

funding requests. Should Council wish to fund any supplementary requests, the ongoing requests are recommended to be funded by property tax revenue from new development, and the one-time requests by 2019 surplus.

Two separate reports form part of today's agenda that will provide information for Council's consideration in preparation for the budget meetings scheduled in January 2020. In addition to this report, a separate report summarizes the consultation results from the survey and Town Hall. A summary of the public input will be included in the final Financial Plan.

Any adjustments approved by Council will be incorporated into the 2020-2024 Financial Plan and the Five-Year Financial Plan Bylaw, which is scheduled to be given second and third readings, and adoption in April once the final assessment data has been received from BC Assessment.

A summary of all requests and possible funding sources have been compiled from appendices B, C and D of the 2020-2024 Draft Financial Plan report dated October 17, 2019, staff reports and external presentations throughout the 2020 budget meetings attached as Appendix A. In addition, Appendix B contains the responses to Council motions passed during budget deliberation meetings. Finally, the budget request from the Victoria Civic Heritage Trust is attached as Appendix C.

As part of the scheduled budget meetings in January 2020, staff recommend that Council:

1. Consider information summarized in Appendices A and B to this report, and public input on the budget contained in the separate report at today's meeting, and provide direction to staff on:
 - a. The ongoing allocation of the remaining estimated \$1.523 million from new property tax revenue from new development
 - b. The one-time allocation from the estimated \$3 million from 2019 surplus
2. Approve the Direct-Award Grants as outlined in Table 1 in this report
3. Approve additional grant requests
 - a. Victoria Heritage Foundation operating budget increase of 2.7%; \$5,962
 - b. Victoria Civic Heritage Trust operating budget increase of 2%; \$2,250
4. Provide direction regarding the \$580,000 increase request from the Victoria Civic Heritage Trust for the building incentive program
5. Approve Other Grant requests as follows:
 - a. Coalition to End Homelessness \$100,000
 - b. Urban Food Table \$6,000
 - c. Restorative Justice \$34,120
 - d. Victoria Film Commission \$45,000
6. Any remainder evenly shared between the Buildings and Infrastructure Reserve and the Vehicles and Heavy Equipment Reserve
7. Direct staff to bring forward the Five-Year Financial Plan Bylaw, 2020, as amended, to the April 9, 2020 Council meeting

PURPOSE

The purpose of this report is to provide information to Council and seek direction regarding adjustments to the draft 2020-2024 Financial Plan based on the feedback from public consultation before Council gives final approval to the Financial Plan Bylaw prior to May 15 as required by the *Community Charter*.

BACKGROUND

Section 165 of the *Community Charter* requires that a financial plan be approved annually following public consultation as required by section 166. The financial plan must be approved before the tax rate bylaw is approved, and before May 15 as required by section 197.

The draft 2020 Financial Plan was developed based on Council's direction for a maximum tax increase of inflation plus 1%, as well as the City's Financial Sustainability Policy as the guiding document for budget development. In addition, Council directed adding an ongoing increase to fund community and seniors' centre operating grants (subject to report back from the centre operators) from new property tax revenue from new development and this is included in the draft plan. Budgets were developed to maintain existing services and service levels.

The draft operating budget totals \$258.7 million and the draft capital budget totals \$42.1 million for 2020. The proposed budgets would result in an overall increase in property taxes of 3.35%, combined with utility user fee increases, the total is 3.32% for the average residential property and 3.26% for a typical business.

On November 21, 2019, Council passed the following motions, for which decisions will be sought in January:

- Direct staff to bring forward options for the use of the remainder of new property tax revenue from new development (non-market change) upon completion of public consultation
- Direct staff to bring forward options for the use of 2019 surplus upon completion of public consultation
- Direct staff to bring forward options for funding supplementary budget requests upon completion of public consultation
- Direct staff to bring forward options for funding increased grant requests upon completion of public consultation

After detailed review and discussion, Council gave first reading to the Financial Plan Bylaw on November 15, 2019. Public consultation took place through an online survey and a Town Hall/eTown Hall in November.

Two separate reports form part of today's agenda that will provide information for Council's review in preparation for the budget meetings scheduled in January. In addition to this report, the other report summarizes the consultation results from the survey and Town Hall. A summary of the public input will be included in the final Financial Plan.

ISSUES & ANALYSIS

Available Funding

New Property Tax Revenue from New Development (Non-Market Change)

Non-market change revenue is new property tax revenue resulting from new development that the City will be collecting on an ongoing basis each year. The Financial Sustainability Policy, as amended by Council in 2015, recommends that \$500,000 of new property tax revenue resulting from new construction be transferred to reserves.

The most recent estimate is \$2.5 million, though this new estimate is likely to change again due to assessment appeals filed by property owners before the assessment roll is finalized in March. Council has already approved allocating \$500,000 to the Buildings and Infrastructure Reserve, \$234,333 to increase grant funding to the Community and Senior Centres, \$107,900 for 1 FTE for Accessibility Framework, \$113,400 for 1 FTE for Create Victoria Implementation, \$5,000 for the Children's Book Prize and \$16,500 to offset the reduction to the Recreation fee increase, leaving \$1.523 million available to allocate.

The following table outlines the estimated amount of new property tax revenue from new development available to allocate.

Ongoing Allocation of New Property Tax Revenue from New Development		
Estimated NMC	\$	2,500,000
<u>In Draft Financial Plan</u>		
Transfer to Capital Reserve	\$	500,000
Community and Senior Centre Funding	\$	234,333
<u>Prior to Budget Deliberations</u>		
Children's Book Prize	\$	5,000
Accessibility Framework Position - 1 FTE	\$	107,900
Create Victoria Implementation Position - 1 FTE	\$	113,400
Reduction of Recreation Fee Increase	\$	16,500
Total Allocated		\$977,133
Total Remaining to Allocate	\$	1,522,867

The remaining estimated new property tax revenue from new development is equivalent to an approximate 1.1% reduction to the tax increase.

2019 Surplus

Surplus is one-time funding arising from the previous year's expenditure budgets being underspent or revenue budgets being exceeded, or a combination of the two. The Financial Sustainability Policy provides that prior year surplus can be used for one-time expenditures and/or is transferred to infrastructure reserves. The reason for this policy is to ensure that ongoing expenditure requirements are funded by ongoing revenues, not surplus which cannot be counted on annually.

To illustrate this rationale, the following very simplistic example shows that the increase is not eliminated, but rather deferred to the following year:

	Year 1 Municipal Taxes for Average Household	Year 2 Municipal Taxes for Average Household	Year 3 Municipal Taxes for Average Household
Taxes to pay for ongoing costs without current year increase	\$ 2,300	\$ 2,300	\$ 2,350
Current year tax increase needed to fund ongoing costs	\$ -	\$ 50	\$ 50
One-time reduction using surplus	\$ -	\$ (20)	\$ -
Tax bill	\$ 2,300	\$ 2,330	\$ 2,400
Tax increase \$	\$ -	\$ 30	\$ 70
Tax increase %	0%	1.30%	3.00%

The 2019 surplus is estimated at \$3 million; though the final number is likely to be different than this estimate. As part of the report on 2019 Financial Statements coming to Council in April, finalized details about the 2019 surplus will be provided.

Funding Considerations for Council

Supplementary Requests

The draft Financial Plan includes proposed funding to maintain existing services and service levels. All possible service level changes are brought to Council as supplementary requests. A summary of all supplemental requests and possible funding sources are outlined in Appendix A.

The annual financial planning process involves making difficult decisions between competing priorities. Council sets service levels and allocates funding to the approximately 200 services and over 200 capital projects the City provides through this process as well as determines the merit of each supplementary request.

Direct Award Grants

The proposed funding for the direct-award grants is outlined in Table 1 below:

Organization	Type of Grant	2019 Final	2020	Change
		Budget	Budget	
Victoria Civic Heritage Trust	Building Incentive	420,000	420,000	0
Victoria Civic Heritage Trust	Operating	114,250	114,250	0
Victoria Heritage Foundation	Operating	220,841	220,841	0
Recreation Integration Victoria	Operating	33,213	33,213	0
Victoria Youth Council	Operating	26,000	26,000	0
Quadra Village Community Centre	Operating	75,000	75,000	0
Quadra Village Community Centre	Youth Programming	8,659	8,875	216
Quadra Village Community Centre	Lease Grant	43,200	44,064	864
Fernwood Community Centre	Operating	75,000	75,000	0
Fernwood Community Centre	Youth Programming	8,659	8,875	216
Vic West Community Association	Operating	75,000	75,000	0
Vic West Community Association	Youth Programming	8,659	8,875	216
Vic West Community Association	Facility (janitorial)	35,566	36,277	711
Fairfield Community Place	Operating	75,000	75,000	0
Fairfield Community Place	Youth Programming	8,659	8,875	216
Fairfield Community Place	Facility (janitorial, recycling)	47,234	48,179	945
Fairfield Community Place	Liability Insurance	5,500	5,610	110
Fairfield Community Place	Youth Outreach	15,000	15,000	0
Cook Street Village Activity Centre	Operating	75,000	75,000	0
Cook Street Village Activity Centre	Facility (strata fees)	18,062	18,423	361
Victoria Silver Threads	Operating	75,000	75,000	0
Victoria Silver Threads	Facility (lease)	122,389	122,389	0
Burnside Gorge Community Centre	Operating	75,000	75,000	0
Burnside Gorge Community Centre	Youth Programming	8,659	8,875	216
Burnside Gorge Community Centre	Youth Outreach	10,000	10,000	0
James Bay Community School Centre	Operating	75,000	75,000	0
James Bay Community School Centre	Youth Programming	8,659	8,875	216
James Bay Community School Centre	Facility (janitorial, recycling)	55,236	56,341	1,105
James Bay New Horizons	Operating	75,000	75,000	0
James Bay New Horizons	Facility (janitorial)	27,961	28,520	559
Oaklands Community Centre	Operating	75,000	75,000	0
Oaklands Community Centre	Youth Programming	8,659	8,875	216
Oaklands Community Centre	Facility (janitorial)	17,265	17,611	345
Cool Aid Downtown Community Centre	Operating	75,000	75,000	0
Seniors Outreach	Operating	30,000	30,000	0
Victoria Community Association Network	Operating	918	918	0
Blanshard (Hillside Quadra)	Per capita base (0.75 times population)	5,684	5,826	142
Burnside/Gorge	Per capita base (0.75 times population)	5,105	5,233	128
Downtown (incl Harris Green)	Per capita base (0.75 times population)	4,129	4,233	103
Fairfield Gonzales	Per capita base (0.75 times population)	12,343	12,652	309
Fernwood	Per capita base (0.75 times population)	7,358	7,542	184
James Bay	Per capita base (0.75 times population)	9,032	9,258	226
North Jubilee	Per capita base (0.75 times population)	2,418	2,478	60
North Park	Per capita base (0.75 times population)	2,680	2,747	67
Oaklands	Per capita base (0.75 times population)	5,346	5,479	134
Rockland	Per capita base (0.75 times population)	2,755	2,824	69
South Jubilee	Per capita base (0.75 times population)	1,734	1,778	43
Vic West	Per capita base (0.75 times population)	5,758	5,902	144
		2,192,591	2,200,714	8,123

Additional Grant Requests

Two direct award grant organizations are requesting increased funding: the Victoria Heritage Foundation is requesting a 2.7% or \$5,962 increase and the Victoria Civic Heritage Trust is requesting a 2% operating increase of \$2,250 and an increase for the building incentive program of \$580,000. The Victoria Civic Heritage Trust request is included in Appendix C.

Should Council wish to fund any of these, the recommended funding for ongoing requests is new property tax revenue from new development, and surplus for one-time requests. Alternatively, Council could consider a tax increase as a funding source.

Other Grants

As approved by Council, the City has established five grant programs: Direct-Award Grants, Festival Investment Grants, Community Garden Volunteer Coordinator Grants, My Great Neighbourhood Grants, and Strategic Plan Grants, which include micro-grants. Over the last few

years, Council has directed a few grants to be allocated outside of the established programs and these have been grouped under “other grants”.

The other grants include Coalition to End Homelessness for \$100,000, Urban Food Table for \$6,000, Restorative Justice for \$34,120 and the Victoria Film Commission for \$45,000.

Upcoming Information

Other funding considerations that Council may consider include City Studio, Welcoming Cities, Climate Champions Program, and the By-Election which are scheduled to come in separate reports on either December 5 or 12.

Remaining Funding

As outlined during the 2020 financial planning process, three asset areas require additional funding to maintain current service levels: roads, facilities, and fleet. Therefore, it is recommended that any remaining funding, once Council has approved funding for any supplementary requests, be transferred to the Buildings and Infrastructure Reserve and the Vehicle and Heavy Equipment Reserve.

Public Consultation Input and Council Motions

During the budget and strategic plan meetings in October and November, Council passed a number of motions requesting additional information. Responses to these are attached as Appendix B, and on today’s agenda is a separate report summarizing the feedback from public consultation.

It is recommended that Council provide direction to staff to address the public feedback and the information provided in response to the Council motions passed during the budget discussions.

Next Steps

The following table outlines the remaining timeline for this year’s process.

Tentative Dates	Task
December 2019 and January 2020 Committee of the Whole	Present consultation results and seek direction on changes to financial plan.
April 9, 2020 Committee of the Whole	Final report on financial plan including incorporated changes; report on 2020 tax rates.
April 9, 2020 Council	Second and third reading of financial plan bylaw; first, second and third reading of tax bylaw.
April 23, 2020 Council	Adoption of financial plan bylaw and tax bylaw

Respectfully submitted,

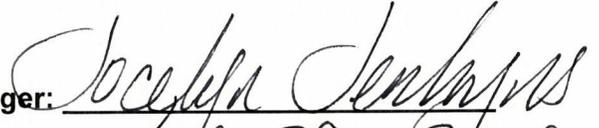


Jo-Ann O'Connor
Deputy Director of Finance

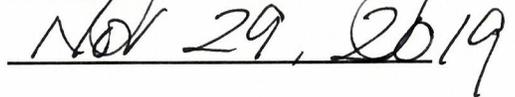


Susanne Thompson
Deputy City Manager/Chief Financial Officer

Report accepted and recommended by the City Manager:



Date:



- Appendix A: Consolidated Supplementary Requests
- Appendix B: Response to Council Motions
- Appendix C: Victoria Heritage Foundation Grant Request