining and upgrading assets due to financial constraints and other pressures

Key Message

Addressing these compounding factors is essential for effective and sustainable asset management



Capital Budget Needs

Moving Forward on Asset Management

Stewardship Responsibility

Ensuring reliable services for current and future generations

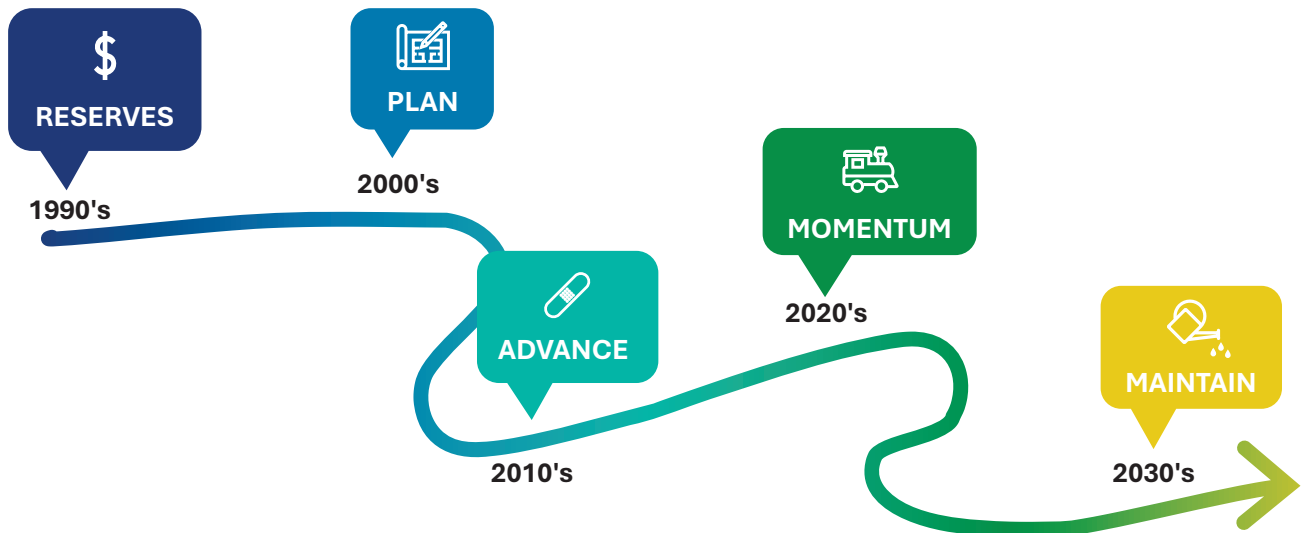
Our Plan

- Re-evaluate service levels
- Expand revenue opportunities
- Apply an affordability focus
- Conduct comprehensive cost analysis
- Address deteriorating assets



Capital Budget Needs

Moving Forward on Asset Management

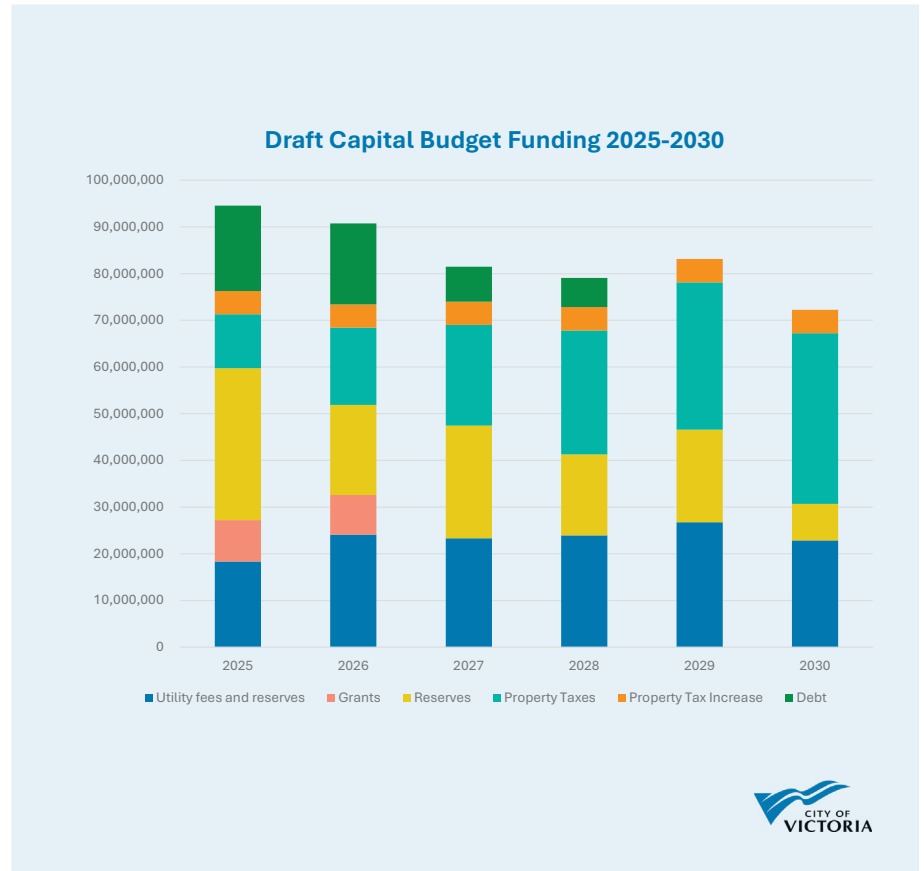


Capital Budget Needs Draft 2025-2030 Capital Plan Funding

Balancing strategy:

- Increased property tax funding of 3% per year from 2025 to 2030 (turquoise/orange)
- Decreased reliance on reserves (yellow)
- Use debt up to asset free zone to (green):
 - Enable earlier delivery of some priority projects
 - Avoid expected cost escalation

21 2025-2029 Draft Financial Plan | October 24, 2024



Reserve Funds

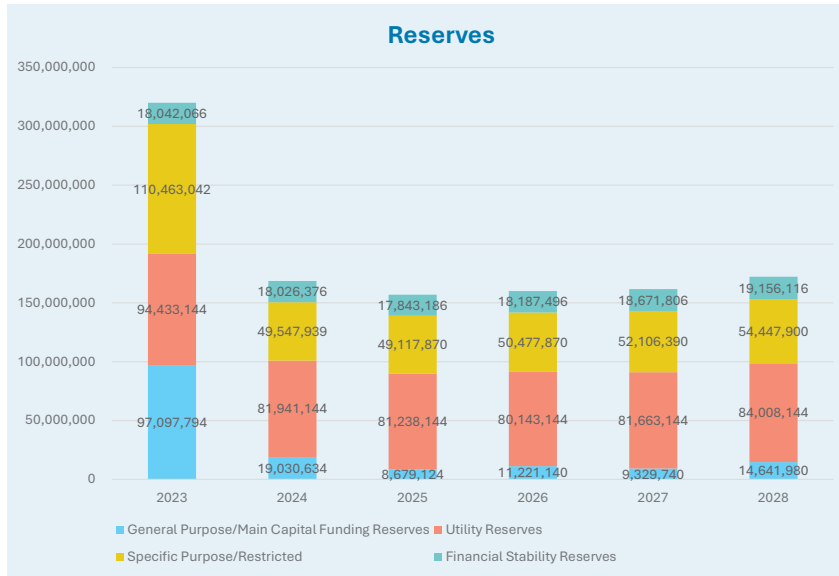
- Purpose for each
- Restrictions on many
- Minimum balances calculated based on best practice methodology
- “Sufficient” balances determined by:
 - Long-term asset master plans
 - Other funding sources (taxes, user fees, grants, debt etc.)
 - In combination with policy choices (pay as you go, save up before you spend, borrow)



**Appendix C:
Summary of Reserve Fund Restrictions and Target Balance Methodologies**

22 2025-2029 Draft Financial Plan | October 24, 2024

Reserve Funds | Estimated Unallocated Balances



Capital Budget Needs

General Purpose Reserves Temporarily Reduced

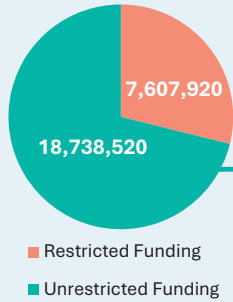
General Purpose/Main Capital Budget Funding	Projected Unallocated Balance				
	2024	2025	2026	2027	2028
Buildings & Infrastructure	10,470,865	3,435,735	4,954,505	723,625	2,989,385
Canada Community Building	3,258,434	740,904	0	172,330	438,660
Debt Reduction (repayment of Fire Hall loan)	535,782	3,061,932	5,588,082	8,114,232	10,640,382
Equipment	2,635,381	810,381	48,381	26,381	233,381
Vehicles & Heavy Equipment	2,130,172	630,172	630,172	293,172	340,172
	19,030,634	8,679,124	11,221,140	9,329,740	14,641,980

The above balances assume that the balancing strategy is approved each year. Without the increased funding (capital tax increase and debt) \$164 million of capital projects would have to be removed from the draft 2025-2030 Capital Plan



Reserve Funds Planned Contributions

2025 Planned Reserve Contributions

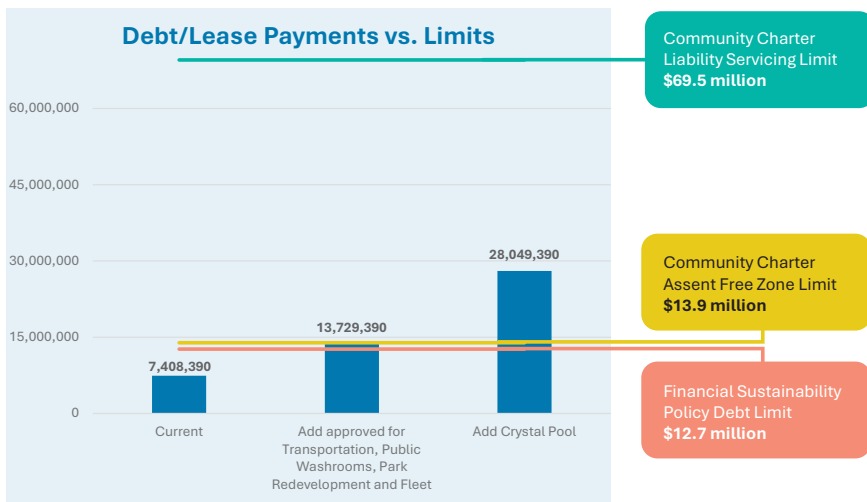


Unrestricted Funding		
Reserve	Source	Amount
Buildings & Infrastructure*	Property taxes (majority)	7,347,870
Debt Reduction (repayment of Fire Hall loan)	Property taxes	2,526,150
Equipment*	Property taxes	1,000,000
Vehicles & Heavy Equipment *	Property taxes	2,000,000
Art in Public Places	Property taxes	50,000
Climate Action Reserve	Energy cost savings from LED project	378,780
Local Amenities Reserve	Parking revenue	200,000
Parking Services Equipment and Infrastructure	Parking revenue	3,550,000
Police Vehicles, Equipment & Infrastructure*	Property taxes	1,320,000
Tax Sale Lands Fund	Property taxes	50,000
Victoria Housing Reserve	Property taxes	315,720
		18,738,520

*Note: These reserves are essentially fully allocated to capital projects – any reduction would require removal of some projects



Debt Capacity Potential Debt Servicing Compared to Limits



Established limits

- Financial Sustainability Policy limit = 7% of prior year property tax revenue
- Community Charter limit for assent-free borrowing = 5% of prior year total revenue
- Community Charter maximum limit = 25% of prior year total revenue

Debt levels

- Current debt = 4% of prior year property tax revenue
- Approved debt = 7.5% of property tax revenue
- With Crystal Pool debt = 15.5% of property tax revenue



Estimated Timeline

Dates	Purpose
October 24, 2024 Committee of the Whole	Draft Financial Plan introduced
October 25, 2024	Public input opportunity begins
November 4 and 19, 2024 Special COTW	Budget discussions and direction
November 17, 2024 at 11:59 p.m.	Public input opportunity closes
November 19, 2024 Special COTW	Direction to bring forward utility rate bylaws
December 5, 2024 Daytime Council	Introductory readings of utility rate bylaws
December 12, 2024 COTW – tentative	If deliberations have concluded, final budget approval and direction to bring forward Financial Plan Bylaw in April 2025
December 12, 2024 Daytime Council	Adoption of utility rate bylaws
April 2025 Committee of the Whole	Report on tax rates options
April 2025 Council	Final report on Financial Plan including incorporated changes and BCA non-market change data Introductory readings of Financial Plan Bylaw; Introductory readings of Tax Bylaw
April 2025 Council	Adoption of Financial Plan Bylaw and Tax Bylaw