



Committee of the Whole Report
For the Meeting of December 12, 2024

To: Committee of the Whole **Date:** December 4, 2024
From: Susanne Thompson, Deputy City Manager and Chief Financial Officer
Subject: 2025-2029 Draft Financial Plan – Tax Increase Reduction Options

RECOMMENDATION

That Council receive this report for information.

EXECUTIVE SUMMARY

On November 14, 2024, Council directed staff to bring forward options to reduce the City’s portion of the property tax increase for 2025 and 2026 to 4%, 5%, 6% and 7%.

The 2025 and 2026 draft property tax increases, as adjusted by Council on October 24, 2024, were \$15.96 million or 8.83% and \$13.25 million or 6.75% respectively. Property tax funding is an ongoing revenue source and, therefore, collecting a lower amount requires ongoing reductions and cannot be achieved by reducing one-time cost items if the intent is not to simply delay the property tax increases to a future year. As such, the four scenarios require the following ongoing tax increase reductions:

Maximum Tax Increase (City portion)	2025	2026	Total
7%	-3,310,000	0	-3,310,000
6%	-5,118,000	-1,469,000	-6,587,000
5%	-6,927,000	-3,432,000	-10,359,000
4%	-8,735,000	-5,396,000	-14,131,000

To achieve this direction, staff used the following methodology:

1. Follow the principles outlined in the November 14, 2024 Council resolution:
 - a. Focus on ongoing, property tax funded programs and services
 - b. Avoid adding new or expanding services/programs/assets
 - c. Avoid negatively impacting existing assets and increase deferred maintenance
 - d. Pause actioning new/expanded initiatives to reduce tax increase or avoid an additional tax increase, even if previously directed by Council

2. Ensure alignment with the results from the statistically valid Ipsos public consultation survey for financial tools to balance the budget, which identified the following preferred order:
 - a. Reduce service levels
 - b. Increase user fees
 - c. Introduce new user fees
 - d. Reduce the number of services offered
 - e. Postpone infrastructure projects
 - f. Increase taxes
3. Review services and programs to:
 - a. Identify what can be scaled back or done more efficiently
 - b. Identify duplication of services delivered by others such as the CRD and the Province
 - c. Identify projects that if eliminated would avoid future cost increases
 - d. Identify capital projects that result in new or expansion of existing assets
 - e. Ensure no reductions to programs that are legally required or would reduce safety and increase risk
4. Phase reductions based on the estimated time needed to implement changes
5. Limit impacts on staff by identifying services and programs with vacant or seasonal positions

All departments were involved in developing proposals for Council's consideration. The four options outlined in this report result in program reductions and have service impacts but would achieve the requested tax increase scenarios. Should Council wish to action any reductions, directing staff to bring forward amendments to Draft Financial Plan would accomplish that.

PURPOSE

The purpose of this report is to outline property tax increase reduction scenarios as directed by Council.

BACKGROUND

On October 24, 2024, the Draft 2025-2029 Financial Plan was introduced to Council. The Draft Financial Plan includes the resources necessary to support continued service delivery of the City's approximately 200 programs and services, the renewal of City infrastructure, and the advancement of priorities within the Strategic Plan.

On November 14, 2024, Council directed staff to:

1. bring forward options to reduce the city's portion of the 2025 and 2026 property tax increases to 4%, 5%, 6% and/or 7% by:
 - a. focusing on reducing services/programs that are property tax funded
 - b. focusing on services/programs that are ongoing
 - c. avoiding adding new services/programs/assets
 - d. avoiding expanding services/programs/assets
 - e. avoiding negatively impacting existing assets and increase deferred maintenance

- f. pausing actioning new/expanded initiatives to reduce tax increase or avoid an additional tax increase, even if previously directed by Council, and
2. report back to Council on the implications of adjusting the ratio of the “Business and Other” tax class from 3.67 to 3, and/or 2.5, as compared to the Residential rate.

This report addresses the first resolution above. The second resolution will be reported on in April 2025 once the final assessment information from BC Assessment is available and tax rate options are brought to Council for consideration.

ISSUES & ANALYSIS

Tax increase reductions can be achieved in a variety of ways and all options result in service reductions. To develop the options within this report, staff used the following methodology:

1. Follow the principles outlined in the Council resolution:
 - a. Focus on ongoing, property tax funded programs and services
 - b. Avoid adding new or expanding services/programs/assets
 - c. Avoid negatively impacting existing assets and increase deferred maintenance
 - d. Pause actioning new/expanded initiatives to reduce tax increase or avoid an additional tax increase, even if previously directed by Council
2. Ensure alignment with results from the statistically valid Ipsos public consultation survey for financial tools to balance the budget, which identified the following preferred order:
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 - d. Identify capital projects that result in new or expansion of existing assets
 - e. Ensure no reductions to programs that are legally required or would reduce safety and increase risk
4. Phase reductions based on estimated time needed to implement changes
5. Limit impacts on staff by identifying services and programs with vacant or seasonal positions

The phasing consideration in part four of the above methodology results in more implementation time for the adjustments that are more complex and/or involve other organizations; therefore, any such proposals have been identified for implementation in 2026.

Based on the above methodology and phasing considerations, the options outlined below generally align with the following sequencing:

1. New or additional revenues
2. Elimination of new positions
3. Contracted services reductions
4. Grant program reductions:
 - a. the 2025 Draft Financial Plan includes over \$6 million in grant funding. A January 29, 2024 staff report compared grants and permissive exemptions for 25 BC municipalities and showed that Victoria awarded the highest per capita amount in 2022. The City has several established grant programs and several organizations that receive grants outside of these programs. This is an opportunity to review and reassess some of these.
5. Reserve contributions:
 - a. the City has some reserves that are not related to City assets, and a few that could be scaled back without impacting assets in the near-term.
6. Program/service level reductions
7. Partnership opportunities
8. Capital programs:
 - a. the proposed capital reductions are designed to support continued delivery of infrastructure renewal and improvements while balancing fiscal realities.

In addition to the reduction options outlined in this report, to avoid additional tax increases in the near future, Council could also consider pausing projects that have yet to be incorporated into the Draft Financial Plan such as a new Central Library and the implementation of the Ship Point Master Plan.

Furthermore, staff are exploring a few future revenue opportunities including sponsorships and residential parking permits. These will be reported back on over the coming years.

OPTIONS & IMPACTS

As directed, four options have been developed for Council’s consideration.

Option 1 – Max 7% tax increase

This option requires a reduction of \$3.31 million in 2025 but no reduction in 2026 because the draft tax increase for 2026 is 6.75%.

Proposal	2025	Impact/Comment
New or additional revenues:		
Increase recreation fees by 5%, and increased drawdown from Tree Reserve	\$157,000	While some recreation revenues were increased in the draft, there is an opportunity to increase others. Furthermore, an additional \$50,000 drawdown from the Tree Reserve is proposed.
Eliminate new positions	\$1,560,000	Proposed in draft budget; not yet established.

Contracted service reductions	\$465,000	Some budget items within Legal, VCC, Real Estate, Parks, Recreation and Facilities, People and Culture, and Engineering and Public Works have been reviewed and can be reduced to align with expected actual spend.
Grant program reductions:		
Social Policy, Equity and Accessibility	\$250,000	This new grant program has yet to be launched.
Victoria Music Strategy (VMS)	\$150,000	Grants are available through regional and provincial funding bodies. Many of the initiatives outlined in the VMS that the community can activate through this grant program have been completed. Most current applications are for events, concerts and festivals that can be funded through Festival Project Grants or are not eligible.
Reserve contribution reductions:		
Parking	\$700,000	Delay reinstating the 2024 reduction; the annual contribution would remain at \$2.85 million.
Art in Public Places	\$50,000	This reserve has a healthy balance of approximately \$900,000, which can support continued use. Also, capital project budgets can include funding for related public art. In addition, private developers contribute to public art through development permits.
Total	\$3,332,000	

Option 2 – 6% tax increase for 2025

This option requires a reduction of \$5.118 million in 2025 and \$1.469 million in 2026.

Proposal	2025	Impact/Comment
All reductions outlined in Option 1	\$3,332,000	
Reserve contribution reductions:		
Local Amenities	\$200,000	This reserve has an alternate funding source through development contributions. The current balance is approximately \$525,000.
Climate Action	\$379,000	This reserve has an estimated 2025 ending balance of \$3.3 million which can continue to be used for climate initiatives. In addition, project budgets will continue to include funding for all climate related components.
Tax Sale Lands	\$50,000	This reserve receives funding through sale of properties; current balance is approximately \$100,000. It can only be used for purchases

		of new properties and related capital improvements.
Debt Reduction	\$526,000	Reduce contribution to \$2 million; would extend repayment timeline for fire hall loan to approximately 25 years.
Program Reductions:		
Community Programming	\$264,000	Scale back Canada Day to a daytime event focused on families in the Inner Harbour which would reduce policing costs. An event producer may come forward to take on an evening component. The remaining budget would be \$225,000 for production and policing. Scale back free community program and events, such as RAP Summer Nights.
Eliminate vacant positions	\$373,000	
Total	<u>\$5,124,000</u>	

Option 2 – 6% tax increase for 2026

Proposal	2026	Impact/Comment
New or additional revenues:		
New tax revenue from new development (NMC)	\$1,000,000	To fund capital as per the amended Financial Sustainability Policy
Sport court booking fees	\$200,000	The sport court reservation system will be expanded to allow individual bookings. To ensure accessibility, a portion of the overall timeslots will remain unbookable, reserving availability for casual drop-ins and other programming.
Grant program reductions:		
Major Community Events	\$285,000	Scale back program by 50%; currently this program has overlap with Festival Investment Grant and Cultural Infrastructure Grant programs. The remaining budget would continue to allow funding for 1-2 major requests and focus on large scale new event requests like Hockey Day in Canada, not existing local events and not capital projects/community initiatives.
Total	<u>\$1,485,000</u>	

Options 3 – 5% tax increase for 2025

This option requires a reduction of \$6.927 million in 2025 and 3.432 million in 2026.

Proposal	2025	Impact/Comment
All reductions outlined in Options 1 and 2	\$5,124,000	
Program Reductions:		
Security contract	\$54,000	At City Hall, static onsite security will be replaced with campus-wide foot patrols. Park patrols at Oaklands, Irving, and Pemberton Parks would be reduced from twice daily to once daily.
Public washrooms	\$17,000	Overnight closure of washrooms in some parks.
Eliminate vacant positions	\$534,000	
Capital Programs:		
Shorelines and Beaches	\$320,000	Defer program; beach access improvements will be delayed.
Facility Infrastructure Improvements	\$225,000	Scale back; budget remaining \$1.4 million
Natural Areas Restoration	\$176,000	Scale back; budget remaining \$127,000.
Multi-modal corridors	\$477,000	Scale back treatments/finishes.
Total	<u>\$6,927,000</u>	

Options 3 – 5% tax increase for 2026

Proposal	2026	Impact/Comment
All reductions outlined in Option 2	\$1,485,000	
Grant program reductions:		
Get Growing Victoria	\$75,000	Reduce program for volunteer coordinators; budget remaining would be approximately \$150,000.
Alliance to End Homelessness	\$100,000	Duplication of effort with City and provincial initiatives.
Pro Art Alliance	\$8,000	This program is based on memberships from other professional non-profit agencies that are region wide. Recommend that CRD Arts Service is approached for support as this group operates regionally. A \$2,000 budget would remain to continue to support the Pro Art City Builder Award.
South Island Prosperity Partnership	\$242,000	Duplication of services already provided by City Economic Development staff. Currently, the City's return on investment in SIPP is unclear. Data such as how many businesses have come to the municipality of Victoria as a result of

		SIPP's efforts would be helpful. Alternatively, to ensure specific deliverables are achieved, a service contract could be a better model.
My Great Neighbourhood Grants	\$152,000	High internal time and resource commitment for this program. In addition, many projects have been completed to date and the City is taking on more placemaking projects internally, for example Broad Street, Ship Point etc.
Theatre SKAM	\$20,000	This organization is not fully acting as an arts hub as proposed. In addition, they have received much other City funding through various grant programs in comparison to other arts organizations. This grant does not fall within an application-based competitive program like other City grants for arts organizations.
Program Reductions:		
Butler Book Prize and Children's Book Prize	\$10,000	Alternate funding sources likely available. The Butler Book Prize Society could approach a number of public or private entities to find a new sponsor.
Hanging Baskets	\$130,000	Reduce program by 50%; focus on high tourism areas only.
Eliminate vacant positions and reduce contracted services	\$1,100,000	
Explore Efficiencies and Regional Partnerships:		
Poet Laureate and Youth Poet Laureate	\$8,000	Very time-consuming programs to run and there is an opportunity to shift the focus to a regional model for Greater Victoria which is better coordinated either by the GVPL or CRD Arts Service.
Capital Programs:		
EV Charging Stations	\$102,000	Scale back; climate objectives can be pursued in less capital-intensive ways; budget remaining \$4.4 million.
Total	<u>\$3,432,000</u>	

Options 4 – 4% tax increase for 2025

This option requires a reduction of \$8.735 million in 2025 and 5.396 million in 2026.

Proposal	2025	Impact/Comment
All reductions outlined in Options 1, 2 and 3	\$6,927,000	
Capital Programs:		
EV Charging Stations	\$750,000	Scale back; climate objectives can be pursued in less capital-intensive ways; budget remaining \$3.7 million.
Harbour Pathway	\$100,000	Scale back; budget remaining \$475,000.
Marine Structures	\$100,000	Scale back; budget remaining \$100,000.
Under Sidewalk Basements	\$220,000	Lower expected budget requirement going forward; budget remaining \$50,000.
Stairs and Railings	\$50,000	Scale back; budget remaining \$175,000.
Transit Network Improvements	\$100,000	Scale back; budget remaining \$150,000.
Multi-modal Corridors	\$488,000	Scale back; multi-year projects with some committed contracts; budget remaining \$11.4 million.
Total	<u>\$8,735,000</u>	

Options 4 – 4% tax increase for 2026

Proposal	2026	Impact/Comment
All reductions outlined in Options 2 and 3	\$3,432,000	
Explore Efficiencies and Regional Partnerships:		
Youth bus pass program	\$630,000	Explore possibility of funding this program through CRD's new transportation service.
Capital Programs:		
EV Charging Stations	\$685,000	Scale back; climate objectives can be pursued in less capital-intensive ways; budget remaining \$2.7 million.
Multi-modal Corridors	\$535,000	Scale back; budget remaining \$7.2 million.
New Traffic Signals	\$50,000	Scale back; budget remaining \$750,000.
Crosswalk Installations	\$64,000	Scale back; budget remaining \$635,000.
Total	<u>\$5,396,000</u>	

Accessibility Impact Statement

Initiatives and projects within the Financial Plan will continue to support accessibility improvements.

2023 – 2026 Strategic Plan

The Financial Plan will continue to include resources to advance Strategic Plan initiatives.

Impacts to Financial Plan

Any adjustments directed by Council will be incorporated into the Financial Plan.

Official Community Plan Consistency Statement

Initiatives included in the Financial Plan are consistent with many policies within the Official Community Plan including support for infrastructure asset management objectives, in particular policy 11.4 to maintain and enhance the allocation of resources for civic infrastructure repairs, upgrades and replacement.

CONCLUSIONS

The reductions outlined in this report will have an impact on some services and programs. However, as directed by Council, they achieve a lower tax increase which would reduce the burden on taxpayers.

Respectfully submitted,

Susanne Thompson
Deputy City Manager and Chief Financial Officer

Report accepted and recommended by the City Manager