



## **Special Committee of the Whole Report**

### **For the Meeting of January 20, 2023**

---

**To:** Committee of the Whole **Date:** January 5, 2023  
**From:** Susanne Thompson, Deputy City Manager and Chief Financial Officer  
**Subject:** 2023-2027 Draft Financial Plan

---

### **RECOMMENDATION**

That Council receive this report for information and give further consideration upon conclusion of budget presentations and discussion.

### **EXECUTIVE SUMMARY**

The annual financial planning process is the opportunity for Council to establish the budgets and funding levels for all City services, programs, projects and initiatives. This process also determines the total property tax levy required to support the service delivery. Each year, as stewards of the City's assets, Council makes difficult decisions between competing priorities while considering taxpayers' ability to pay.

The draft Financial Plan is developed based on guiding documents such as financial policies, strategies, master plans, condition assessments, action plans, and previous Council direction. The draft plan provides for the continuation of services that have been established over time and includes resourcing to maintain current service levels. The budget also incorporates increases due to inflation, supply chain issues, increased labour costs due to inflation and labour shortages, and climate impacts. In addition, to avoid service level reductions, the draft plan proposes increases in some key areas where gaps in resourcing have been identified. The City is expecting to see partial recovery of the revenues that were significantly impacted by the COVID-19 pandemic (parking, conference centre and real estate leases), and these are partially offsetting the expected cost increases. The draft also proposes the continuation of a mitigation strategy implemented during the COVID-19 pandemic, specifically the expected salary savings due to recruitment challenges. It is anticipated that employee turnover due to retirements and resignations will continue, resulting in unspent salary budgets which can be used as an interim measure to reduce the overall tax increase.

The majority of the City's services are delivered by staff and provide the ongoing programs and services that the community relies on including recreation, road maintenance, the provision of clean water, land-use planning, solid waste collection, arts and culture programs, parks and playground maintenance, and public safety through the Fire Department, Bylaw Services and VicPD. It also includes resources to advance initiatives outlined in numerous plans such as the Climate Leadership Plan, the Victoria Housing Strategy, Create Victoria, and the City's economic action plan Victoria 3.0. The capital plan proposes sidewalk and crosswalk upgrades, cycling network implementation, rehabilitation of streets, park and playground improvements, facility lifecycle

renewals, and underground infrastructure upgrades for the City's water, sewer and stormwater systems. The 2022 capital budget includes projects that are underway but will not be completed before year-end and the funding for these projects will be carried forward to 2023. However, there are also several capital projects that have not yet been started (outlined on page 11); as these have not yet been initiated, Council could choose not to proceed with them.

Similar to most Canadian municipalities, property taxation is the largest source of revenue, financing most services provided by the City, followed by user fees. Further information on how the City's funding is generated is included on pages 4-6 of this report.

The 2019-2022 Strategic Plan included the direction of annual property tax increases of no more than inflation plus 1%. While Council has yet to provide direction for future years, staff used this previous direction as a guide in developing the draft Financial Plan for 2023. Inflation for Victoria has varied significantly during 2022, with a high of 8.4%, and is estimated to end up between seven and eight percent. The draft operating budget totals \$298.2 million which would require an 8.99% tax increase (5.84% for City, 3.09% for VicPD, and 0.06% for GVPL), and the draft capital budget totals \$65.4 million. The impact for an average household would be \$251 and for a typical business \$646.

As part of the financial planning process, it is expected that Council will provide further direction on the proposed budget, and staff can report back on options, trade-offs and implications of making changes, or provide additional information. Budget sessions will take place in January and February where staff will outline the budget and answer any questions Council may have. Upon conclusion of those discussions, staff will request direction from Council on the overall budget which will be used to develop the Financial Plan Bylaw. Staff will also request approval of direct-award grants and other grants as outlined in the body of this report.

## **PURPOSE**

The purpose of this report is to introduce the draft 2023-2027 Financial Plan for Council's review and discussion.

## **BACKGROUND**

### **Legislation**

The City's annual budget covers the City's fiscal year which is the calendar year. Therefore, the City typically aims to have an approved financial plan early each year so that staff can start delivering on the various programs and projects as approved by Council.

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 financial plan can be amended during the year, but property taxes can only be levied once.

### **Policies**

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

The Financial Sustainability Policy consists of 14 separate policies that guide financial plan development.

For example, the policies for tax increases and new services include the following:

#### Tax increases

- Policy 2: First cover cost increases for existing services, then other enhancements

#### New services

- Policy 3: Funding for new services
  - Reduction in cost of existing service (reallocation of funding)
  - Increased revenue other than taxes
  - Tax increase

These two policies support deliberate decision making to avoid unintended consequences. In other words, choosing to reduce a service to reallocate the funding to another service is encouraged rather than underfunding a service, which would result in a service level reduction due to insufficient funding.

Furthermore, the policies on infrastructure funding, debt and reserves aim to provide sustainable funding levels for ongoing capital programs and larger capital projects taking into consideration intergenerational equity and smoothing out the impact to taxpayers of larger investment needs in any given year. They include the following:

#### Infrastructure funding

- Policy 1: New tax revenue from new development, first \$500,000 to infrastructure reserves
- Policy 6: Consider a tax increase for increasing capital infrastructure investment annually

#### Debt

- Policy 8:
  - One-time capital projects (not ongoing programs)
  - Attempt to take on new debt only in years where other debt issues are retired (avoids tax increases related to new debt)
  - Internal borrowing through the City's Debt Reduction Reserve (lower interest than external borrowing)

In addition, the policy on fees and charges recommends annual reviews with consideration of a minimum increase equal to inflation, and the policy on surplus, which is not ongoing revenue, recommends that it be used for one-time expenditures only or transferred to infrastructure reserves.

#### Guiding Documents

The Financial Plan is the end result of a larger planning process. The draft Financial Plan is developed based on direction provided through the Strategic Plan, various master plans, frameworks, condition assessments, action plans and strategies. The priorities identified in each of these plans feed into the draft Financial Plan. Significant consultation with the public is also part of developing many of these plans.

<b>TRANSPORTATION</b> <ul style="list-style-type: none"> <li>• Crosswalk Ranking</li> <li>• Bicycle Master Plan</li> <li>• Pedestrian Master Plans</li> <li>• Pavement Asset Management Plan</li> <li>• Greenways Plan</li> <li>• Harbour Pathway Plan</li> </ul>	<b>PARKS, RECREATION, ARTS AND CULTURE</b> <ul style="list-style-type: none"> <li>• Parks &amp; Open Spaces Master Plan</li> <li>• Parks asset condition assessment</li> <li>• Urban Forest Master Plan</li> <li>• Create Victoria</li> <li>• Victoria Music Strategy</li> </ul>	<b>NEIGHBOURHOODS</b> <ul style="list-style-type: none"> <li>• Local Area Plans</li> <li>• Downtown Core Area Plan</li> </ul>	<b>CITY-WIDE</b> <ul style="list-style-type: none"> <li>• Official Community Plan</li> <li>• Climate Leadership Plan</li> <li>• Accessibility Framework</li> <li>• Equity Framework</li> <li>• Transgender, Non-Binary and Two-Spirit Inclusion Plan</li> <li>• Victoria 3.0</li> </ul>
<b>UNDERGROUND</b> <ul style="list-style-type: none"> <li>• Sewer System Master Plan</li> <li>• Water System Master Plan</li> <li>• Stormwater Master Plan</li> </ul>	<b>PUBLIC SPACE</b> <ul style="list-style-type: none"> <li>• Wayfinding Strategy</li> <li>• Public Realm Plan</li> <li>• Surface Infrastructure Asset Management Plan</li> </ul>	<b>FACILITIES</b> <ul style="list-style-type: none"> <li>• Facilities Condition Assessment</li> </ul>	

## **Financial Plan Overview**

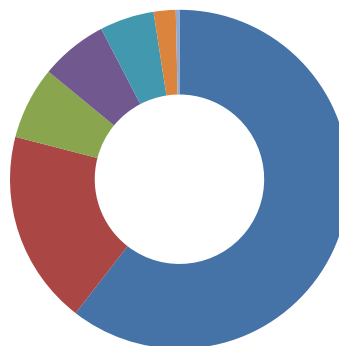
The Financial Plan includes a five-year operating budget and a twenty-year capital plan. The plan outlines high-level overviews of the various services, programs, projects and initiatives and the associated budgets.

### **Operating Budget**

The majority of the City's funding comes from property taxes and utility user fees from the water, sewer, solid waste and stormwater programs. The City has some additional revenue sources, including from parking, construction permit fees, recreation, Victoria Conference Centre, business licences and property leases. The COVID-19 pandemic significantly impacted some of these revenues and while substantial recovery is expected, pre-pandemic revenue levels are not anticipated to be reached yet for some.

### **Consolidated Revenue by Type 2023 Draft Budget**

- Taxation - 61%
- User Fees and Charges - 19%
- Parking Fees and Fines - 7%
- Other Income - 6%
- Cost Recovery - 5%
- Grants - 2%
- Reserves - <1%

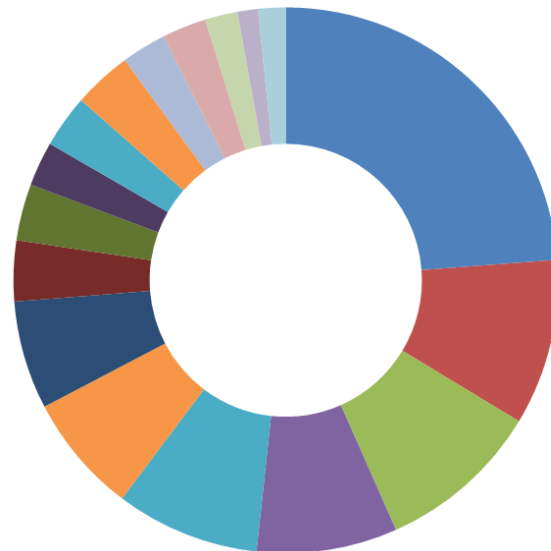
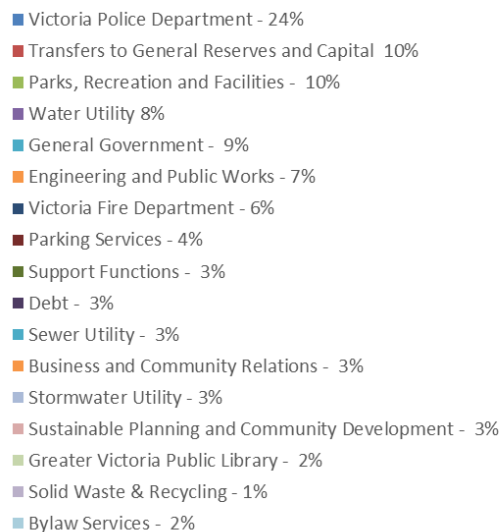


How each service is funded ranges from full funding from user fees (water, sewer and solid waste utilities; development approval and permit processes; short-term rental regulations; and parking

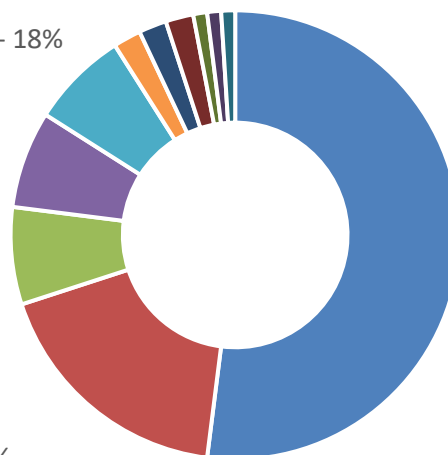
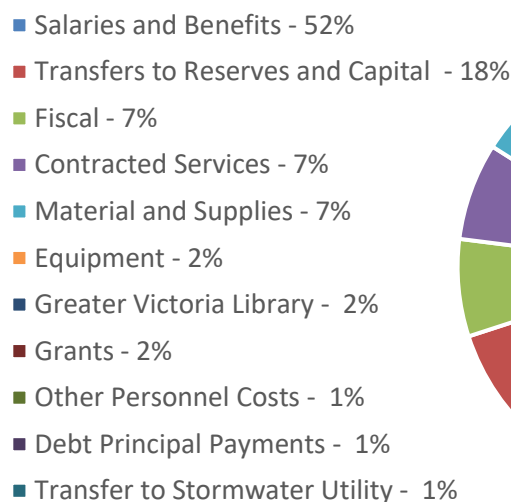
services), and partial funding from user fees (stormwater utility, Victoria Conference Centre, and recreation) to fully funded by property taxes (police, fire bylaw and most corporate support functions.)

The majority of the City's services are delivered by staff and, therefore, the largest cost type is salaries and benefits, followed by transfers to reserves and capital budget, contracted services, and materials and supplies.

### Operating Expenditures by Function 2023 Draft Budget



### Operating Expenditures by Type 2023 Draft Budget



### Capital Budget

The capital budget includes the various programs and projects to upgrade and rehabilitate the City's infrastructure. Funding for the capital budget includes user fees (water, sewer and stormwater infrastructure), grants received for specific projects, property taxes and reserves. Reserve funding is primarily generated through grants (Canada Community-Building Fund), development cost charges, user fees and property taxes. 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.

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.

The majority of the City's infrastructure investment is guided by asset master plans and condition assessments which 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 recent 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.

## 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. The City has a team-based approach to service delivery and multiple departments are involved to achieve results. For the capital budget, funding is allocated to all asset groups and, as asset management information is updated, proposed budget increases are typically implemented incrementally over time recognizing taxpayers' ability to pay balanced with the responsibility to appropriately steward the City's assets.

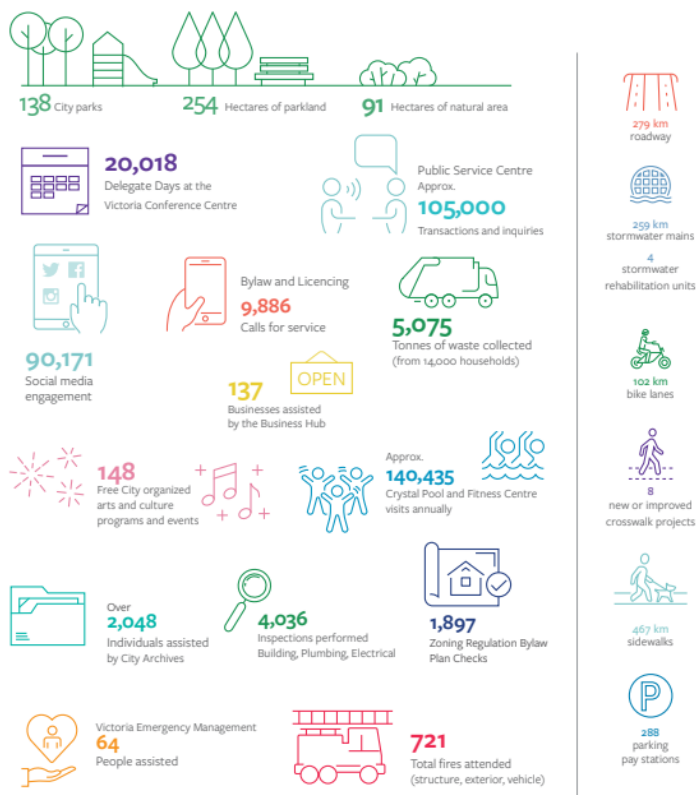
### Operating Budget

#### Overview

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

## Highlights of City Services

### Maintain:



The draft plan maintains services at current services levels. No automatic inflationary increases are included in the budget and departments justify each increase they request. This year's financial plan is significantly impacted by numerous challenges. Inflation is adding substantial cost pressures, and supply chain challenges are resulting in escalating costs due to market pressures and delays to getting materials and supplies. The City is also facing increased labour costs due to inflation and low unemployment, resulting in increased competition for talent. Climate change impacts are affecting the plan due to increased extreme weather events (heat, cold, wind, flooding), and the City also has corporate plans to achieve emission reduction targets. Finally, new regulations and standards are coming into effect resulting in additional requirements for the City.

For 2023, the main cost drivers are salary increases, insurance, fleet costs, software licencing, security, and costs related to new asset maintenance, partially offset by revenue increases. Parking revenues have rebounded and are expected to achieve pre-pandemic levels for 2023, and Victoria Conference Centre revenues are improving. Permit revenues related to development and construction have also been increased to reflect actual experience over the last 7 years; in addition, these revenues are augmented through a transfer from a reserve specific for this purpose if they don't achieve the expected levels for 2023. Furthermore, while front-line positions have been increased over the last number of years, positions in other departments that support overall operations have lagged behind. Therefore, several key positions have been incorporated into the draft in an effort to bridge that gap. To mitigate these pressures, and in recognition that employee turnover due retirements and resignations will continue, it is proposed to use the expected salary savings to reduce the property tax increase.

The draft plan results in a tax increase of 8.99%, which is within the range of estimated inflation plus 1% (8-9%.) The impact would be \$251 for an average household and \$646 for a typical business.

#### Utilities

To enable rates to be in effect on January 1, 2023, Council considered and approved the rate increases required to fund the City's utilities in December. The report that outlined the proposed budget and rate changes is attached as Appendix B.

#### Greater Victoria Public Library (GVPL)

The City's share of the GVPL's operating and facility maintenance budget request, and the City's lease and building costs for its branches is \$5.76 million, which is an increase of approximately \$84,400 and equates to a tax increase of 0.06%. Details of the Library Board's budget request is attached as Appendix C.

#### Victoria and Esquimalt Police Board

The VicPD 2023 provisional budget was approved by the Police Board on September 20, 2022 and the City's draft Financial Plan includes the City's share of the core budget request which equates to a property tax increase of \$4.8 million. In 2022, Esquimalt Council disputed the budget for seven additional positions as well as an increase for overtime under section 27 of the *Police Act*. The Director of Police Services directed that the positions and the overtime be included and the 2023 budget reflects this decision. In addition, the Board is requesting an additional seven positions; these have not been included in the City's draft Financial Plan and would require additional funding of \$747,250 of which the City's 86.33% share would be \$645,100; this equates to a 0.42% additional tax increase. The joint meeting with the Board and Victoria and Esquimalt councils is scheduled for January 17, 2023. Details of the Board's budget request is attached as Appendix D.



In addition to the supplemental resource requests from VicPD, the department also supports Bylaw Services with two dedicated officers as approved by Council last year. Bylaw Services has reviewed the level of support needed and are requesting an additional \$202,000 for two special duty officers to ensure coverage each day.

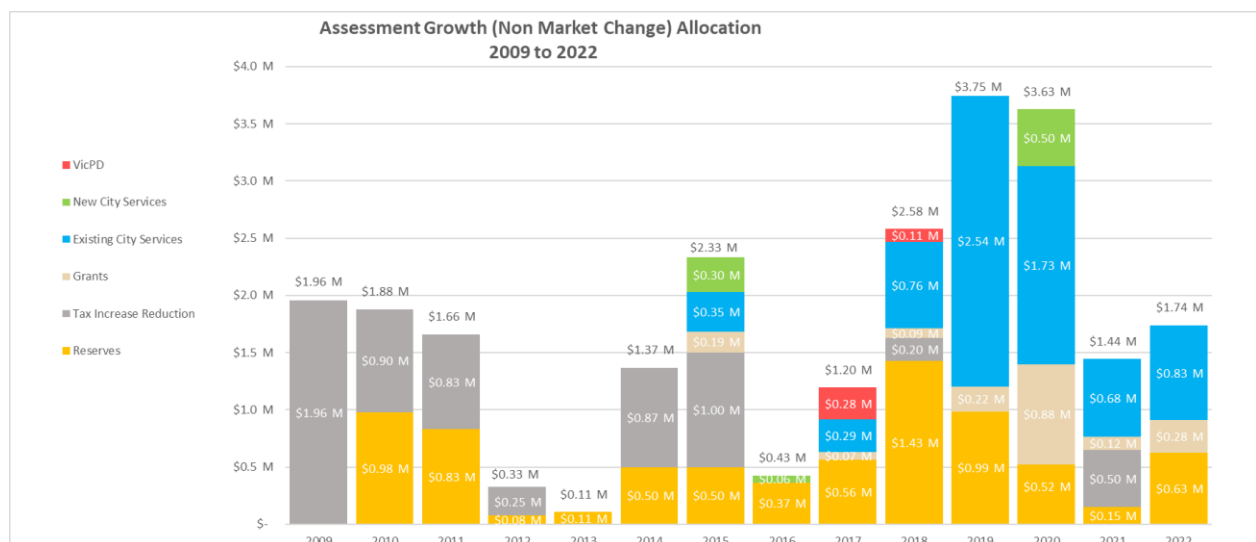
### New Property Tax Revenue from New Development (Non-Market Change/NMC)

As per the Financial Sustainability Policy, the first \$500,000 of new property tax revenue resulting from new construction is transferred to reserve.

For the 2023 Financial Plan, as part of the 2022 financial planning process, Council approved allocating approximately \$560,000 to fund 4 additional positions for VicPD (3 were funded from 2022 NMC); these positions were the ones under dispute by Esquimalt Council. In addition, Council approved additional funding for school crossing guards (approximately \$90,000) and directed allocating \$200,000 for the continuation of the reconciliation grant to the Songhees and Esquimalt Nations and these amounts has been incorporated. Therefore, the total allocation within the draft plan is approximately \$1.35 million.

Based on current estimates for this new revenue, based on information provided by BC Assessment, the City can expect to receive approximately \$1.4 million, which would cover the above allocations. However, this is based on incomplete information and this amount will likely change. The final amount will not be known until the end of March when BC Assessment has finalized the assessment roll for the year. It is recommended that any remaining amount in addition to what has already been allocated be transferred to the Buildings and Infrastructure Reserve.

Over the last decade, Council has allocated the majority of the new tax revenue for capital investment (savings in reserves) and reducing the annual tax increase (essentially offsetting inflationary increases for existing services) and, more recently, to fund new services as illustrated in the graph below:

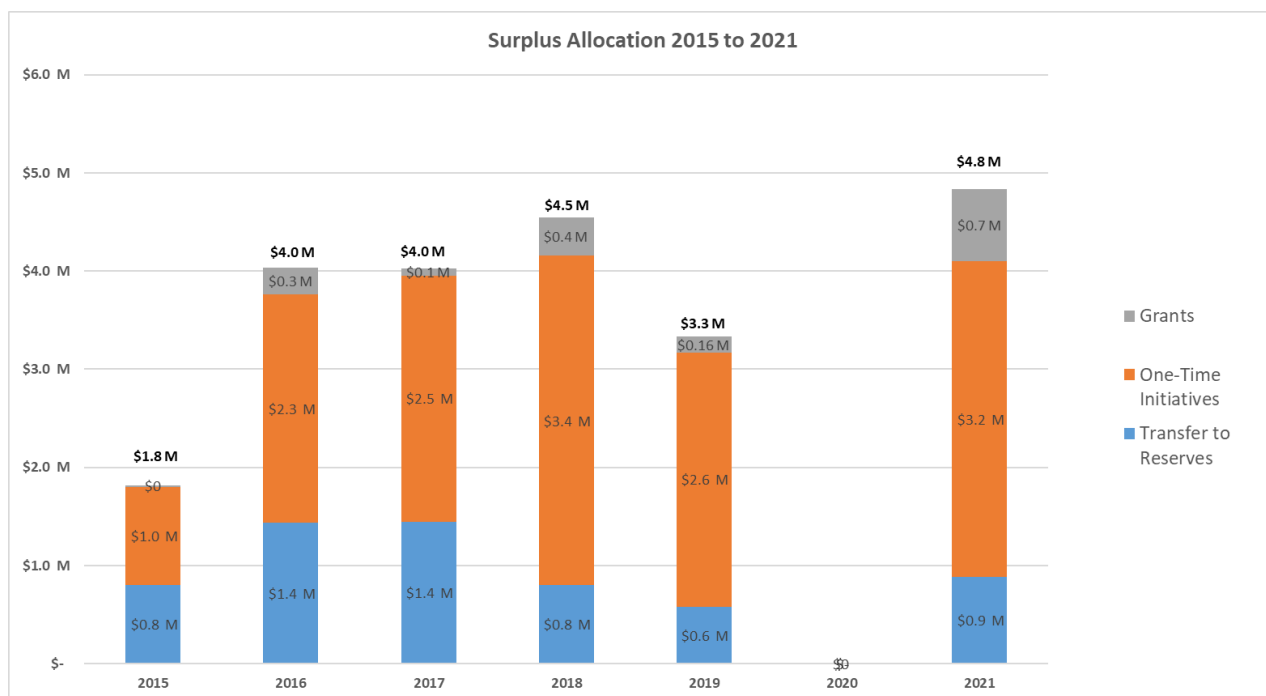


### 2022 Surplus

Surplus is created by revenues exceeding budget expectations or expenditures being below budget. As per the Financial Sustainability Policy, as surplus is not ongoing, it should only be used for one-time items or be transferred to infrastructure reserves. The City experienced many cost pressures in 2022 due to inflation, supply chain issues, and increased labour cost due to inflation and labour shortages. At this point, it is estimated that the surplus will be approximately \$1.5 million. This

amount has been built into the draft plan and is proposed to fund the program that mitigates against the impacts of overnight sheltering (\$1.358 million) and two temporary bylaw officers (approximately \$200,000) to address workload challenges. It is recommended that any remaining amount in addition to what has already been allocated be transferred to the Buildings and Infrastructure Reserve.

For historical reference, the following graph outlines the surplus allocation for the past several years:



### Five-Year Operating Budget

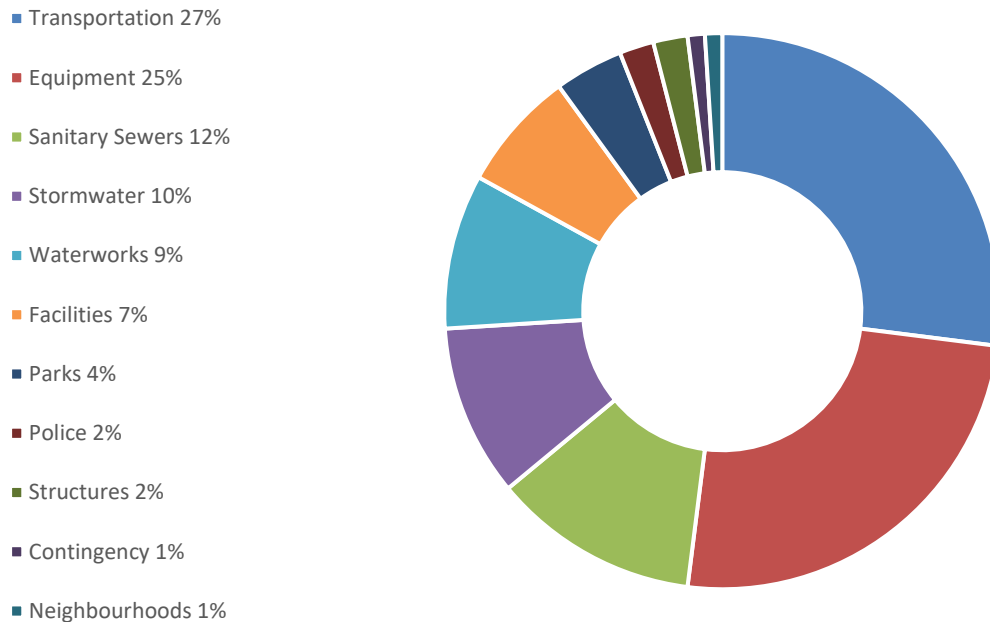
To develop the future years of the five-year operating budget a number of assumptions have been incorporated including: no changes to services or service levels; collective agreement increases (if in place); known cost increases, such as hydro, at already announced rates; and unknown cost increases (the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

### Capital Budget

#### Overview

The draft capital budget for 2023 totals \$65.4 million. The following chart outlines the proposed capital investment:

## Capital Expenditures by Category



The capital budget was developed based on the principle that all asset groups are allocated some funding. In addition, as outlined in the background section of this report, 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. Over the last several years, additional work has been undertaken to fill information gaps and this work continues.

The 2022 capital budget includes projects that are underway but will not be completed before year-end. The budgets for these projects will be added to the 2023 capital plan to reflect remaining amounts once year-end has been completed. The following projects which were approved in previous years have yet to be initiated and Council could choose not to implement them:

- Downtown playground
- Beacon Hill Park - Circulation and Accessibility Study
- Park Acquisition Strategy

### 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.

Where future year budgets are yet to be determined due to scoping work underway, the capital plan indicates “TBD” (to be determined).

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

## **Reserves and Debt**

Reserves are set up to save up funding for future investment with the intent of smoothing out the impact on taxpayers, especially in years where larger than typical investments are needed. The Reserve Fund Bylaw outlines the purposes and authorized uses for each reserve and the Reserve Fund Policy further details each reserve.

Minimum balances have been established for each reserve and the methodology for determining overall target balances vary depending on the type of reserve, and those balances are in some cases based on supporting asset master plans or acquisition strategies, if available. 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.

Some reserves, such as the Gas Tax Reserve and the Local Amenities Reserve, receive funding from external sources. Other reserves, such as the Financial Stability reserves, have target balances aligned with operating costs and are funded each year to ensure adherence to those targets. Several reserves, such as the Victoria Housing Reserve, the Climate Action Reserve and the Art in Public Places Reserve have guiding strategies/plans in place that set relevant targets and in turn guide investment levels. The methodology for determining the target balances for the City's two land acquisition reserves - Tax Sale Lands Reserve and Parks and Greenways Acquisition Reserve – is to base funding levels on acquisition strategies. Both these strategies are under development and will include funding options. Currently these two reserves receive funding through land sales.

Considering that determining sufficient funding levels for some capital reserves is dependent on strategies and asset master plan, some of which are not currently in place, the Financial Sustainability Policy provides direction for increasing funding to reserves, specifically using the first \$500,000 of new assessed revenue to increase transfers to infrastructure reserves. This policy recognizes that additional funding is required to provide the necessary funding for infrastructure renewal going forward.

Some reserves are restricted under the *Community Charter* (for example capital reserves, Tax Sale Lands reserve and Development Cost Charges reserves), others under agreement (for example all Police reserves and the Arena reserve), and others due to the funding source (for example utility reserves, Artificial Turf Field reserve and Recreation Facilities Reserve.)

Appendix E outlines the methodology for reserve target balances and any restrictions in place regarding Council's ability to reallocate funding.

The following table outlines the estimated uncommitted year-end reserve fund balances based on the assumption that all planned work for 2022 will be completed:

Description	Projected Balance at Dec 31, 2022	2023 Budget Transfers In	2023 Budget Transfers out & Committed	Projected Balance Dec 31, 2023
<b>Capital Reserves</b>				
<b>Equipment &amp; Infrastructure</b>				
<b>Police</b>				
Police Vehicles, Equipment & Infrastructure	1,143,689	1,526,000	1,480,000	1,189,689
Police Emergency Response Team	892,361	93,320		985,681
<b>City</b>				
City Equipment	7,251,783	957,580	4,580,000	3,629,363
City Vehicles & Heavy Equipment	8,039,865	1,500,000	8,298,000	1,241,865
City Buildings & Infrastructure	16,765,209	5,631,500	13,083,000	9,313,709
Accessibility Capital	1,347,828			1,347,828
Parking Services Equipment and Infrastructure	20,617,886	3,550,000	1,025,000	23,142,886
Multipurpose Equipment and Infrastructure	1,179,501	172,120	350,000	1,001,621
Recreation Facilities Equipment and Infrastructure	1,257,334	62,300		1,319,634
Archives Equipment	33,497			33,497
Artificial Turf Field	269,169	150,000		419,169
Gas Tax	406	3,998,000	3,998,000	406
Water Utility Equipment and Infrastructure	32,894,679	1,770,000		34,664,679
Sewer Utility Equipment and Infrastructure	25,941,616	400,000	51,000	26,290,616
Stormwater Utility Equipment and Infrastructure	4,163,135	100,000	441,000	3,822,135
Tax Sale Lands Fund	7,511,598	50,000		7,561,598
Parks and Greenways Acquisition Fund	2,058,506			2,058,506
Tree Conservation	838,698			838,698
Local Amenities Reserve	614,292		330,000	284,292
Development Cost Charges	13,593,785		1,599,000	11,994,785
Downtown Core Area Public Realm Improvements	245,928			245,928
<b>Total Capital Reserves</b>	<b>146,660,766</b>	<b>19,960,820</b>	<b>35,235,000</b>	<b>131,386,586</b>
<b>Operating Reserves</b>				
<b>Financial Stability Reserves</b>				
City	14,967,938	240,000		15,207,938
Police	1,938,806			1,938,806
Debt Reduction	21,801,188	3,161,560		24,962,748
Insurance Claims	4,230,529			4,230,529
Water Utility	944,875			944,875
Sewer Utility	860,471			860,471
Stormwater Utility	942,533			942,533
Victoria Housing Reserve	4,529,651	660,000		5,189,651
Climate Action Reserve	1,479,137	223,960		1,703,097
Art in Public Places	896,028	150,000		1,046,028
Development Stabilization Reserve	14,718,402			14,718,402
Parks Furnishing Dedication Program	33,823	32,500	32,000	34,323
<b>Total Operating Reserves</b>	<b>67,343,379</b>	<b>4,468,020</b>	<b>32,000</b>	<b>71,779,399</b>
<b>Total City Reserves</b>	<b>214,004,146</b>	<b>24,428,840</b>	<b>35,267,000</b>	<b>203,165,986</b>

The City currently has approximately \$56.3 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 \$3.1 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. 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	Principal & Interest
<b>Non-Self Financing Areas</b>			
2024	105	Crystal Gardens	249,198
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
<b>Total</b>			<b>\$ 4,693,937</b>
<b>Self Financing Areas</b>			
2023	103	Parkades	\$ 137,594
2024	105	Parkades	130,394
2025	110	Parkades	345,704
<b>Total</b>			<b>\$ 613,692</b>

## **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 number of 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.

The proposed funding for the direct-award grants and one-time grants is as follows:

Organization	Grant Amount
Aboriginal Coalition to End Homelessness	\$100,000
Capital Bike	\$10,500
Greater Victoria Coalition to End Homelessness	\$100,000
Greater Victoria Crossing Guards Association	\$90,240
Pro Art Alliance of Greater Victoria	\$10,000
Restorative Justice Victoria	\$34,120
Songhees and Esquimalt Nations	\$200,000
South Island Prosperity Partnership	\$230,050
Theatre SKAM	\$20,000
Vancouver Island South Film & Media Commission	\$45,000
Victoria Urban Food Table	\$6,000
<b>Total</b>	<b><u>\$845,910</u></b>

Organization	Type of Grant	2022 Final Budget	2023 Draft	
			Budget	Change
Victoria Civic Heritage Trust	Building Incentive	\$ 920,000	\$ 950,000	\$ 30,000
Victoria Civic Heritage Trust	Operating	121,230	123,650	2,420
Victoria Heritage Foundation	Operating	257,790	264,240	6,450
Victoria Youth Council	Operating	26,000	26,000	0
Quadra Village Community Centre	Operating	78,020	82,700	4,680
Quadra Village Community Centre	Youth Programming	9,230	9,780	550
Quadra Village Community Centre	Lease Grant	44,060	44,060	0
Fernwood Community Centre	Operating	78,020	82,700	4,680
Fernwood Community Centre	Youth Programming	9,230	9,780	550
Vic West Community Association	Operating	78,020	82,700	4,680
Vic West Community Association	Youth Programming	9,230	9,780	550
Vic West Community Association	Facility (janitorial)	37,370	39,610	2,240
Fairfield Community Place	Operating	78,020	82,700	4,680
Fairfield Community Place	Youth Programming	9,230	9,780	550
Fairfield Community Place	Facility (janitorial, recycling)	49,630	52,610	2,980
Fairfield Community Place	Youth Outreach	15,000	15,000	0
Cook Street Village Activity Centre	Operating	78,020	82,700	4,680
Cook Street Village Activity Centre	Facility (strata fees)	24,310	25,770	1,460
Victoria Silver Threads	Operating	78,020	82,700	4,680
Victoria Silver Threads	Facility (lease)	122,390	122,390	0
Burnside Gorge Community Centre	Operating	78,020	82,700	4,680
Burnside Gorge Community Centre	Youth Programming	9,230	9,780	550
Burnside Gorge Community Centre	Youth Outreach	10,000	10,000	0
James Bay Community School Centre	Operating	78,020	82,700	4,680
James Bay Community School Centre	Youth Programming	9,230	9,780	550
James Bay Community School Centre	Facility (janitorial, recycling)	52,880	56,050	3,170
James Bay New Horizons	Operating	78,020	82,700	4,680
James Bay New Horizons	Facility (janitorial)	29,380	31,140	1,760
Oaklands Community Centre	Operating	78,020	82,700	4,680
Oaklands Community Centre	Youth Programming	9,230	9,780	550
Oaklands Community Centre	Facility (janitorial)	18,140	19,230	1,090
Cool Aid Downtown Community Centre	Operating	78,020	82,700	4,680
Seniors Outreach	Operating	30,000	30,000	0
Victoria Community Association Network	Operating	950	1,010	60
Neighbourhood Associations	Liability Insurance	6,000	6,000	0
Neighbourhood Associations	Volunteer Insurance	7,500	7,500	0
Blanshard (Hillside Quadra)	Per capita base (1.20 times population)	10,020	10,620	600
Burnside/Gorge	Per capita base (1.20 times population)	8,550	9,060	510
Downtown (incl Harris Green)	Per capita base (1.60 times population)	10,040	10,640	600
Downtown (incl Harris Green)	Neighbourhood Association Coordinator Grant	20,000	20,000	0
Fairfield Gonzales	Per capita base (1.20 times population)	21,960	23,270	1,310
Fernwood	Per capita base (1.20 times population)	12,990	13,770	780
James Bay	Per capita base (1.20 times population)	15,930	16,890	960
James Bay	Neighbourhood Association Coordinator Grant	20,000	20,000	0
North Jubilee	Per capita base (1.60 times population)	5,630	5,970	340
North Jubilee	Neighbourhood Association Coordinator Grant	10,000	10,000	0
North Park	Per capita base (1.60 times population)	6,300	6,680	380
North Park	Neighbourhood Association Coordinator Grant	20,000	20,000	0
Oaklands	Per capita base (1.20 times population)	9,420	9,990	570
Rockland	Per capita base (1.60 times population)	6,460	6,850	390
Rockland	Neighbourhood Association Coordinator Grant	20,000	20,000	0
South Jubilee	Per capita base (1.60 times population)	4,030	4,270	240
South Jubilee	Neighbourhood Association Coordinator Grant	10,000	10,000	0
Vic West	Per capita base (1.20 times population)	10,160	10,770	610
<b>Total</b>		<b>\$ 2,916,950</b>	<b>\$ 3,031,200</b>	<b>\$ 114,250</b>

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

## **Timeline**

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

<b>Dates</b>	<b>Task</b>
<b>January and February 2023</b>	Budget presentation and discussion
<b>TBD</b>	Consultation
<b>April 2023 Committee of the Whole</b>	Final report on Financial Plan including incorporated changes and BCA non-market change data; report on tax rates
<b>April 2023 Council</b>	First, second and third readings of Financial Plan bylaw; first, second and third readings of tax bylaw
<b>April 2023 Council</b>	Adoption of Financial Plan bylaw and tax bylaw

## **OPTIONS & IMPACTS**

### *Accessibility Impact Statement*

Initiatives and projects within the Financial Plan support accessibility improvements.

### *Strategic Plan*

The Strategic Plan, once developed, will inform the Financial Plan.

### *Impacts to Financial Plan*

The 2023-2027 Financial Plan will replace last 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 City provides numerous programs and services the community relies on. The financial planning process is Council's opportunity to allocate funding to the City's various programs, services, projects and initiatives. Each year, Council is faced with making challenging decisions to balance competing needs and priorities.

Respectfully submitted,

Susanne Thompson  
Deputy City Manager and CFO

**Report accepted and recommended by the City Manager**



**List of Attachments**

Appendix A - Financial Sustainability Policy; Reserve Fund Policy; and Revenue and Tax Policy

Appendix B – 2023 Utilities Budget and Rates Report dated November 24, 2022

Appendix C – Greater Victoria Public Library Budget Request

Appendix D – Victoria Esquimalt Police Board Budget Request

Appendix E – Summary of Reserve Fund Restrictions