



Committee of the Whole Report

For the Meeting of November 5, 2020

To: Committee of the Whole **Date:** October 23, 2020
From: Susanne Thompson, Deputy City Manager and Chief Financial Officer
Subject: 2021-2025 Draft Financial Plan

RECOMMENDATION

That Council receive this report for information and give further consideration on November 30, 2020.

EXECUTIVE SUMMARY

Due to the COVID-19 pandemic, communities continue to face challenges. The City, like many municipalities, has been forced to close facilities due to provincial health orders restricting the size of gatherings and is experiencing revenue losses and increased costs, which has impacted service delivery.

Each year, difficult decisions between competing priorities are made during the financial planning process. Because of the pandemic, this year's process will be more challenging as Council sets service levels and allocates funding to deliver the City's over 200 programs and services, to invest in infrastructure upgrades, and to achieve the City's Strategic Plan. As directed by Council, the draft financial plan maintains current services at current service levels incorporating efficiencies achieved as a matter of course. The plan includes projected reductions in revenues and known cost increases. This report also outlines a number of mitigation strategies for Council's consideration, which if approved, can reduce the tax increase to inflation plus 1%, which is Council's overarching direction for the financial plan.

The proposed mitigation strategies have been developed to minimize impacts on service delivery and asset maintenance. They include focusing the capital budget on essential projects; implementing vacancy management to achieve cost savings; reducing travel, conference and training budgets; reducing budgets related to managing city special events; eliminating an office space lease; delaying the re-opening of the Victoria Conference Centre; and using new property tax revenue from new development to offset cost increases/revenue shortfalls. In addition, the Province has announced that they will be providing a grant to municipalities in early 2021 to support continued delivery of the many services members of the community rely on. The grant could cover lost revenues, additional costs and other COVID-related impacts. The amount the City will receive is currently unknown, although it is anticipated that it might be several million dollars. It is recommended that the Financial Stability Reserve be used as a funding source for further unforeseen challenges.

Council direction on a maximum tax increase of inflation plus 1% was provided through the Strategic Plan. The Consumer Price Index for Victoria (CPI) has ranged from negative 0.4% to positive 2.4% so far this year. The rate of inflation published at the time this draft was put together (August) was 0.1%, and the average rate to date (January to August) is approximately 0.75%. Assuming inflation is not negative for the remaining months of this year, the resulting maximum tax increase target would be 1.75% or \$2.5 million.

Although Council direction relates to tax increases only, the draft financial plan also outlines user fee increases to show the impact to households and businesses for both utility fees and property taxes. The draft budget does not recommend any revenue increases for the water, sewer and storm drain utilities, although rate adjustments are recommended for water and sewer user fees due to consumption changes. Together with a 1.75% property tax increase, the total impact for an average household would be \$62 or 1.77% and for a typical business \$142 or 1.75%.

Council directed that a number of items be considered as part of this year's financial planning process: Strategic Plan action items, items referred from last year's financial planning process, items from separate reports throughout the year, and budget decisions made due to the pandemic. These are outlined in Appendices B, C and D. Staff are also bringing forward supplementary requests to address capacity challenges in a few areas as outlined in Appendix A. The Period 2 Accountability Report presented to Council in October identified a number of initiatives that are experiencing challenges and will be carried forward to 2021. Staff recognize that Council may wish to advance other initiatives as well and suggest that staff capacity would be limited to take on any additional work unless other work is deferred or reduced. Consideration for additions of new or expanded services is recommended to be guided by the Financial Sustainability Policy to fund by one or a combination of the following:

1. A reduction in the cost of existing services. This may include a reallocation of resources from one area to another.
2. An increase in non-tax revenues.
3. A further increase in property taxes.

Three sessions have been scheduled (November 10, 23, and 30) where staff will provide detailed budget presentations and answer any questions Council may have. On November 30, 2020, Council direction will be sought on mitigation strategies, and utility rate increases necessary to sustain the utilities in order to have those in effect by January 1, 2021.

The draft financial plan will be available online by October 30, 2020. Following Council deliberation and adjustments, first reading of the Financial Plan Bylaw is scheduled to take place on December 3 signalling that Council is satisfied that the plan is ready to receive public input. A Town Hall/e-Town Hall meeting is scheduled on January 13, 2021. Upon completion of the public consultation, Council will have an opportunity to consider the feedback and make changes to the financial plan before giving final approval prior to May 15 as required by legislation. A summary of the public input will be included in the final financial plan document. Tax notices will be sent out once the financial plan and tax rate bylaws have been adopted by Council.

After the detailed presentations have concluded on November 30, staff will recommend that Council:

1. Direct staff to include the following mitigation strategies as outlined in this report into the Five-year Financial Plan Bylaw, 2021 to reduce the overall tax increase to \$2.5 million or 1.75%:
 - a. Capital budget funding reallocation of \$3 million
 - b. Service/program adjustments of \$3.9 million

- c. Additional new property tax revenue from new development \$500,000
 - d. Portion of estimated provincial grant \$1.1 million
- 2. Direct staff to bring forward the Five-year Financial Plan Bylaw, 2021 to the December 3, 2020 daytime Council meeting for consideration of first reading.
- 3. Direct staff to bring forward bylaws outlining sewer utility and water utility user fee increases for 2021 to the December 3, 2020 daytime Council meeting for consideration of first, second and third readings.
- 4. Upon completion of public consultation, direct staff to bring forward direct-award grants and other grants as outlined in this report for consideration of approval
- 5. Upon completion of public consultation, consider funding additional grant requests, supplementary requests, resource requirements for financial plan motion report backs and 2021 Strategic Plan action items, and items deferred in 2020 originally funded by 2019 surplus, as determined by Council

PURPOSE

The purpose of this report is to introduce the draft 2021-2025 Financial Plan for Council's review and discussion prior to consideration of first reading of the 2021 Five Year Financial Plan Bylaw to initiate public consultation.

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.

Three policies guide the financial planning process: Financial Sustainability Policy; Reserve Fund Policy; and Revenue and Tax Policy. These are attached as Appendix G.

In addition, the City's Strategic Plan sets a maximum property tax increase of inflation plus 1%.

The majority of the City's funding comes from property taxes and utility user fees (approximately \$188 million or 71% in 2020.) The City has some additional revenue sources, including those from parking, construction permit fees, recreation, Victoria Conference Centre, business licences and property leases. As reported throughout this year, some of these revenue sources are experiencing shortfalls due to the pandemic and the impact is dependent on the timing and extent of economic recovery in the region. The draft financial plan includes best estimates for these revenues and incorporates known cost increases.

As part of the strategic planning process and the 2020 financial planning process, Council provided direction to either include items within the draft 2021 Financial Plan or to report back as part of the 2021 financial planning process. Also, a number of reports throughout the year have referred consideration of funding to the 2021 financial planning process. In addition, due to the pandemic, Council made adjustments to the 2020 Financial Plan including the deferral of several initiatives and capital projects. As directed by Council, the deferred capital projects and some of the initiatives have been included in the draft 2021 financial plan, and the items referred for consideration during this year's process are included as appendices to this report.

The financial plan focuses on priorities and outcomes, outlining services and capital projects including costs, revenues and benefits of each to demonstrate the value tax and rate payers

receive. Emphasis is also placed on staff and community involvement in the planning process. Approximately 70 staff from across the organization are involved in compiling the information for the financial plan and detailed reviews of all departmental budget submissions have been completed by staff.

ISSUES & ANALYSIS

Each year as staff develop the budget, service levels are assessed to determine resource requirements and delivery options. The majority of the City's services are delivered by City staff, augmented by contracted support for specialized expertise or work volumes beyond existing capacity. Delivery methods are evaluated and, if warranted, additional staff may be added by shifting existing budgets from contracted services. Over the last 3 years through this review, approximately 20 FTEs have been added for underground utilities, carpenter shop, concrete section and surface infrastructure. Recommendations for service level increases requiring additional resources are prepared as supplementary requests for Council's consideration.

Efficiencies

Staff explore efficiencies as part of regular operations and implement those on an ongoing basis and this will continue. 2020 provided a unique opportunity to fast-track a number of technology-related projects as the City pivoted to online service provision in some areas in response to the pandemic. Some of these changes have resulted in improved processes and have freed up staff capacity. A few examples are outlined in the following section.

The modern collaboration platform in Office365, which includes Microsoft Teams, was implemented in 2018/19 and as a result the City was able to pivot immediately to remote work arrangements when the pandemic spread world-wide. The platform provides "anywhere access" to information and has advanced collaboration capability. Prior to the pandemic, in-person meetings were the norm but are now almost all done through the Microsoft Teams platform saving staff time and reduces logistics regarding meeting booking/setup. In addition, the pandemic necessitated a significant shift to the way Council meetings are conducted given the limits on gatherings and physical distancing requirements. Procedural changes were implemented quickly to maintain an almost seamless transition to electronic participation while maintaining transparency and public participation that was made possible due to the technological advances.

The City has also continued to identify and implement new IT solutions to support engagement, improve online services for customers or increase efficiency including:

- CALUC Online Enablement through both Development Tracker and Facilitation of Comments
 - Developed online mechanism enabling neighbourhood associations to continue their mandate of engagement and feedback, during COVID-19, for proposed development applications.
- Enhanced Online Public Engagement Portal
 - Rapidly pivoted to an industry-leading civic platform to provide enhanced citizen engagement.
- eApply for Business Licences
 - Delivered the capability to apply for Business Licenses online, on time, despite the complications of a pandemic.
- EOC through Teams (first of its kind in the region, possibly Province).
 - By leveraging our strategic investments in the Microsoft platform, the City's pandemic Emergency Operations Center, in a first of its kind, activated and conducted a fully online operation, removing the need for in-person coordination.
- Fully Automated Staffing Requisitions

- Transformed a paper process to an electronic and automated process, reducing the end-to-end process from an average of five business days to 1 hour.
- Learning Management System
 - To enable the City to create, host and deliver staff training online, and automatically track and report on completion
- Safety Management System
 - Will improve workplace safety by replacing paper and manual tracking systems with an electronic platform for reporting, investigating and managing: workplace injury and illness; safety incidents, near misses and inspections; and injury and illness claims and return to work processes.
- Re-factored Archive Search
 - Modernized the database to enable modern search capabilities and security.
- Mayor's Neighbourhood Drop-in via Teams.
 - Using Microsoft Teams, enabled the continuation of informal citizen drop-ins, moving from in-person to video conference.
- Participatory Budgeting Improvements - implemented an innovative online voting mechanism.
- Neighbourhood Association Meetings – utilized virtual platforms to enable continuation of meetings.

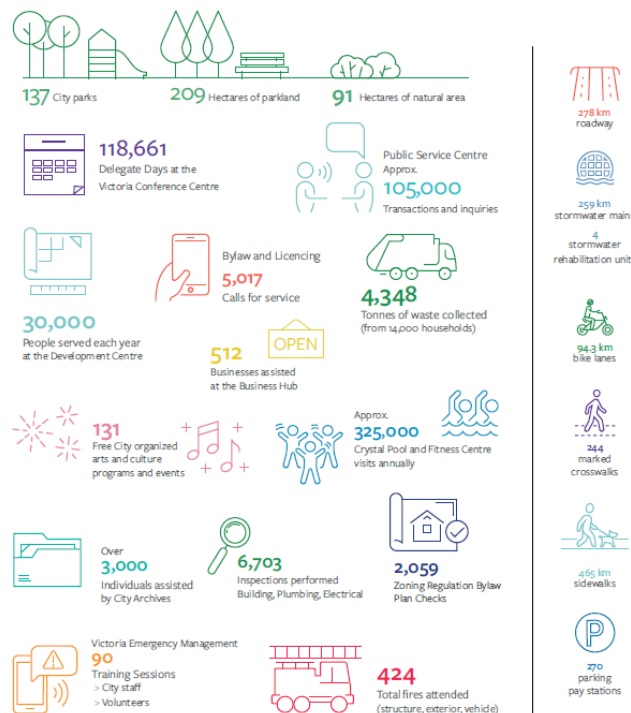
Operating Budget

Overview

As outlined in the draft Financial Plan, the City delivers approximately 200 services, and over 200 capital projects are included.

Highlights of City Services

Maintain:



The draft financial plan maintains services at current services levels. No automatic inflationary increases are included in the budget and departments have to justify each increase they request. The main cost drivers are salary increases, insurance, costs related to new asset maintenance, as well as revenue shortfalls for parking, Victoria Conference Centre, City-owned property leases, business licencing and ticket surcharge revenue from the Save on Foods Memorial Arena. Together with the mitigation strategies outlined later in this report, a tax increase of no more than inflation plus 1% (1.75%) is possible. The impact would be \$44 for an average household and \$124 for a typical business.

Utilities

The major cost drivers for the City's utilities are salaries, materials and equipment, offset by a reduction in funding transferred to the capital budget, which would instead be partially funded by reserves resulting in no revenue increase for the year. However, consumption levels have decreased and to collect the same amount of revenue to cover costs, slight rate increase are required for water and sewer user fees. For the average household or typical business there would be an annual increase of \$12 for water and \$6 for sewer.

Staff are proposing to bring forward bylaws for rate increases to the December 3 daytime Council meeting for consideration of first, second and third readings followed by adoption at the December 10 Council meeting. Bringing the bylaws forward in this manner will authorize the increases to come into effect on January 1, 2021.

Greater Victoria Public Library (GVPL)

The City's estimated share of the GVPL's operating and facility maintenance budget request, and the City's lease and building costs for its branches is \$5.56 million, which is an increase of approximately \$24,000. The Library Board is scheduled to consider the 2021 budget on October 27, 2020 and the City will receive their formal budget request once approved.

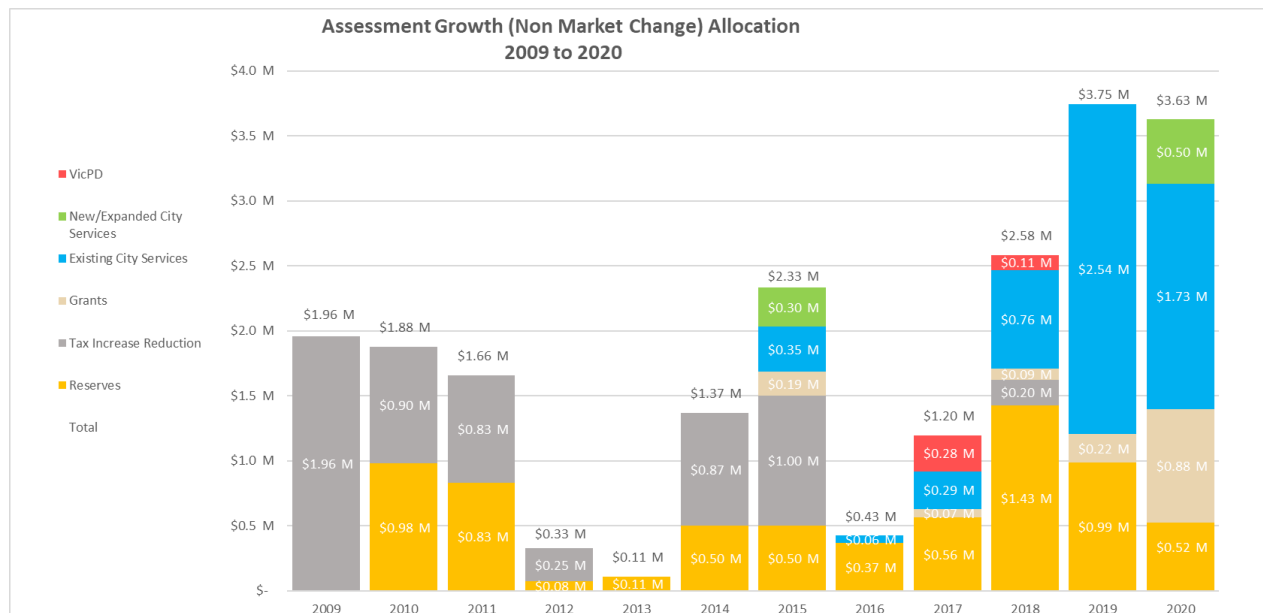
New Property Tax Revenue from New Development (Non-Market Change)

As per the Financial Sustainability Policy, the first \$500,000 of new property tax revenue resulting from new construction is typically transferred to reserve. However, this year, as a mitigation strategy to offset revenue shortfalls and additional costs due to the pandemic, no increase has been incorporated into the draft 2021 Financial Plan.

During the year, Council approved allocating \$491,000 for five additional bylaw officers as well as an ongoing grant of \$7,500 to Bike to Work Society and these amounts have been incorporated.

Any additional new property tax revenue from new development has not been factored into the draft 2021 Financial Plan. A conservative early estimate for total new property tax revenue from new development, based on information provided by BC Assessment, is \$1 million. However, this is based on incomplete information and this amount will likely change before it is finalized. The final amount will not be known until the end of March when BC Assessment has finalized the assessment roll for the year.

Over the last decade, Council has used the majority of the new tax revenue for capital investment (savings in reserves) and reducing the annual tax increase and to fund new services as illustrated in the graph below:



As a mitigation strategy, it is recommended that Council consider using this revenue to offset revenue shortfalls and additional costs due to the pandemic.

The following table outlines the uses of assessment growth revenue for the last five years:

2016		2017		2018		2019		2020	
Real Estate Function	\$60,000	Police Budget	\$277,000	Buildings and Infrastructure Reserve	\$1,428,286	Urban Forest Management Plan	\$858,000	Victoria Civic Heritage Trust	\$500,000
Buildings and Infrastructure Reserve	\$365,000	Buildings and Infrastructure Reserve	\$250,000	Property Tax Increase Reduction Decrease	\$197,234	Buildings and Infrastructure Reserve	\$862,545	Community and Senior Centre Funding	\$234,333
		Accessibility Reserve	\$250,000	Fire Prevention Officer	\$121,000	Real Estate Function	\$250,000	Children's Book Prize	\$5,000
		Real Estate Function	\$135,000	Police Civilians	\$114,814	Houseplexes and Townhomes Planners	\$240,000	Reduction of Recreation Fee Increase	\$16,500
		Tree Care	\$128,000	Transportation Planner	\$104,000	Transportation Planner	\$200,000	Housing Reserve Fund	\$400,000
		Fleet Reserve	\$61,722	Park Planner	\$103,000	Disability Coordinator	\$128,500	Asset Management Position - 1 FTE	\$89,000
		Quadra Village Community Centre - gymnasium at 950 Kings Rd	\$49,000	Building Project Administrator	\$99,000	Vehicle and Heavy Equipment Reserve	\$123,545	Climate and Environment - Community Energy and Emissions Specialist - 1 FTE	\$108,000
		Arts and Culture Support	\$25,000	Sustainability Waste Management Engineer	\$99,000	Climate Grant Writer	\$117,000	Climate and Environment - Training and Development for Staff	\$10,000
		Community Garden Volunteer Coordinator	\$6,000	Correspondence Coordinator	\$87,000	Mayor's Office Support	\$114,000	Climate and Environment - Zero Waste Strategy - 1 FTE	\$100,000
		Distribution of Mulch to Community Garden Operators	\$6,000	Graphic Design Support	\$81,000	Climate Outreach Specialist	\$106,000	Grants - Neighbourhood Grants	\$28,116
		Victoria Heritage Foundation Grant	\$5,125	Parks Natural Areas Support	\$63,000	Increased grants to Community and Seniors Centres	\$106,000	Grants - Victoria Civic Heritage Trust	\$2,250
Total	\$425,000	Victoria Civic Heritage Trust Grant	\$2,153	Festival Investment Grant	\$50,000	Business Analyst - Information Systems	\$102,000	Grants - Victoria Heritage Foundation	\$5,962
		Medallion Challenge Trophy	\$500	Community Garden Program	\$15,000	Talent Specialist	\$96,500	Health and Safety Position - 1 FTE	\$108,000
		Total	\$1,195,500	Victoria Heritage Foundation	\$10,716	Asset Management Technician	\$85,500	Managing Growth and New Development - Secretary - Planning 1 FTE	\$72,500
				Food Systems North Park Neighbourhood Association	\$6,000	LIFE Program Extension	\$74,000	Managing Public Spaces - Centennial Square Clean Up	\$35,000
				Victoria Heritage Trust	\$2,186	Indigenous Artist in Residence	\$72,000	Urban Agriculture - Volunteer Coordinator Grant	\$50,000
				Victoria Community Association Network Grant	\$900	Festival Investment Grant	\$50,000	Urban Agriculture - Start Up Grants	\$30,000
				Community Garden Volunteer Coordinator Grants Inflation	\$864	Community Garden Program	\$30,160	Lowering Property Tax Penalty	\$201,500
				Total	\$2,583,000	Strategic Plan Grants	\$20,000	Buildings and Infrastructure Reserve	\$61,374
						Youth Leaders in Training (YLIT)	\$20,000	Vehicle and Heavy Equipment Reserve	\$61,373
						Support Department Overhead	\$19,000	Equity and Inclusion - Equity and Inclusion Coordinator - 1 FTE	\$107,900
						Mayor's Travel Budget	\$15,000	Create Victoria Implementation Position - 1 FTE	\$113,400
						Town Hall Meetings	\$12,000	Equity and Inclusion - External Community Liaison - 2 FTE	\$215,900
						Council Catering	\$10,000	Equity and Inclusion - Accessibility and Inclusion Recreation Role - 1 FTE	\$52,000
						Living Wage	\$9,000	Housing - Tenant Ambassador - 1 FTE	\$107,900
						Constituency Funds	\$8,000	Housing - Housing and Development Summit	\$15,000
						Urban Food Table	\$6,000	Housing - Social Planner - 1 FTE	\$125,111
						Community Input Process	\$5,000	Arts and Culture - Canada Day Special Duty Policing	\$107,000
						My Great Neighbourhoods Grant	\$3,000	Arts and Culture - Festival Investment Grant Program	\$25,000
						Victoria Civic Heritage Trust Grant	\$2,250	Arts and Culture - Special Duty Policing	\$53,000
						Poet Laureate Program	\$2,000	Arts and Culture - Special Events in Kind Services	\$19,000
						Total	\$3,747,000	Childminding - Committees	\$1,800
								Climate and Environment - Building Energy and Emissions Specialist - 1 FTE	\$108,000
								Heritage Position - .5 FTE	\$50,000
								Managing Growth and New Development - Secretary - Legislative Services - 1 FTE	\$80,500
								Managing Growth and New Development - Development Services 1 FTE	\$142,500
								Reconciliation and Indigenous Relations - Witness Reconciliation Program	\$30,000
								Sustainable Mobility Strategy - Transportation - 1 FTE	\$142,600
								NeighbourHub - 709/711 Douglas Street	\$11,460
								Total	\$3,626,979

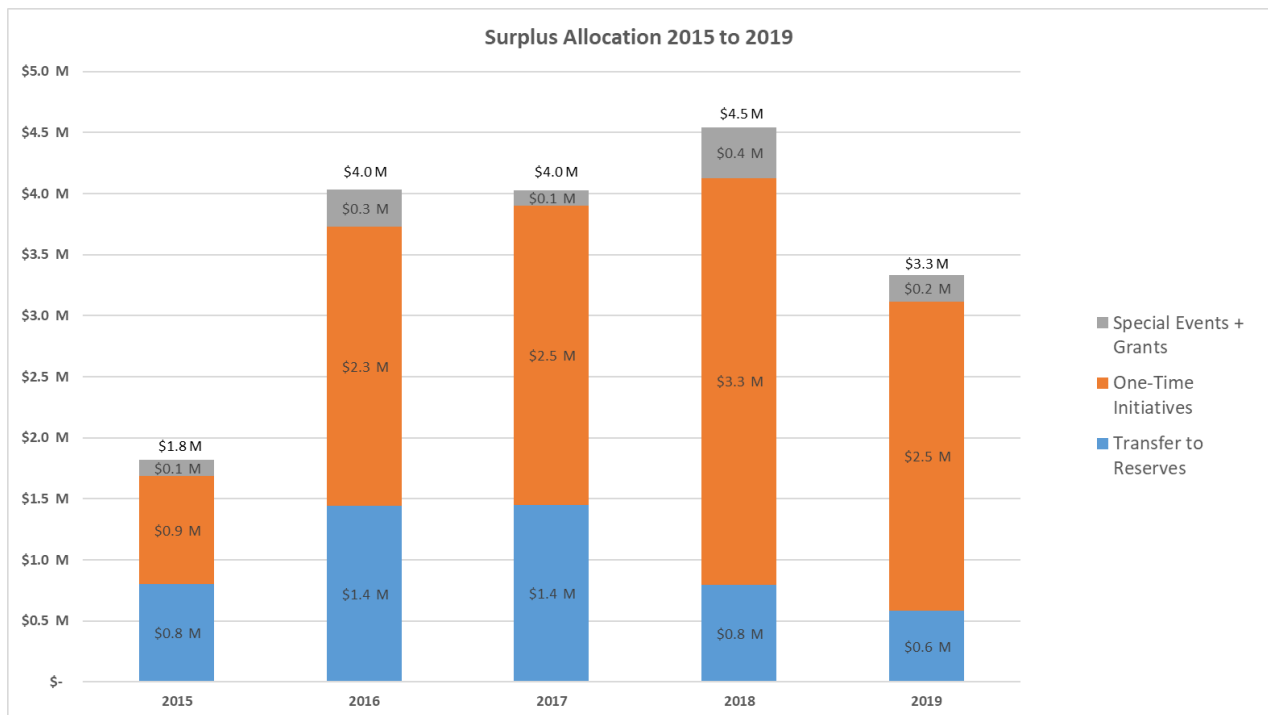
Legend

Reserves
Property Tax Increase Reduction
Grants
Existing City Services
New City Services
VicPD

2020 Surplus

As previously reported, the City is experiencing significant revenue reductions in 2020 that would result in a deficit for the year. Council has provided direction to implement a number of mitigation strategies which will avoid a year-end deficit. Under legislation, should a deficit be the year-end result, that deficit must be carried forward to the following year and must be funded first. Fortunately, the mitigation strategies will avoid such a situation. However, the revenue losses also mean that while the deficit can be mitigated, the year end result will be a zero and there will be no surplus for 2020.

For historical reference, the following graph and table outline the surplus allocation for the past five years:



2015		2016		2017		2018		2019	
Buildings and Infrastructure Reserve	\$ 552,721	Buildings and Infrastructure Reserve	\$ 1,440,209	Buildings and Infrastructure Reserve	\$ 482,609	Victoria Housing Reserve	\$ 750,000	Housing - Housing Reserve Fund	\$ 250,000
Parks Overnight Sheltering Support and Clean-Up	\$ 313,000	Accelerated Local Area Planning (2018-2019)	\$ 500,000	Vehicles and Heavy Equipment Reserve	\$ 482,608	Zero Waste Strategy	\$ 400,000	Climate and Environment - Oil to Heat Pump Incentive Program	\$ 100,000
Accessibility Capital Fund	\$ 250,000	South Island Prosperity Project (SIPP)	\$ 220,000	Greenways Acquisition Fund Reserve	\$ 482,608	Overnight Sheltering - Support & Clean Up	\$ 362,000	Climate and Environment - Climate Action Program Investments	\$ 165,000
Crosswalk Projects	\$ 200,000	Vulnerable Population Pilot Project	\$ 204,891	Victoria Housing Strategy Implementation	\$ 250,000	Housing Initiatives	\$ 300,000	Climate and Environment - Zero Waste Strategy	\$ 200,000
Arboriculture (Urban Forest Mgmt Plan Implementation)	\$ 128,500	Parks Overnight Sheltering	\$ 200,000	South Island Prosperity Project	\$ 220,000	Traffic Calming Initiatives	\$ 250,000	Grants - South Island Prosperity	\$ 220,000
Cultural Plan	\$ 116,000	Parks Infrastructure	\$ 158,000	Mental Health Integration	\$ 216,575	Accessibility Framework	\$ 250,000	Grants - Bike to Work Week	\$ 7,500
Senior Parks Planner	\$ 103,000	High Risk Tree Removal	\$ 150,000	Overnight Sheltering - Support & Clean Up	\$ 200,000	Citizens' Assembly	\$ 250,000	Grants - Storage Facilities for Our Place	\$ 50,000
Real Estate Function Consulting	\$ 100,000	Canada 150 Festivities	\$ 150,000	Neighbourhood Transportation Management	\$ 180,000	South Island Prosperity Project	\$ 220,000	Managing Public Space - Overnight Sheltering Support and Clean Up	\$ 362,000
Broad Street Mall Repairs	\$ 15,000	Songhees and Esquimalt First Nations Long House	\$ 110,000	High Risk Tree Removal	\$ 150,000	MSP Premiums	\$ 200,000	Managing Public Space - Bylaw Position - 1 FTE	\$ 189,000
Sidewalk Power-Washing	\$ 15,000	Parks Planning Temporary Support	\$ 103,000	Heritage Planner (2 year term)	\$ 120,000	Community Centre Funding	\$ 170,424	Strategic Plan Support Services - Legal Services	\$ 84,500
India Mela and Dragon Boat Society 80% FIG Grants	\$ 11,200	Victoria Housing Strategy Implementation	\$ 100,000	Engagement Advisor	\$ 109,000	Public Washroom - South End of Douglas St	\$ 150,000	Tree Care - Tree Planting	\$ 140,000
Traffic and Parking Improvements	\$ 8,000	Correspondence Coordinator	\$ 87,000	Downtown Public Realm Plan Implementation	\$ 105,000	Tree Preservation Bylaw	\$ 110,000	Urban Agriculture - Pilot City-sponsored community partnership for spring distributions of gardening materials	\$ 8,000
City of Victoria Youth Council Additional Request	\$ 6,000	Install Symbol of Lekwungen People	\$ 75,000	Community Benefit Hub (2 year)	\$ 100,000	Parks Planner	\$ 107,250	Youth Initiatives - Youth Program Implementation	\$ 30,000
Total	\$ 1,818,421	Adaptive Management Framework	\$ 55,000	Downtown sidewalk cleaning & snow removal	\$ 99,500	Planner - Development Services	\$ 107,250	Property Tax Penalty	\$ 1,000
		Temporary Moveable Child Friendly Play Feature in Centennial Square	\$ 50,000	Parks Arboriculture	\$ 97,000	Neighbourhood Led Neighbourhood Planning	\$ 100,000	By Election	\$ 170,000
		City Studio (2018-2019)	\$ 50,000	Speed Reader Boards	\$ 85,000	Reconciliation Training	\$ 76,350	Buildings and Infrastructure Reserve	\$ 166,088
		Public Works Master Plan	\$ 50,000	International Ice Hockey Federation World Junior Hockey Championship	\$ 70,000	Support Department - Engagement	\$ 75,000	Vehicle and Heavy Equipment Reserve	\$ 166,087
		Seasonal Special Events Traffic Control Support	\$ 50,000	Secretary Planning	\$ 67,000	Secretary - Planning	\$ 72,500	Equity and Inclusion - Gender Diversity Training for All Staff	\$ 28,000
		Solid Waste Management Strategy	\$ 50,000	Condition Assessment Pilot Project	\$ 60,000	Secretary - Legislative Services	\$ 72,500	Equity and Inclusion - Welcoming City Strategy	\$ 50,000
		City's Truth and Reconciliation Commission Calls to Action Task Force	\$ 50,000	Inclusion Policy and Program	\$ 60,000	Support Department - Legal Services	\$ 65,000	Equity and Inclusion - External Contractor	\$ 75,000
		Car Free Day (2018-2020)	\$ 45,000	Environmental Performance Audit	\$ 50,000	Senior Centre Funding	\$ 63,900	Arts and Culture - Create Victoria Cultural Infrastructure Grant Program	\$ 100,000
		Development Services Temporary Support	\$ 42,000	Professional Certification/Project Management	\$ 50,000	55+ Games BC 2021	\$ 55,000	Arts and Culture - Create Victoria Cultural Spaces Roadmap	\$ 25,000
		Zoning Updates	\$ 30,000	Witness Reconciliation Program	\$ 50,000	Victoria 2020 Francophone Games	\$ 50,000	Banfield Park to Selkirk Bike Route	\$ 35,000
		Youth Strategy	\$ 30,000	Accessibility Framework	\$ 40,000	Our Place extended hours	\$ 50,000	Climate and Environment - Oil to Heat Pump Incentive Program	\$ 300,000
		2017 Canadian Capital Cities Organization Annual Conference	\$ 20,000	Traffic Signal Timing Update Study	\$ 40,000	Buildings and Infrastructure Reserve	\$ 48,326	Climate and Environment - Climate Champion Program	\$ 50,000
		Temporary installation of table tennis and chess tables in Centennial Square	\$ 11,000	Pioneer Square Archaeological Reporting	\$ 37,000	Youth Strategy Coordinator	\$ 30,000	Greater Victoria Coalition to End Homelessness - Pandora Task Force	\$ 50,000
		Victoria Community Association Network	\$ 1,200	Extra Bridge Coverage	\$ 30,000	Best Practices in Respectful Facilitation Training & Engagement	\$ 30,000	Placemaking - Engagement Costs	\$ 8,000
		Fairfield Community Centre Insurance Administration	\$ 500	Single-Use Checkout Bag Regulation	\$ 30,000	Greenway Plan and Design Standard	\$ 30,000	Protocol	\$ 20,000
		Total	\$ 4,032,800	Youth Strategy Liaison	\$ 30,000	Government Street Pedestrian Only	\$ 25,000	Reconciliation and Indigenous Relations - Reconciliation Training	\$ 34,650
				Youth Leaders in Training Program	\$ 20,000	Rental Initiatives	\$ 20,000	Reconciliation and Indigenous Relations - Truth and Reconciliation Dialogues	\$ 80,000
				Step Code Implementation	\$ 10,000	Municipal Alcohol Policy - Late Night Task Force	\$ 15,000	Reconciliation and Indigenous Relations - Indigenous Relations Function	\$ 75,000
				Ending Violence Association of BC	\$ 2,500	Childcare at City Hall for Public Hearings	\$ 11,000	Strategic Plan Support Services - Engagement	\$ 75,000
				Total	\$ 4,026,400	MacDonald Statue	\$ 10,000	Banfield Park Swimming Dock Study	\$ 15,000
						Council Conflict of Interest	\$ 10,000	Total	\$ 3,329,825
						Childcare Strategy	\$ 5,000		
						Late Night Task Force (Harassment)	\$ 2,500		
						Total	\$ 4,544,000		

Five-Year Operating Budget

To develop the future years of the five-year operating budget a number of assumptions have been incorporated including: no changes to services or service levels; collective agreement increases (if in place); known cost increases, such as hydro, at already announced rates; and unknown cost increases (the majority) at an inflationary factor of 2%.

Supplementary Operating Budget Requests

Before any requests for increased funding is brought to Council for consideration, staff first evaluate each need and possible ways to meet those needs without requesting additional funding; this includes process improvements that create efficiencies and free up existing staff time, shifting resources between areas, or exploring funding opportunities. Due to the pandemic and the resulting financial challenges the City is currently facing, only two supplementary requests are brought forward for consideration this year as outlined in Appendix A.

Resource Requirement Related to the Strategic Plan, Financial Plan Motions and 2020 Deferred Initiatives

The Strategic Plan contains a number of action items to be initiated in 2021 that have resource requirements and those are outlined in Appendix B. During last year's financial planning process and subsequently during the year, a number of resolutions requesting staff to report back as part of the 2021 financial planning process are outlined in Appendix C. On August 6, Council directed that initiatives where funding had been reallocated to address revenue shortfalls in 2020 be brought to the 2021 financial planning process and those are outlined in Appendix D. As outlined during the presentation of the Period 2 Accountability Report, a number of initiatives are experiencing challenges and will be carried forward to 2021. Therefore, staff capacity to take on additional work would be a challenge unless other work is reduced or deferred.

The public consultation process may result in additional funding needs. It is recommended that Council consider supplementary requests, and resource requirements related to the Strategic Plan, financial plan - related motions, and 2020 deferred initiatives along with feedback from public consultation on the draft Financial Plan.

Capital Budget

Guiding Documents and Considerations for Infrastructure Investment

The majority of the City's infrastructure investment is guided by asset master plans as well as the City's Official Community Plan, Neighbourhood Plans, regional plans and the Strategic Plan. These master plans use a range of criteria to determine priorities.

Underground utilities (sewer, storm drains and water) have 20-year asset master plans in place. Asset management planning, and lifecycle costing and analysis include:

- Risk assessment and service delivery
- Condition assessment and remaining design life
- Capacity requirements including future population growth
- Enhance resiliency to meet climate change, tsunami and seismic hazards
- Reduce rain inflow and infiltration to sewers
- Optimizing energy use

Additional factors taken into account are:

- Coordination with transportation or other right-of-way improvements (bundle projects)

- Number and location of other projects in neighbourhood in consideration of social impacts – network traffic flows

For transportation projects, there are many and varied programs and services provided including crosswalks, sidewalks, road paving and traffic calming. Each program considers a number of criteria, but the overall principles for all transportation projects are:

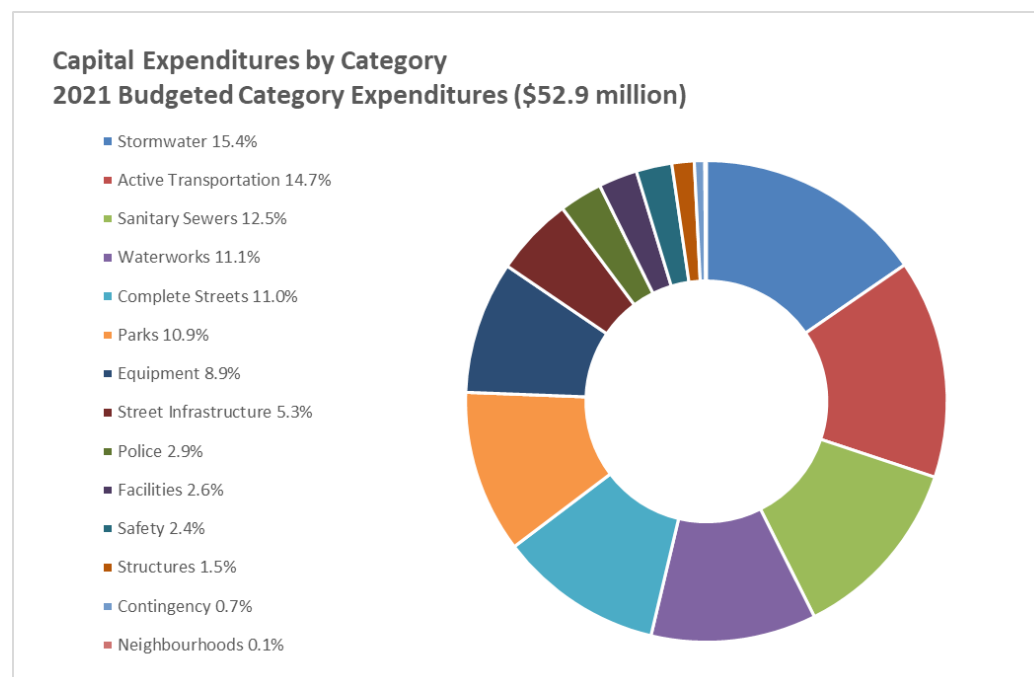
- Road safety
- Use of standards, established criteria and best practice
- Consistency of implementation to maintain system integrity
- Promoting projects fairly and equitably with the most impact and greatest benefits
- Fiscal responsibility and prudence
- Coordination opportunities

The Parks and Open Spaces Master Plan was developed through city-wide consultation with residents and other stakeholders, to assess community needs and examine investment priorities. The goals of the Plan include a focus on serving the needs of all citizens (*Foster Engaging Experiences for Everyone*). The ongoing maintenance work relating to “grey” and “green” assets in parks and open spaces is primarily driven by condition assessment data, which provides an objective measure of the state of assets in these public spaces.

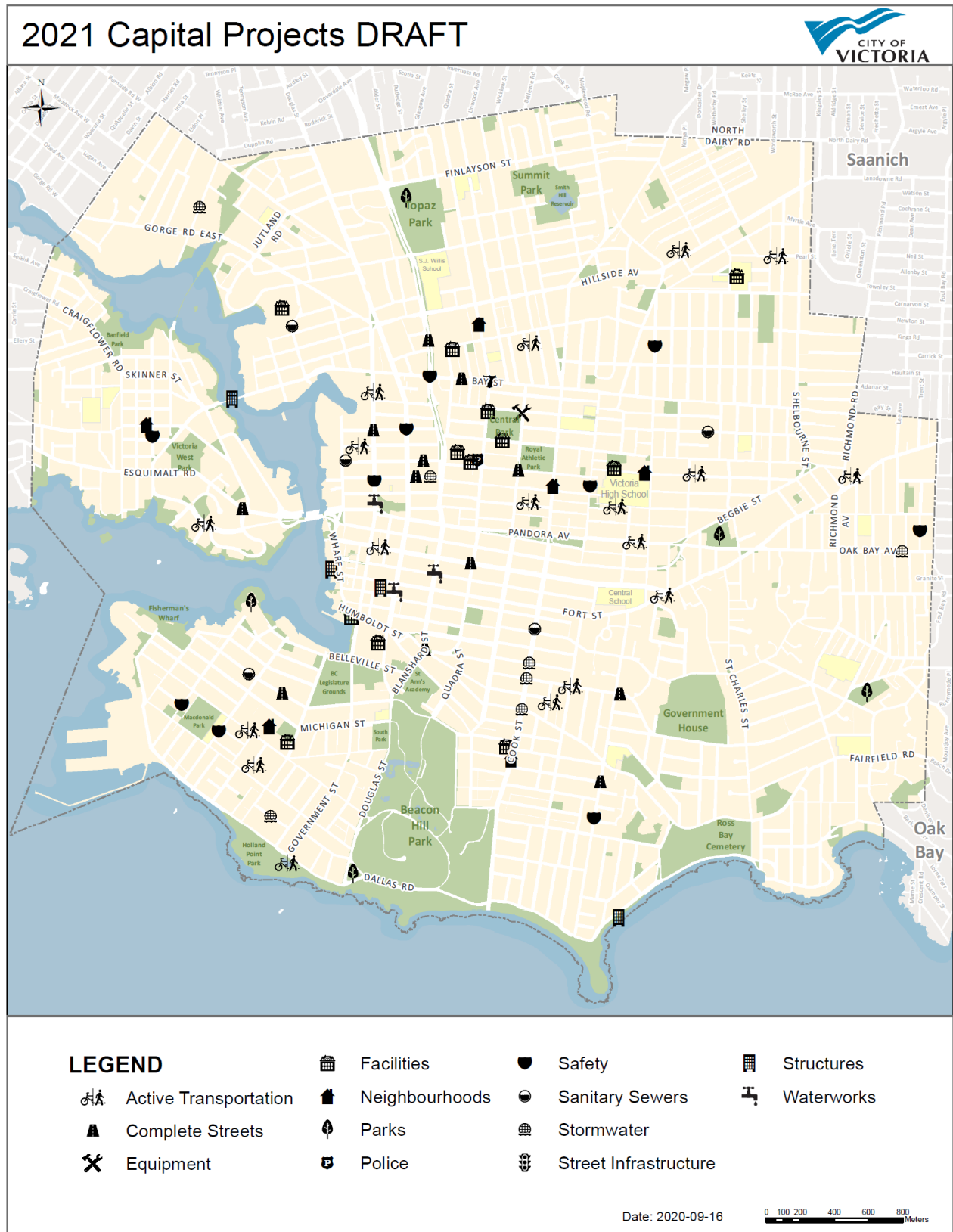
The City’s investments in buildings are typically based on a few key factors, including data relating to the physical condition of these assets and systems, as well as the service priorities of occupants of these buildings. In the past three years, increased focus has been directed to quantifying and addressing physical accessibility needs, as well as energy performance, in line with the City’s overall strategic plans. Over the next several months, a long-term Facilities Master Plan will be developed, resulting in a road map for decision-making and investments in these assets, based on Council’s new strategic principles and goals.

Overview

The draft capital budget for 2021 totals \$52.9 million. The following chart outlines the proposed capital investment:



Each project has also been mapped to provide a geographic picture of where the planned capital investment is proposed to take place.



Each budget request includes both the capital cost and the ongoing additional operating costs and FTE requirements. The ongoing operating costs have been incorporated into the appropriate future years in the operating budget.

The capital budget was developed based on the principle that all asset groups are allocated some funding. In addition, as outlined above, the annual capital investment needs are determined through asset master plans and condition assessments. Asset master plans outline the level of funding that is considered sustainable to maintain current service levels and the priorities for infrastructure investment. As previously reported, the City has funding gaps for a number of asset groups including facilities, roads and fleet. Staff are working on identifying the extent of the gaps and are using mitigation strategies to extend the life of assets and reduce or delay upgrade needs.

Capital plan funding levels are determined through policy decisions, taking into account the City's risk tolerance. Historically, Council has increased property taxes for capital projects that address deferred maintenance for roads, facilities and storm drains. Since 1999, Council has increased annual capital budget funding through property taxes from \$2.5 million to \$11.6 million. As per the Financial Sustainability Policy, additional funding decisions through an increase in property taxes, will be considered by Council based on proposed projects identified by staff. For 2021, as a result of the current budget challenges, staff are not recommending any increases to this funding. The draft plan includes sufficient funding allocations to address immediate needs, but does not address the existing gaps in funding.

Historically, the City's capital plan has been funded by a combination of property taxes, utility user fees, grants, debt and reserves. Ongoing programs are typically funded by property taxes/user fees or reserves. Larger projects, such as a bridge replacement or construction of an arena, have primarily been funded through grants and debt, which is consistent with the City's debt policy.

The proposed capital budget includes projects that are underway but will not be completed before year-end. The funding for these projects must be carried forward from 2020. The budgets for these projects will be updated to reflect remaining amounts once year-end has been completed.

Reserves and Debt

The City's Reserve Fund Policy was updated in 2015, including a methodology for determining target balances. The minimum target balances have already been achieved for all reserves. However, the minimum balances are only one part of the equation and recommended capital budget spend levels also need to be taken into account as outlined in the section above in this report. The following table outlines the estimated uncommitted year-end reserve fund balances based on the assumption that all planned work for 2020 will be completed:

Description	Unallocated Balance at Dec 31, 2020	2021 Budget Transfers In	2021 Budget Transfers out & Committed	Projected Balance Dec 31, 2021
Capital Reserves				
Equipment & Infrastructure				
Police				
Police Vehicles, Equipment & Infrastructure	971,145	1,030,000	1,546,000	455,145
Police Emergency Response Team	492,588	35,000	32,000	495,588
City				
City Equipment	11,011,969	957,580	2,271,000	9,698,549
City Vehicles & Heavy Equipment	3,169,471	1,191,190	2,209,000	2,151,661
City Buildings & Infrastructure	16,152,198	5,119,730	10,823,000	10,448,928
Accessibility Capital	1,251,884	250,000	17,000	1,484,884
Parking Services Equipment and Infrastructure	13,742,447	3,550,000	265,000	17,027,447
Multipurpose Equipment and Infrastructure	654,281	142,000	25,000	771,281
Recreation Facilities Equipment and Infrastructure	1,224,465	28,300	-	1,252,765
Archives Equipment	32,218	-	-	32,218
Artificial Turf Field	1,319,823	99,470	1,200,000	219,293
Gas Tax	7,432,973	3,832,000	6,702,000	4,562,973
Water Utility Equipment and Infrastructure	25,868,616	1,770,000	453,000	27,185,616
Sewer Utility Equipment and Infrastructure	27,632,825	400,000	587,000	27,445,825
Stormwater Utility Equipment and Infrastructure	2,927,172	100,000	422,000	2,605,172
Tax Sale Lands Fund	3,306,316	50,000	-	3,356,316
Parks and Greenways Acquisition Fund	1,073,453	-	-	1,073,453
Tree Conservation	600,250	-	82,290	517,960
Local Amenities Reserve	209,443	-	-	209,443
Development Cost Charges	13,452,746	-	3,980,000	9,472,746
Downtown Core Area Public Realm Improvements	222,384	-	-	222,384
Total Capital Reserves	132,748,667	18,555,270	30,614,290	120,689,647
Operating Reserves				
Financial Stability Reserves				
City	8,781,611	205,000	310,100	8,676,511
Police	1,394,284	-	-	1,394,284
Debt Reduction	46,077,163	3,147,370	32,000,000	17,224,533
Insurance Claims	4,118,601	-	-	4,118,601
Water Utility	919,876	-	-	919,876
Sewer Utility	837,705	-	-	837,705
Stormwater Utility	448,593	-	-	448,593
Victoria Housing Reserve	2,582,942	650,000	-	3,232,942
Climate Action Reserve	501,066	363,960	440,900	424,126
Art in Public Places	471,680	150,000	150,000	471,680
Development Stabilization Reserve	7,229,990	-	-	7,229,990
Parks Furnishing Dedication Program	14,040	-	-	14,040
Total Operating Reserves	73,377,550	4,516,330	32,901,000	44,992,880
Total City Reserves	206,126,217	23,071,600	63,515,290	165,682,527

The City currently has approximately \$62.1 million in outstanding debt. According to the Financial Sustainability Policy, debt servicing charges should be kept at a maximum of 7% of the prior year's property tax levy. Currently, there is approximately \$3 million of budget room for debt servicing, which is transferred to the Debt Reduction Reserve. This is the funding that Council has set aside for the replacement of Fire Department Headquarters. There are some smaller debt issues falling

off in 2022; however, the next significant debt issue to retire is in 2031. The following table outlines the current debt issues, year of retirement and the annual debt servicing costs.

Final Year	Issue	MFA Issue - Purpose	2021 Total
2022	102	Burnside Gorge Community Centre	163,644
2022	102	City Hall Accessibility	162,992
2023	103	Parkades	137,594
2024	105	Parkades	130,394
2024	105	Crystal Gardens	249,198
2025	110	Parkades	493,694
2031	115	Johnson Street Bridge Replacement (CMHC)	743,242
2033	79	Multipurpose Arena	375,514
2033	80	Multipurpose Arena	435,514
2034	81	Multipurpose Arena	435,514
2034	130	Johnson Street Bridge Replacement	1,475,097
2036	139	Johnson Street Bridge Replacement	320,186
2037	142	Johnson Street Bridge Replacement	659,671

Allocation of Annual Gas Tax Funding

The City receives annual funding from the Federal Government through their gas tax program. The expected amount for 2021 is \$3.83 million. Each year, amounts received are transferred to the City's Gas Tax Reserve which Council approves allocations from through the annual capital plan. The majority of the projects funded through the gas tax reserve to-date have been storm drain infrastructure projects. For 2015 to 2020, Council allocated funding for the David Foster Harbour Pathway implementation, storm drain brick main replacement, LED streetlight replacement, and Bicycle Master Plan implementation. With the expected amount for 2021, the gas tax funding available is \$11.26 million.

The City is required to report annually through the Union of BC Municipalities on which projects have been funded using gas tax and the agreement outlines which types of projects are eligible. The draft capital plan includes gas tax funding for storm drain projects and Bicycle Master Plan implementation for a total allocation from the reserve of \$6.7 million.

20-Year Capital Plan

For many capital investments, such as water, stormwater, sidewalks and complete streets projects, longer-term asset master plans identify the priority order of renewals for a number of years. Those plans also indicate the estimated funding for those renewals. For these investments, ongoing budgets have been included in the 20-year capital plan.

For facilities, the future years show as "TBD" (to be determined) because a long-term plan that accounts for the strategic opportunities and functional requirements relating to City-owned buildings is under development. Once completed, this plan will inform future capital plans. A condition assessment of all parks assets was undertaken in 2018. Together with the goals within the Parks and Open Space Master Plan, this will inform future priority setting for parks projects. For some projects, such as Peter Pollen Waterfront Park, design work will determine required budgets and can be incorporated into the capital plan once completed.

It can be difficult to determine the exact funding needs far into the future, therefore all future year amounts are best estimates only.

Outstanding Council Motions

Council passed a motion to set aside \$110,000 in funding for a future longhouse in Beacon Hill Park. The funding is set aside in reserve until the First Nations are ready to proceed.

Grants

As directed by Council, grants have been grouped into five categories: 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 two years, Council has directed a few grants to be allocated outside of the established programs and these have been grouped under “other grants”. Per Council direction, the majority of grants have been increased by inflation.

Additional Grant Requests

The Victoria Heritage Foundation has requested additional funding of 1.5% or \$3,402, and the Victoria Civic Heritage Trust has requested additional funding of 2% or \$2,350.

The South Island Prosperity Project presented to Council earlier this year outlining their plan for the next 5 years and the funding request from the City. The request for 2021 is \$218,962.

Organization	2020 Funding	2021 Request	Increase
Victoria Heritage Foundation	\$226,810	\$230,212	\$3,402
Victoria Civic Heritage Trust	\$116,500	\$118,850	\$2,350
South Island Prosperity Project*	\$218,962	\$218,962	\$0

*one-time funding

Council direction for the two heritage organizations is to include their base budget in the draft financial plan and bring forward any grant increase requests separately. For South Island Prosperity Project, Council has made annual funding decisions over the last five years (one-time funding through prior year surplus), and staff have no direction to include funding in the draft financial plan.

These additional grant requests are included in Appendix E.

The proposed funding for the direct-award grants, excluding the additional requests listed above, is as follows.

Organization	Type of Grant	2020 Final Budget	2021 Draft Budget	Change
Victoria Civic Heritage Trust	Building Incentive	920,000	920,000	0
Victoria Civic Heritage Trust	Operating	116,500	116,500	0
Victoria Heritage Foundation	Operating	226,810	226,810	0
Victoria Youth Council	Operating	26,000	26,000	0
Quadra Village Community Centre	Operating	75,000	75,750	750
Quadra Village Community Centre	Youth Programming	8,875	8,960	85
Quadra Village Community Centre	Lease Grant	44,060	44,060	0
Fernwood Community Centre	Operating	75,000	75,750	750
Fernwood Community Centre	Youth Programming	8,875	8,960	85
Vic West Community Association	Operating	75,000	75,750	750
Vic West Community Association	Youth Programming	8,875	8,960	85
Vic West Community Association	Facility (janitorial)	36,280	36,280	0
Fairfield Community Place	Operating	75,000	75,750	750
Fairfield Community Place	Youth Programming	8,875	8,960	85
Fairfield Community Place	Facility (janitorial, recycling)	48,180	48,180	0
Fairfield Community Place	Liability Insurance	5,610	5,610	0
Fairfield Community Place	Youth Outreach	15,000	15,000	0
Cook Street Village Activity Centre	Operating	75,000	75,750	750
Cook Street Village Activity Centre	Facility (strata fees)	18,423	18,600	177
Victoria Silver Threads	Operating	75,000	75,750	750
Victoria Silver Threads	Facility (lease)	122,390	122,390	0
Burnside Gorge Community Centre	Operating	75,000	75,750	750
Burnside Gorge Community Centre	Youth Programming	8,875	8,960	85
Burnside Gorge Community Centre	Youth Outreach	10,000	10,000	0
James Bay Community School Centre	Operating	75,000	75,750	750
James Bay Community School Centre	Youth Programming	8,875	8,960	85
James Bay Community School Centre	Facility (janitorial, recycling)	56,340	56,340	0
James Bay New Horizons	Operating	75,000	75,750	750
James Bay New Horizons	Facility (janitorial)	28,520	28,520	0
Oaklands Community Centre	Operating	75,000	75,750	750
Oaklands Community Centre	Youth Programming	8,875	8,960	85
Oaklands Community Centre	Facility (janitorial)	17,610	17,610	0
Cool Aid Downtown Community Centre	Operating	75,000	75,750	750
Seniors Outreach	Operating	30,000	30,000	0
Victoria Community Association Network	Operating	920	920	0
Blanshard (Hillside Quadra)	Per capita base (0.78 times population)	5,826	5,880	54
Burnside/Gorge	Per capita base (0.78 times population)	5,233	5,290	57
Downtown (incl Harris Green)	Per capita base (1.55 times population)	8,464	8,550	86
Fairfield Gonzales	Per capita base (0.78 times population)	12,652	12,780	128
Fernwood	Per capita base (0.78 times population)	7,542	7,620	78
James Bay	Per capita base (0.78 times population)	9,258	9,350	92
North Jubilee	Per capita base (1.55 times population)	4,956	5,010	54
North Park	Per capita base (1.55 times population)	5,494	5,550	56
Oaklands	Per capita base (0.78 times population)	5,480	5,530	50
Rockland	Per capita base (1.55 times population)	5,648	5,700	52
South Jubilee	Per capita base (1.55 times population)	3,554	3,590	36
Vic West	Per capita base (0.78 times population)	5,902	5,960	58
		2,689,777	2,699,600	9,823

Note: The City provides janitorial services to Quadra Village Community Centre and Fernwood Community Centre and Cook Street Village Activity Centre; no support is provided to Burnside Gorge Community Centre

It is recommended that Council consider all grant requests upon completion of the public consultation.

Public Information and Consultation

The draft budget and materials will be made available for public review on October 30, and the Budget Town Hall and e-Town Hall is scheduled for January 13, 2021. An online survey will also be conducted. City Council will consider the draft financial plan in conjunction with public input in January.

The City's budget outreach and engagement will include a number of different tools and tactics to inform and engage the public about the draft 2021 Financial Plan. A special section of the City's website - Victoria.ca/budget – will provide a one-stop hub for budget information and engagement opportunities. A budget summary brochure will give people a plain- language overview of the operational and capital budgets, as well as highlights of the City's programs and services planned for the coming year. Those who want to dive more deeply can review the full Financial Plan. Details on the Budget Town Hall and the online budget survey will also be hosted here. Budget consultation will be actively promoted through social media, print advertising, digital display boards at City Hall, the City's Connect community e-newsletter, direct stakeholder and neighborhood outreach, and media outreach.

Although the City has increased participation broadly over the past five years, we continue to work on reaching traditionally under-represented groups and reducing barriers to participation to ensure feedback on the Financial Plan represents an accurate reflection of the community, to the greatest extent possible. We will continue to place a particular focus on connecting with renters in Victoria, as they represent 61% of the population but have participated less than those who own a home, likely due to a misconception that the budget is only connected to property taxes. We will continue to work with the City of Victoria Youth Council to encourage youth to participate in this important engagement process. We will also continue to reach out to the business community, which pays nearly 50% of taxes in Victoria.

Timeline

The following table outlines the proposed timeline for this year's process.

Dates	Task
November 10, 23, 30, 2020	Detailed department presentations of draft Financial Plan
December 3, 2020 Daytime Council	First reading of Financial Plan bylaw
December 2020 to January 2021	Public consultation
January 13, 2021	Town Hall / e-Town Hall meeting
January 2021 Committee of the Whole	Present consultation results and seek direction on changes to Financial Plan and Strategic Plan
April 2021 Committee of the Whole	Final report on Financial Plan including incorporated changes; report on 2020 tax rates
April 2021 Council	Second and third reading of Financial Plan bylaw; first, second and third reading of tax bylaw
April 2021 Council	Adoption of Financial Plan bylaw and tax bylaw

OPTIONS & IMPACTS

This report outlines the budget requirements for the City's numerous programs and services as well as capital projects. Some of the challenges for 2021 are expected to be ongoing, such as costs related to 'new asset inventory' and contractual cost increases. Others, such as revenue shortfalls may be more temporary in nature depending on the timing and extent of economic recovery in the region. Different mitigation strategies can be used for temporary versus permanent budget shortfalls. While temporary changes could be managed through temporary funding allocations, permanent cost increases should be funded through ongoing revenues or permanent reductions in other costs to ensure there is an ongoing funding source. This avoids deferring the decision on a funding source to a future year and is consistent with the City's Financial Sustainability Policy.

A number of mitigation strategies can be implemented to reduce the tax increase required to fund the financial plan and they are outlined below. These mitigation strategies have been developed to limit impacts to service delivery.

Mitigation Strategies Incorporated in the Draft Financial Plan

Reserve Contributions – Eliminate Planned Increase

As outlined in the 'Reserves and Debt' section above, the City has a number of reserves established for various purposes. The Financial Sustainability Policy provides for an annual \$500,000 increase in the transfer to infrastructure reserves funded by new property tax revenue from new development. Given the other funding needs this year, no increase in reserve savings has been incorporated for 2021. However, the reserve transfer levels remain the same as in 2020 to reduce the impact on capital funding needs and the infrastructure deficit. This is especially important taking into account the mitigation strategy outlined below in the 'Additional Mitigation Strategies' section to reallocate a portion of the property tax funding typically used for the capital budget to instead fund revenue shortfalls in the operating budget. However, it is equally important to note that even this is a 'stop-gap' measure and, if continued, over time would add to the infrastructure deficit.

Capital Budget – Focus on Essential Projects/Programs

Significant funding for asset maintenance and capital upgrades is included in both the operating and capital budgets; the majority is for existing assets and a smaller portion to expand or create new assets. It is important to ensure adequate investment in asset renewal to avoid creating deferred maintenance and increasing the infrastructure deficit. In addition, the expectation in the community is that City assets will be adequately maintained, which is fundamental to public health and safety, and also that assets are upgraded to meet evolving City policies and community need.

The draft capital plan balances the above considerations and provides an opportunity to reallocate a portion of property tax funding as outlined in the 'Additional Mitigation Strategies' section below.

Utilities – Eliminate Revenue Increases

The City's utilities are primarily funded by user fees, with a portion of the Stormwater Utility funded by property taxes. Both the operating and capital budgets are funded using a 'pay as you go' approach, meaning that current user fee revenues cover all costs. For 2021, it is possible to avoid a revenue budget increase and utilize reserve funding for a portion of the capital projects and this has been incorporated into the draft Financial Plan.

Additional Mitigation Strategies

Capital Budget Funding Reallocation – up to \$3 million

Approximately \$11.6 million of the capital budget is funded by property taxes. As outlined above, the draft capital budget has been focussed on essential projects for 2021 and planned increases for asset groups with known funding gaps, such as roads, have been deferred. Therefore, there is an opportunity to reallocate \$3 million of this property tax funding to the operating budget to mitigate the tax increase. The remaining funding is required to ensure that adequate asset upgrades take place in 2021.

Service Adjustments - \$3.9 million to \$5.1 million

A number of service adjustments have been explored with a view to minimize impacts to services.

1. Travel, Conference and Training – savings of up to \$350,000

As a result of the pandemic, many conferences and training courses have moved to online platforms providing lower cost options while still providing staff professional development opportunities.

2. Special Events – savings ranging from \$25,000 to \$590,000

Due to gathering size restrictions, some special events may not take place in 2021. As they are seasonal, the savings are linked to the length of the pandemic and would be higher the longer the restriction are in place.

3. Late Night Great Night – savings up to \$270,000

This program is also impacted by gathering size restrictions and activity downtown and may only be required for a portion of the year.

4. Vacancy Management – savings ranging from \$3 million to \$3.5 million

Each year, vacancies commonly arise as employees are promoted, take long term leaves, retire, or resign. In a typical year, the normal recruitment timelines for staffing vacancies can result in savings of at least \$1 million. Potentially significant additional cost savings can be achieved by implementing a vacancy management program which delays staffing of vacant positions other than those deemed critical for health and safety or related to operational priorities. A vacancy management program effectively spreads the resulting impact on workload more evenly across the organization. In addition, Council may wish to consider a further delay in staffing the new, vacant positions that were deferred in 2020 (Appendix F), which could result in additional savings of up to \$800,000. This would not remove the positions from the budget, but simply delays actioning them.

5. Eliminate Office Lease – savings \$70,000

The City currently rents office space and the lease expires in June 2021. Not renewing that lease would result in annual savings of approximately \$140,000; \$70,000 for 2021. In response to the COVID-19 pandemic, the City adopted new ways to deliver services supported by technology and introduced flexible work arrangements. There are opportunities to build on recent experience and shift away from traditional on-site work to realize the benefits of flexible work arrangements over the longer term, including increased employee engagement and retention, more efficient use of space, and reduced climate impact. Many public and private sector employers have adopted or are planning a similar approach, which over time may result in further costs savings and/or cost avoidance.

6. Re-open Victoria Conference Centre in April or later – savings of a minimum of \$300,000
The Victoria Conference Centre has been closed since March. Due to the public health orders restricting the size of gatherings, and the fact that conference business in many cases is booked years in advance, re-opening is anticipated in April 2021 or later. While the facility is closed, a virtual conference package is being offered which provides a revenue opportunity for the facility.

New Property Tax Revenue from New Development – estimated at \$500,000

This revenue has historically been used to offset cost increases, save in reserves or to fund new initiatives. The amount of new revenue for 2021 will be finalized in March 2021 but is estimated to be approximately \$1 million. As outlined earlier in this report, Council has already allocated \$491,000 for additional bylaw officers and \$7,500 for an annual grant to Bike to Work Society. Given the funding challenges as outlined in this report, it is recommended that any additional new assessment revenue be used to offset cost increases and revenue losses.

Grant from Province – to be announced

On July 22, 2020 the Province announced their plan to provide financial support to local governments. In the backgrounder document for their *Stronger BC for everyone* economic recovery plan released on September 17, 2020, a further summary outlined that this funding would be automatically allocated to municipalities based on an adjusted per-capita basis in 2021. This funding is to support local governments to continue to deliver the many services and programs members of the community rely on and can help offset lost revenues, additional costs and other COVID-related impacts. The amount Victoria will receive is currently unknown, although it is anticipated that it might be several million dollars.

Financial Stability Reserve

All of the above mitigation strategies are intended to help offset the estimated revenue shortfalls and cost increases. It is recommended that the Financial Stability Reserve be used as the contingency to offset any further unforeseen shortfalls that may arise during 2021.

New or Expanded Services

Staff recognize that Council may wish to enhance existing services and establish new services, specifically as outlined in the City's Strategic Plan and through additional resolutions passed throughout the year.

As noted within this report, staff have also identified some resource gaps that are resulting in service delivery challenges, and these supplementary requests are outlined in Appendix A.

The City's Financial Sustainability Policy provides guidance on funding new services or enhancements to existing services through a combination of:

1. A reduction in the cost of existing services. This may include a reallocation of resources from one area to another.
2. An increase in non-tax revenues.
3. A further increase in property taxes.

It is recommended that consideration of any new or enhanced services uses the funding principles in the Financial Sustainability Policy.

The following table outlines how the tax increase could be reduced by implementing the additional mitigation strategies:

	Low Range		High Range	
Cost Drivers				
Salaries and Benefits	\$	2,269,150	\$	2,269,150
New Assets - Operating Impacts		540,000		540,000
Insurance		280,000		280,000
Revenue Changes				
Parking		4,670,000		4,670,000
Victoria Conference Centre		2,000,000		2,000,000
City-Owned Property Leases		430,000		430,000
Business Licenses		300,000		300,000
Arena Ticket Surcharges		114,000		114,000
Payment In-lieu of Taxes		(240,000)		(240,000)
Other Changes		(143,219)		(143,219)
City Sub-Total	\$	10,219,931	\$	10,219,931
Police	\$	747,039	\$	747,039
Greater Victoria Public Library	\$	24,000	\$	24,000
Sub-total Before Mitigation Strategy	\$	10,990,970	\$	10,990,970
Mitigation Strategies				
Capital Budget Reallcoation of Funding		(3,000,000)		(3,000,000)
Service/Program Adjustments				
Reduce Travel, Conference and Training Budgets		(350,000)		(350,000)
Reduce Special Events Budgets		(25,000)		(590,000)
Reduce Late Night Great Night Budget		(135,000)		(270,000)
Vacancy Management		(3,000,000)		(3,500,000)
Eliminate Office Lease		(70,000)		(70,000)
Delay Re-opening of Victoria Conference Centre		(300,000)		(300,000)
Remaining New Property Tax Revenue from New Development		(500,000)		(500,000)
Grant from Province of BC *		(1,100,000)		-
Total Mitigation Strategies		(8,480,000)		(8,580,000)
Draft Property Tax Increase \$	\$	2,510,970	\$	2,410,970
Draft Property Tax Increase %		1.75%		1.68%

* It is anticipated that the provincial grant will be several million

Any funding received from the Province above what is needed to reduce the tax increase to Council's target of inflation plus 1% could be used to fund costs such as those outlined in the supplementary requests to mitigate impacts of sheltering.

Accessibility Impact Statement

Initiatives and projects within the Financial Plan support accessibility improvements.

Strategic Plan

The draft Financial Plan is aligned with the Strategic Plan and contains funding for many of the action items within the Strategic Plan. Appended to this report are funding requirements for additional Strategic Plan action items for Council's consideration during this year's financial planning process.

Impacts to Financial Plan

The 2021-2025 Financial Plan will replace the current year's plan.

Official Community Plan Consistency Statement

The many initiatives included within 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.

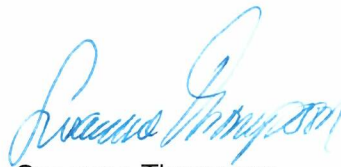
CONCLUSIONS

The financial planning process involves balancing needs and competing priorities. Council's review of the many services, programs and capital projects the City implements annually, together with input from the public will further shape the financial plan.

Respectfully submitted,



Jo-Ann O'Connor
Deputy Director of Finance



Susanne Thompson
Deputy City Manager and Chief Financial Officer

Report accepted and recommended by the City Manager:



Date: October 30, 2020

List of Attachments

- Appendix A – Supplementary Requests
- Appendix B – Strategic Plan Action Items Resource Requirement Assessment
- Appendix C – Financial Plan Motion Report Backs
- Appendix D – 2020 Deferred Initiatives
- Appendix E – Additional Grant Requests
- Appendix F – Deferred Positions
- Appendix G – Financial Sustainability Policy, Revenue and Tax Policy, Reserve Fund Policy