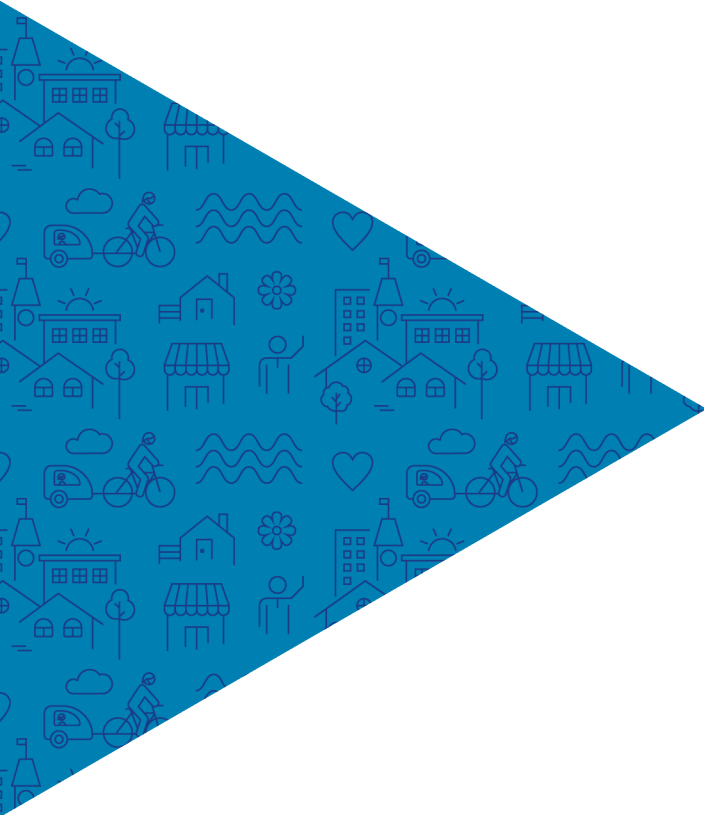


2023

CITY OF VICTORIA

# 2024 - 2028 Draft Financial Plan



# Overview

- Guidance and Direction
- Background and Context
- Asset Management and Infrastructure Investment
- Proposed Funding Strategy

# Financial Planning Guidance and Direction

## Public Input/Consultation



## Strategies and Plans



**Examples:** Strategic Plan, Official Community Plan, Climate Leadership Plan, Neighbourhood Plans, Urban Forest Master Plan, Parks and Open Spaces Master Plan, GoVictoria Mobility Strategy, Accessibility Framework, asset master plans and condition assessments



Financial  
Policies



Financial  
Plan

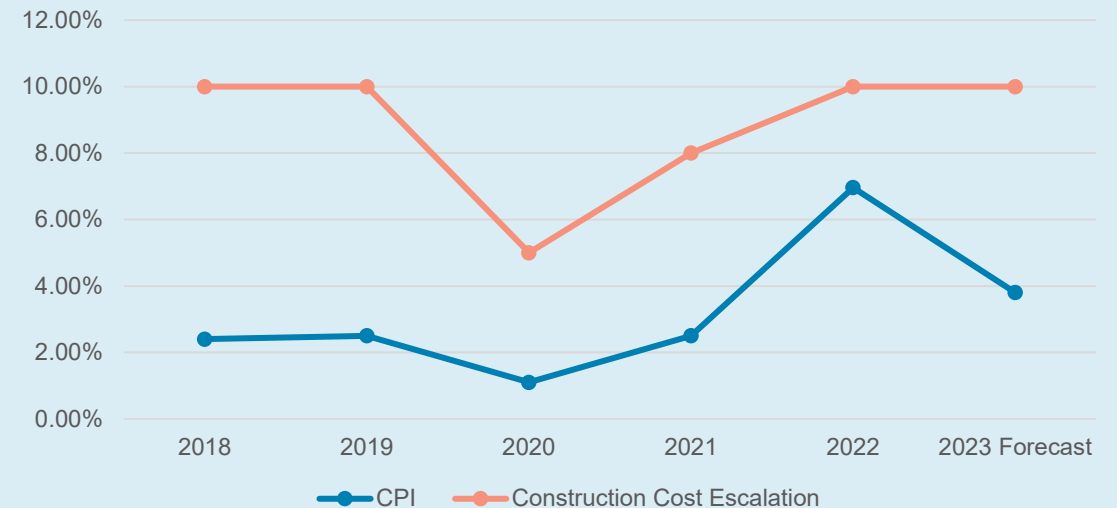


Council  
Motions

# Background and Context

- Like many municipalities in region and Province, cost pressures include:
  - Inflation and supply chain challenges
  - Construction cost escalation has totaled almost 55% for the past six years.
  - Climate events negatively impacting asset condition, necessitating earlier than planned renewal
  - Legislative and regulatory changes

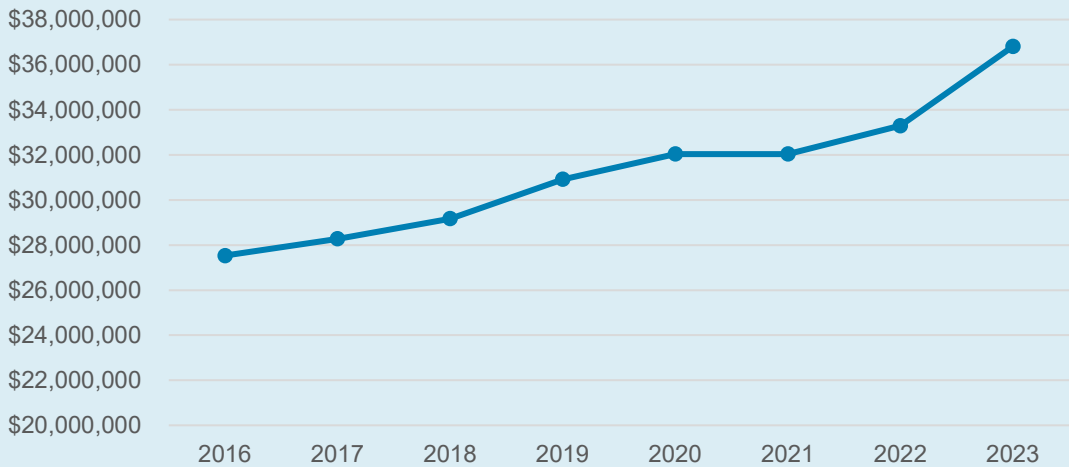
**CPI vs Construction Cost Escalation**



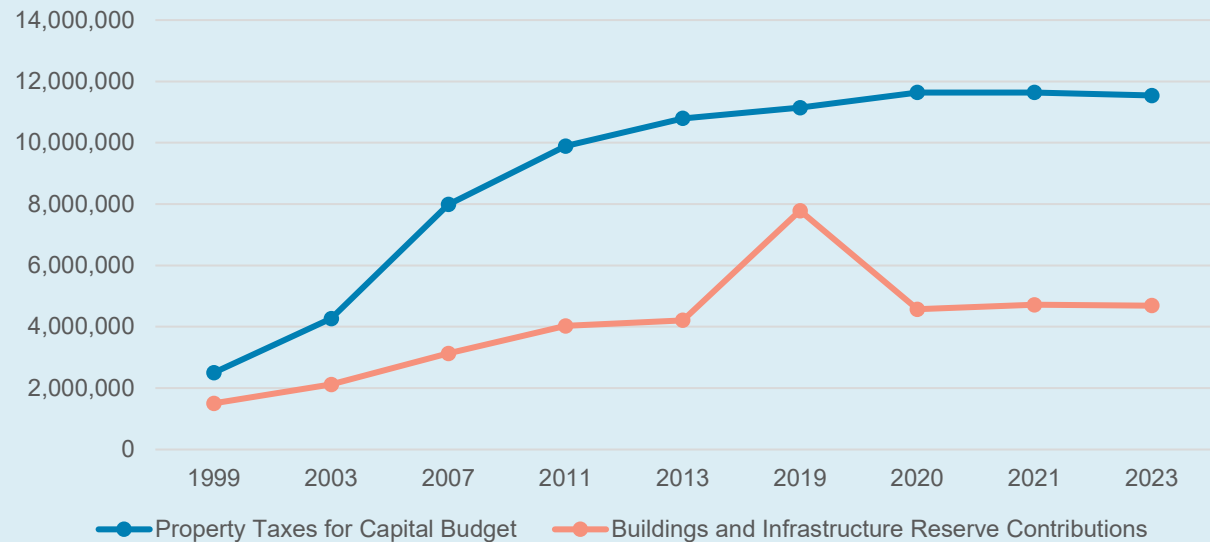
# Background and Context

- As asset management practices evolve, longer term picture of capital investment needs identified
- City has increased funding over time, to smooth impact to ratepayers

Utility Revenue 2016-2023



Capital Funding Changes 1999-2023

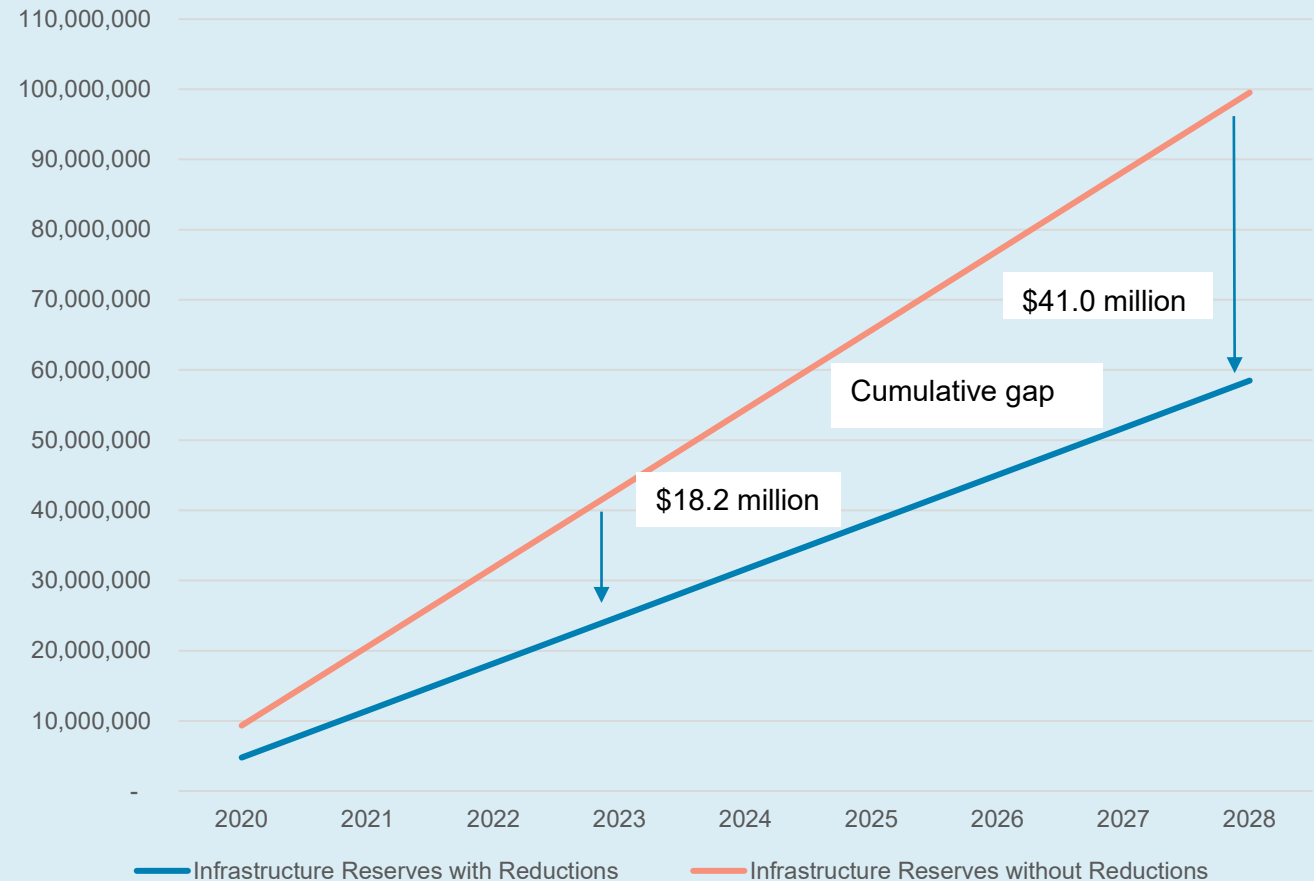


# Background and Context

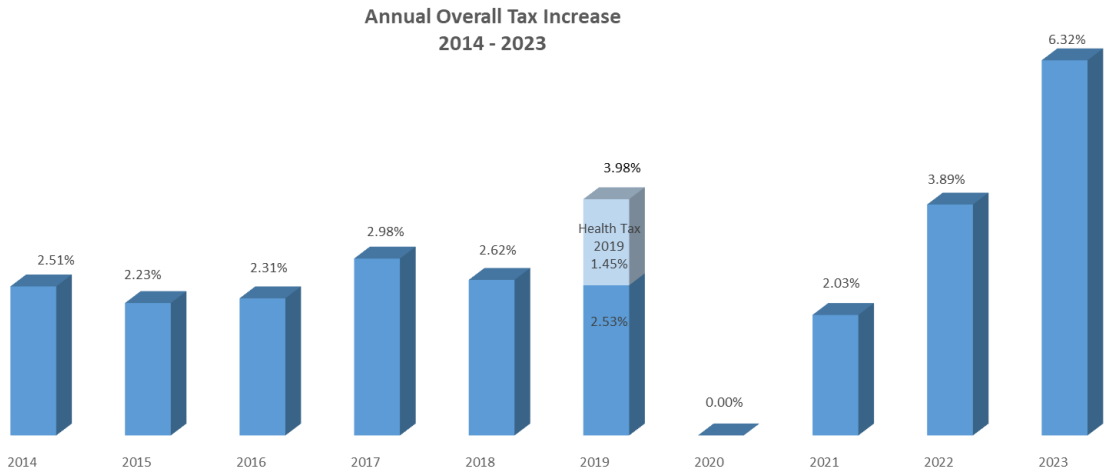
Impacts of historical funding decisions:

- Reserves are typically used to smooth tax increases needed for capital, however usage has exceeded contributions in recent years:
  - Multi-modal Corridor Improvements, Topaz Park Improvements, Dallas Road Seawall Ballustrade, Point Ellice Bridge life extension, Green Fleet Plan Implementation, property purchase at 926-930 Pandora
- Reduction in transfers to reserves in 2020 to achieve 0% tax increase; \$4.6 million ongoing reduction. Result - reserve levels are almost \$20 million less today.

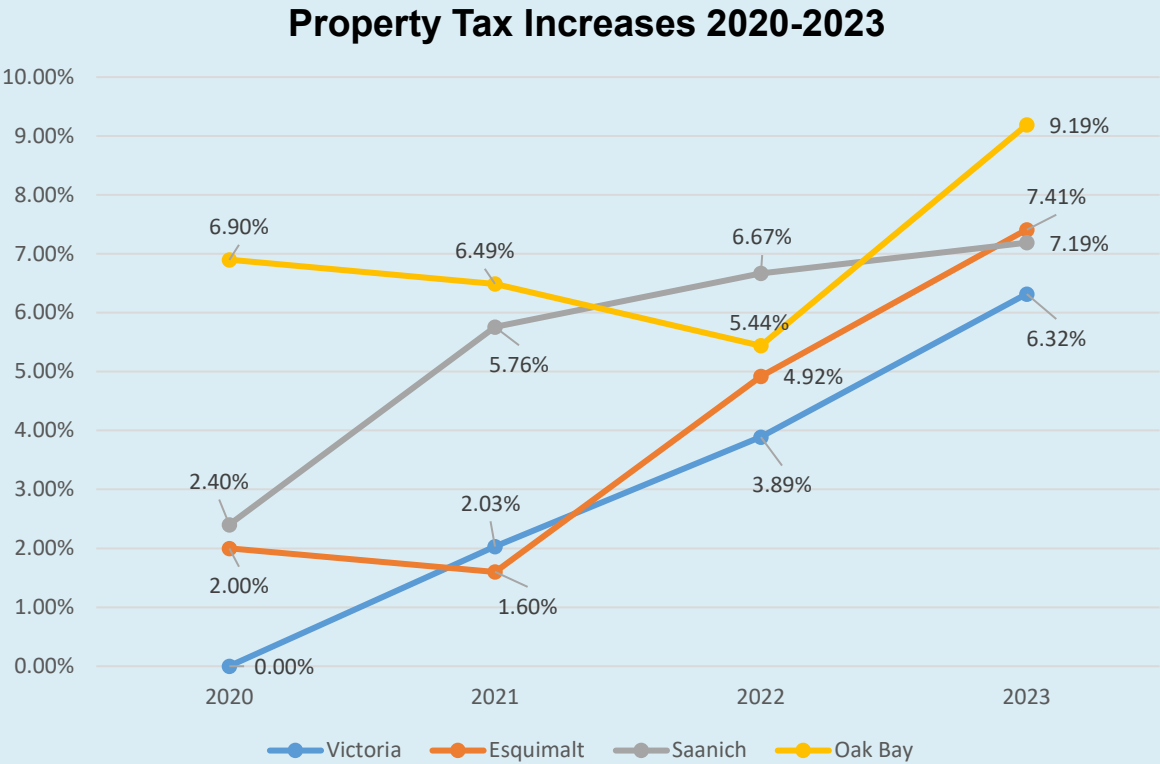
**Cumulative Impact to Infrastructure Reserves of Annual Funding Reduction**



# Background and Context



Historical tax increase lower than construction cost escalation



# Background and Context

Proposed Capital Plan uses majority of funding in general purpose capital reserves, but additional funding is needed

	<b>Projected Balance Dec 31, 2024</b>	<b>Projected Balance Dec 31, 2025</b>	<b>Projected Balance Dec 31, 2026</b>	<b>Projected Balance Dec 31, 2027</b>	<b>Projected Balance Dec 31, 2028</b>
<b>General Purpose Capital Reserves</b>					
Equipment	1,726,574	905,574	143,574	364,574	571,574
Vehicles & Heavy Equipment	1,538,557	1,138,557	1,138,557	701,557	1,348,557
Buildings & Infrastructure	5,395,905	2,513,965	6,371,025	5,167,355	4,753,275
Canada Community-Building (Gas Tax)	<u>1,940,088</u>	<u>1,499,088</u>	<u>1,264,088</u>	<u>3,657,088</u>	<u>7,472,088</u>
	<u>10,601,124</u>	<u>6,057,184</u>	<u>8,917,244</u>	<u>9,890,574</u>	<u>14,145,494</u>



# Strengthening Our City: The Path of Progressive Asset Management

## Our Future Through Informed Stewardship

1. Introduction to Asset Management
2. Master Planning
3. Asset Highlights:
  - Roads
  - Underground Utilities
  - Retaining Walls
4. The Contrast and the Journey
5. Moving Forward Together



# Introduction to Asset Management

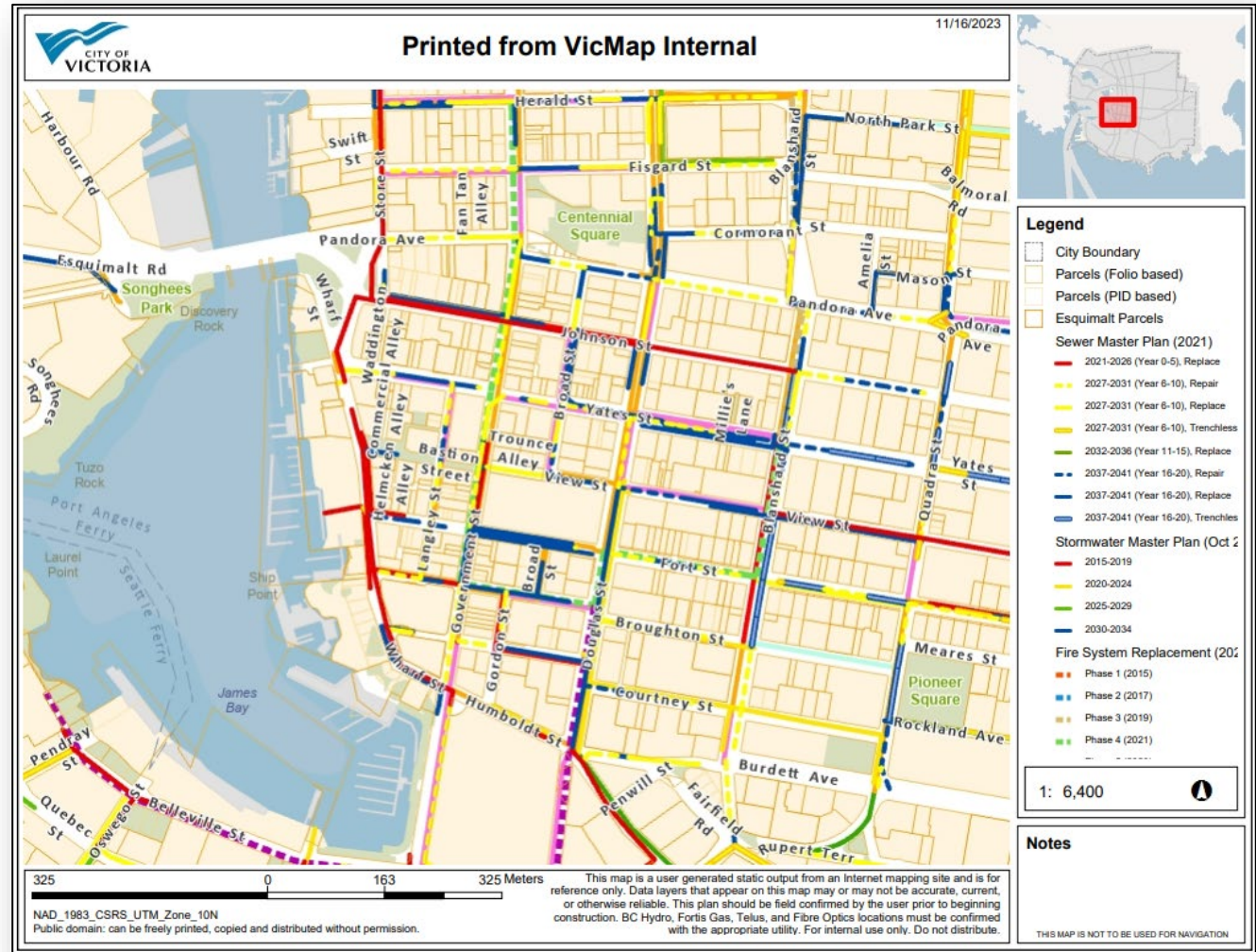
- Sustainable Service Delivery
  - Community service needs
  - Social, economic and environmental responsibility
  - Care for infrastructure
- Asset Management
  - Trade-offs between available resources and desired services



*\*Source: Asset Management BC*

# Master Planning

- Long-term guidance
- Flexible, living documents
- Based on data, models, deficiency & gap analysis, risk prioritization





# Asset Highlights

- City's diverse assets include:
  - Parks and natural assets
  - Underground utilities
  - Transportation network
  - Facilities

## Asset Highlights:

- Roads
- Underground utilities
- Retaining walls



*\*Image source: City of Vancouver*

# Roads

## Asset Risk



Anticipated over next 10 or 20 years

Major Roads **MEDIUM**

Minor Roads **HIGH**

Traffic Signal **MEDIUM**

## Asset Financial Health



Availability of funds for higher risk assets' replacement cost

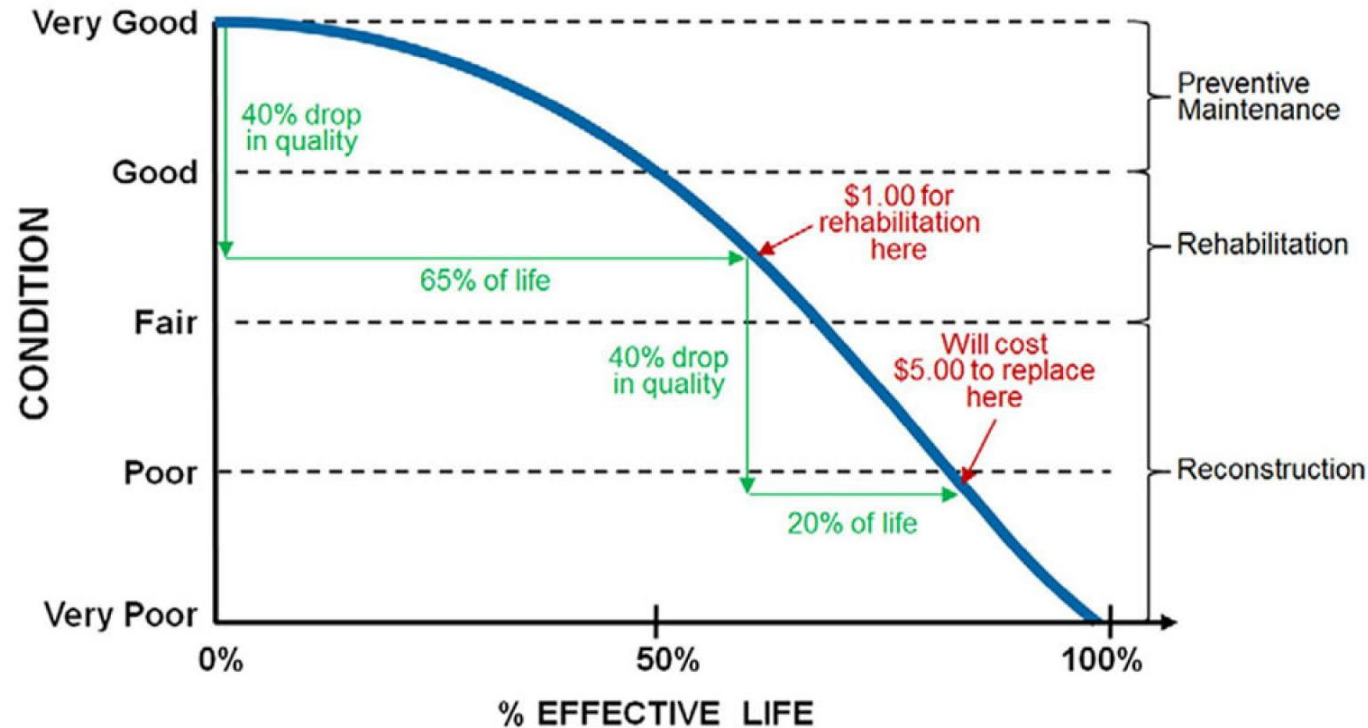
Major Roads **PARTIALLY FUNDED**

Local Roads **UNDER-FUNDED**

Traffic Signals **PARTIALLY FUNDED**

# Roads Fail Predictably

Figure 2.4-1 Typical Asset Decay Curve

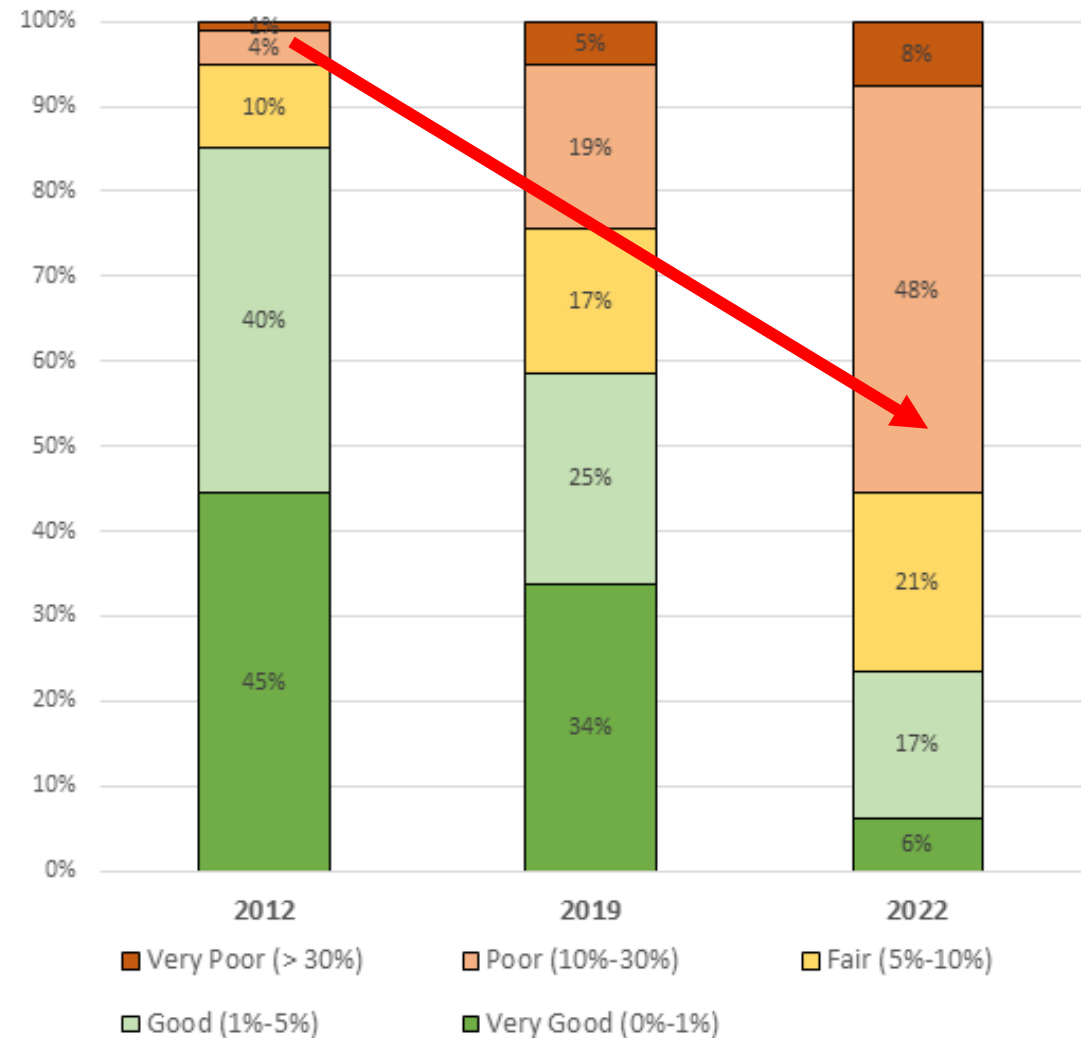


SOURCE: TRANSPORTATION ASSET MANAGEMENT PLAN (DECEMBER 2015)

Streets (and other assets) become exponentially more expensive to fix as condition decreases

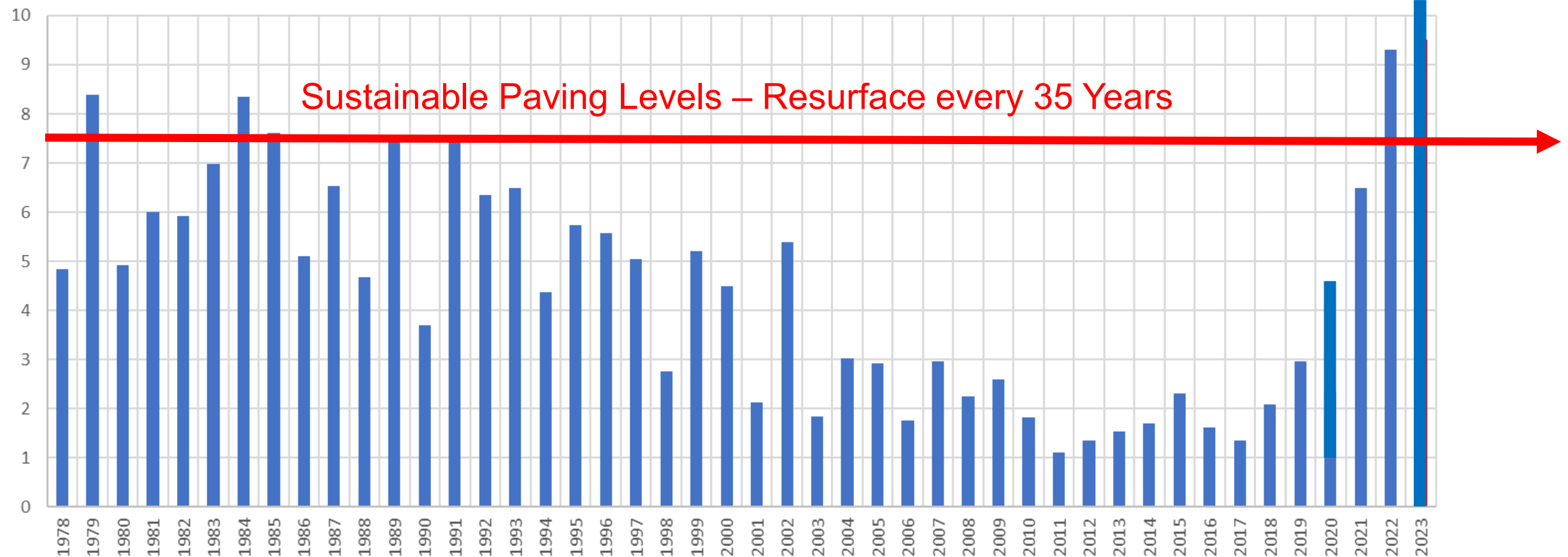
# Decline in Road Condition

- Roads are failing due to underinvestment and poor maintenance over the past 30 years
- Roads are not resilient to increasing snow events and temperatures



# Insufficient Paving to Maintain Condition

KMs of Road Paved Per Year





# Proposed 2024 Funding will Slow, but not Reverse Rate of Failure

Minor Roads - \$4,600,000  
Network Condition continues to degrade

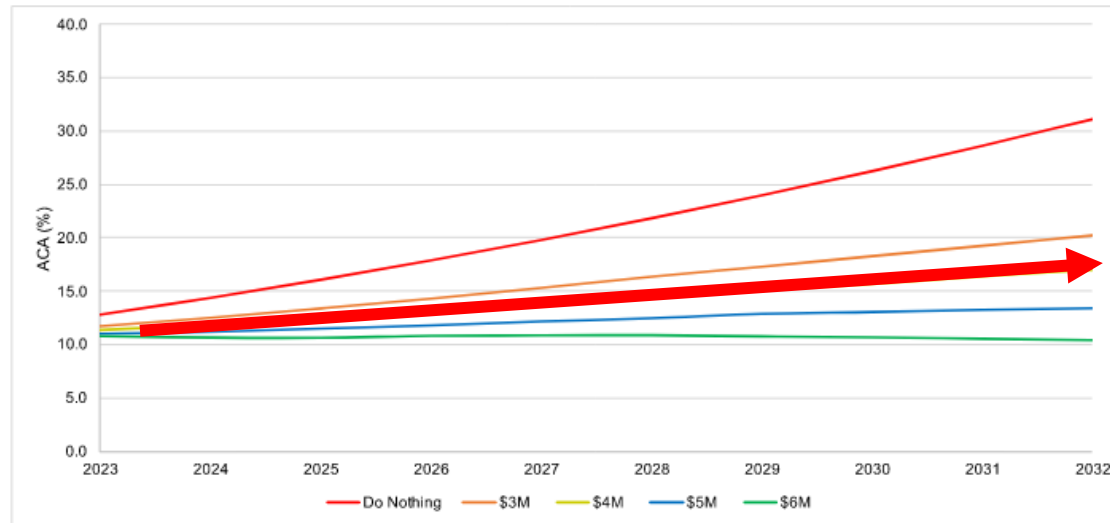


Figure 6: Future Pavement Condition on Various Annual Capital Budget Scenarios - Local Road

Major Roads - \$7,000,000  
Condition may begin to improve in 10 years

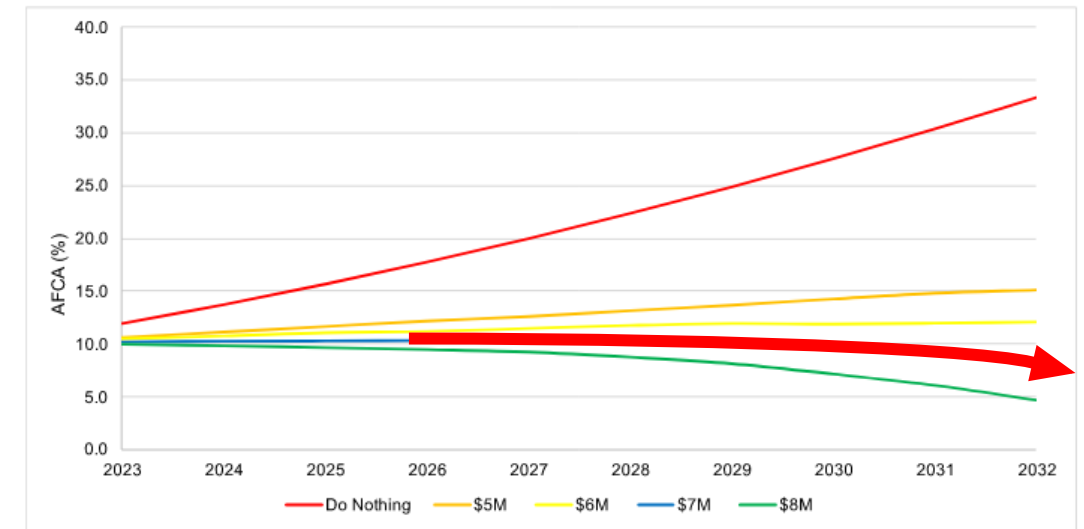


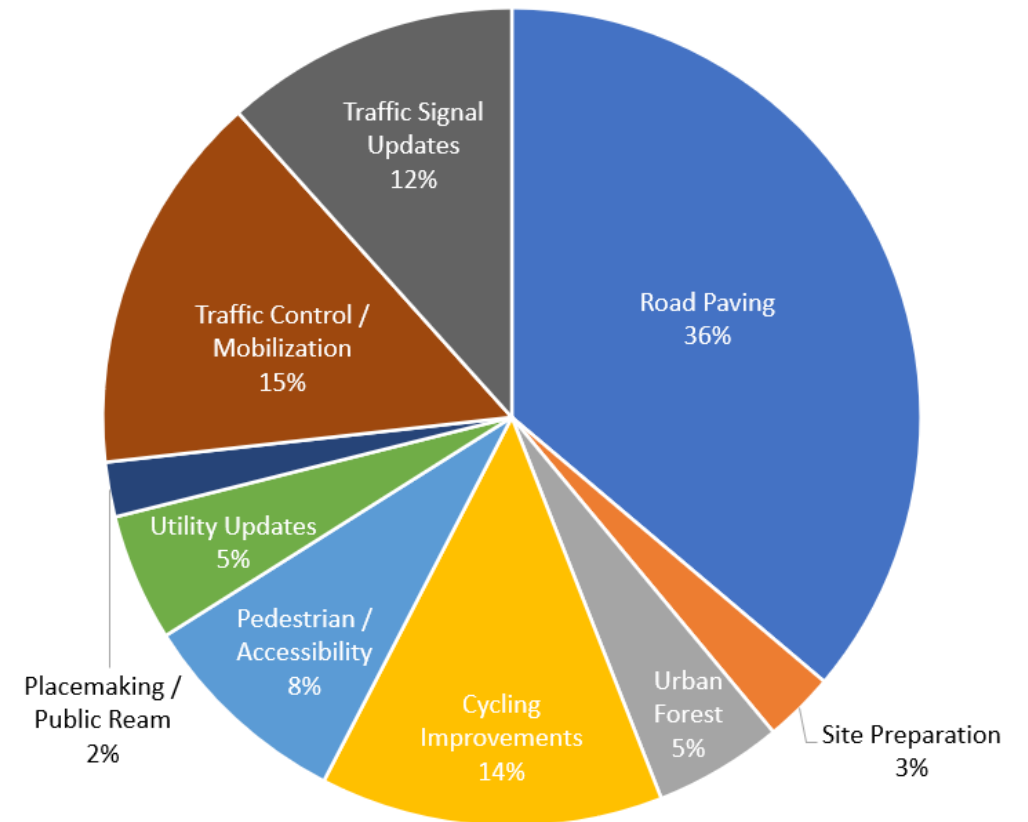
Figure 4: Future Pavement Condition on Various Annual Capital Budget Scenarios - Major Road

\*Funding levels from graphs are based on 2022 dollars

# Multi Modal Corridors – Coordinated Asset Renewal



Fort Street East Construction  
Budget \$11.7M  
Includes \$3.6M federal grant



# Underground Utilities

## Asset Risk



Anticipated over next 10 or 20 years

Water Distribution **MEDIUM**

Sanitary Sewer **MEDIUM**

Stormwater **LOW**

## Asset Financial Health



Availability of funds for higher risk assets' replacement cost

Water Distribution **SUSTAINABLY FUNDED**

Wastewater **SUSTAINABLY FUNDED**

Stormwater **PARTIALLY FUNDED**

# Retaining Walls

## Asset Risk



Anticipated over next 10 or 20 years

20% of Walls **HIGH**

80% of Walls **MEDIUM** or **LOW**

## Asset Financial Health



Availability of funds for higher risk assets' replacement cost

Major, intermediate and Minor Walls\* **PARTIALLY FUNDED**

*\*Excludes Private retaining walls adjacent to sidewalk which are the responsibility of the landowner.*





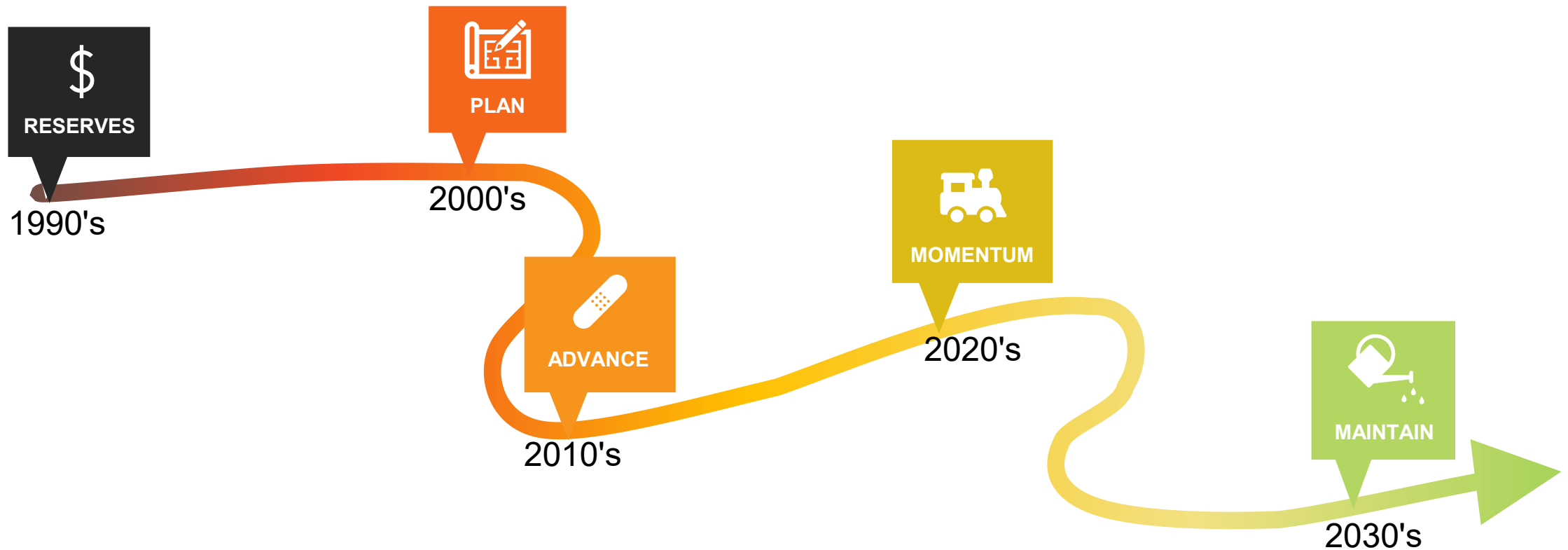
Examples of wall in Failed Condition



# The Contrast and the Journey

	Underground Utilities	Roads	Retaining Walls
Asset Planning Maturity	ADVANCED	ADVANCED	MODERATE
Predominant Condition	GOOD / FAIR	FAIR / POOR	FAIR / POOR
Asset Risk	MEDIUM / LOW	MEDIUM / HIGH	MEDIUM / HIGH
Funding Status	SUSTAINABLY FUNDED	PARTIALLY FUNDED	PARTIALLY FUNDED

# Moving Forward Together

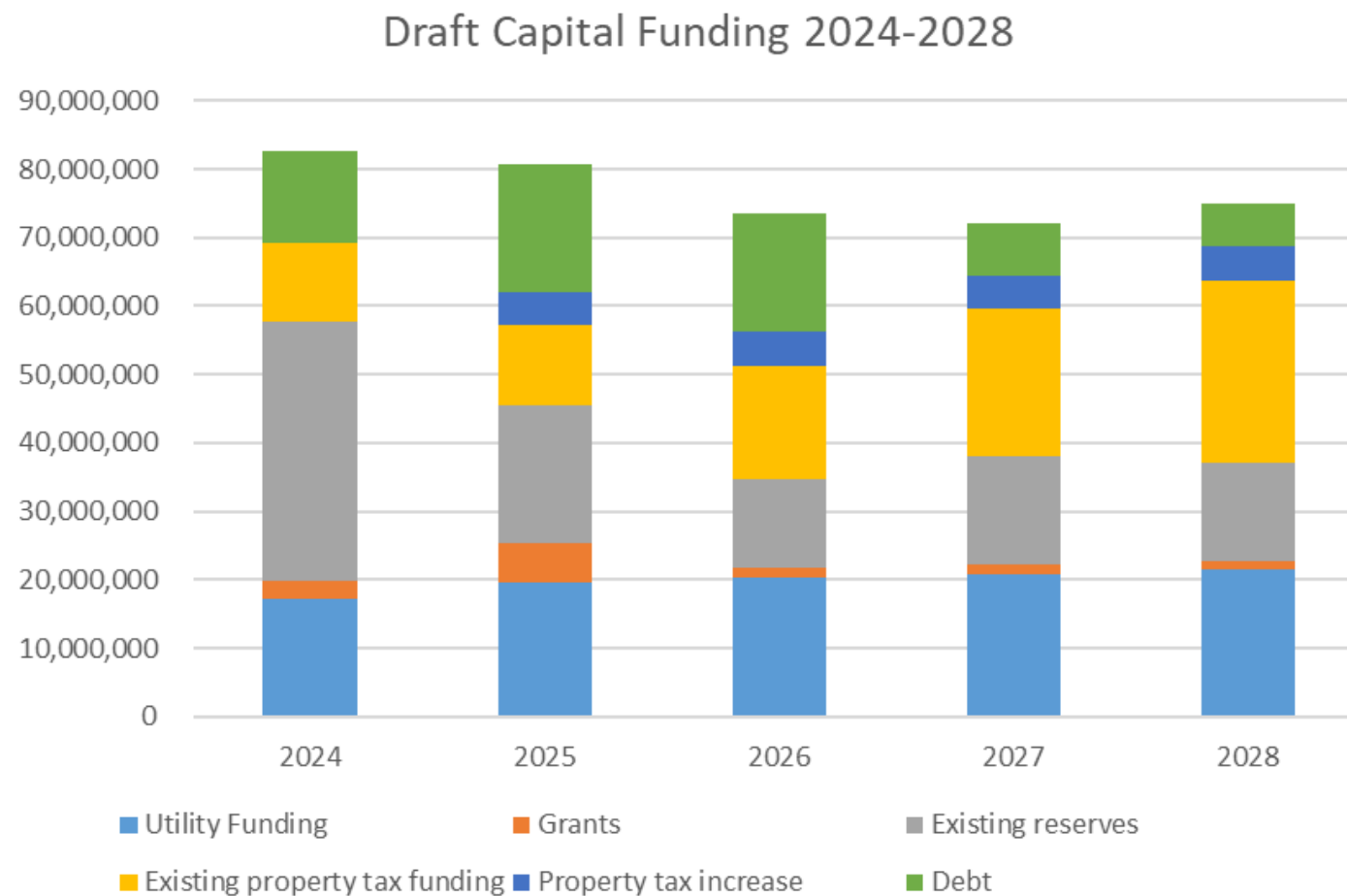


# Proposed Funding Strategy

- If approved, would result in sufficient ongoing funding for required asset life-cycle upgrades by 2030, based on current information
- Supports delivery of priority projects earlier:
  - Likely would avoid eroding buying power through use of debt
  - Cost escalation is expected to exceed interest costs incurred on debt
- Components:
  - 3% annual tax increase specific for capital - \$5 million per year 2025-2030
  - External debt in alignment with Financial Sustainability Policy:
    - Green Fleet Plan Implementation \$10.71 million
    - Multi-modal Corridor Implementation \$26.96 million
    - Government Street Refresh \$4.7 million
    - Park Redevelopment Program \$17.69 million
    - Public Washroom Improvements \$2.96 million



# Proposed Funding Strategy



# Proposed Funding Strategy

	2024	2025	2026	2027	2028
Capital Funding	0.00%	3.00%	2.96%	2.95%	2.94%
Repayment of Borrowing	0.00%	0.99%	1.27%	0.91%	0.49%
Remaining	5.97%	3.70%	2.92%	2.64%	2.35%
	5.97%	7.69%	7.15%	6.50%	5.78%
VicPD*	2.40%	2.40%	2.40%	2.40%	2.40%
	8.37%	10.09%	9.55%	8.90%	8.18%

\* VicPD 2025-2028 held at same level as 2024; no projections provided

# Proposed Funding Strategy

	2024 Property Tax Increase	Average Household	Typical Business
Capital budget	0.00%	\$ -	\$ -
Repayment of borrowing	0.00%	-	-
Inflationary, contractual cost and revenue increases	5.86%	174	448
Re-instated reserve funding	0.90%	27	69
Canada Day	0.15%	4	11
Bike Valet	0.18%	5	14
Music Strategy grant	0.09%	3	7
Proposed parking rate and fine increases	-1.00%	- 30	- 76
Proposed unchanged downtown beautification budget (OUR DWTN)	<u>-0.21%</u>	<u>- 6</u>	<u>- 16</u>
	5.97%	\$ 177	\$ 457
VicPD	2.40%	71	183
	<u>8.37%</u>	<u>\$ 248</u>	<u>\$ 640</u>

# Next Steps

January 15, 2024 Special Committee of the Whole

- Continued budget discussions and decisions

# Recommendation

That Council direct staff to bring forward water, sewer, storm drain and solid waste rate bylaws to the December 7, 2023 daytime Council meeting