



## **Governance and Priorities Committee Report**

**For the meeting of October 22, 2015**

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**To:** Governance and Priorities Committee      **Date:** October 9, 2015  
**From:** Susanne Thompson, Director, Finance  
**Subject:** Draft 2016-2020 Financial Plan

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### **RECOMMENDATIONS**

That Council:

1. Receive this report for information and consideration on November 26, 2015
2. Direct staff to bring forward bylaws outlining solid waste and water utility user fee increases to the November 26 Council meeting for consideration of first, second and third readings.

On November 26, 2015 staff will recommend that Council:

1. Direct staff to bring forward the Five-year Financial Plan Bylaw, 2016 for first reading prior to commencing public consultation.
2. Approve transferring \$500,000 of assessment growth (non-market change) revenue to the Buildings and Infrastructure Reserve and direct staff to bring forward options for the use of the remainder once public consultation has been completed.
3. Direct staff to bring forward options for the use of 2015 surplus once public consultation has been completed.
4. Direct staff to bring forward options for funding supplementary budget requests once public consultation has been completed.
5. Approve an additional tax increase for capital, if any, and outline for which projects in Appendix A
6. Allocate \$2,818,000 of the annual gas tax funding to the Storm Drain Brick Main project and direct staff to bring forward options for the allocation of the remainder once public consultation has been completed.
7. Approve the direct-award grants as outlined in this report.

### **EXECUTIVE SUMMARY**

The draft 2016 Financial Plan was developed based on Council's direction for a maximum tax increase of inflation plus 1% as well as the City's Financial Sustainability Policy as the guiding document for budget development. Inflation for Victoria is currently 1.2% (August). Budgets were developed to maintain existing services and service levels; staff's recommendations to Council on service level changes are presented as supplementary budget requests for Council's

consideration.

Council sets objectives for the City through the Strategic Plan and aligns service levels and allocates funding through the annual financial planning process to achieve those objectives. The purpose of this report is to introduce the draft 2016 Financial Plan for Council's review and fulsome discussion.

The second year of the implementation of the new financial planning process focussed on improving metrics, shifting the timeline to have a substantially completed financial plan before the beginning of the year, and further aligning with the 2015-2018 Strategic Plan. Furthermore, added to the financial plan are metric summary sheets for each department showing "how much we do", "how well we do it" and "is anyone better off". In addition, there are new summary sheets for each capital project area outlining guiding principles and documents, current status of assets, and proposed investments. The intent of these summaries is to provide a snap-shot overview of the number of assets in each area, what investments have already taken place, as well as the condition of the assets. These will continue to be improved upon as more information is gathered and metrics are refined.

The draft Financial Plan outlines the budgets for approximately 200 services and over 200 capital projects as well as key initiatives for each department. From the provision of clean water, garbage collection and emergency services to parks and recreation programs, community planning and land use development, first rate City services are the foundation for building a safe, healthy and sustainable community. Among the key initiatives is a review of the City's development cost charges (DCCs), which have not been updated since 2005. DCCs provide a funding source for capital projects relating to development. The capital plan proposes:

- Active Transportation projects such as Pandora Avenue and Johnson Street corridor bike lanes, and Heron Cove and Raymur Point Bridges along the David Foster Harbour Pathway;
- Complete Streets projects including rehabilitation of four residential streets;
- A number of park and playground upgrades including Vic West Park and Stevenson Park;
- facility upgrades for City facilities such as Victoria Conference Centre, parkades and VicPD headquarters; and
- Underground infrastructure upgrades for the City's water, sewer and stormwater systems.

The capital plan also proposed a neighbourhoods budget of \$185,000 for placemaking projects, with a potential for a participatory budgeting opportunity for a portion of this budget.

Council's review and discussion of all the proposed budgets is still required. As presented to Council, the draft operating budget totals \$221 million and the draft capital budget totals \$51 million for 2016. The proposed budgets would result in the following increases:

- A property tax increase of \$2.8 million or 2.31% (1.03% for operating, 0.14% for Greater Victoria Public Library, and 1.14% for Victoria Police based on what was submitted in the 2015 financial plan for 2016)
- A water utility user fee increase of \$333,000 or 2.16%; the majority of this increase (1.10%) is due to the Capital Regional District's bulk water rate.
- A solid waste user fee increase of \$47,700 or 1.67%; this increase is due to an increase in the CRD's tipping fee as well as inflationary cost increases.

The proposed public consultation will build on the tools used during the 2015 financial planning process. The new financial plan format will continue to be the foundation for meaningful engagement and community feedback. Improved budget information, using visuals and plain

language, will be provided to the community through a variety of tools aimed to increase reach and understanding of the financial planning process. Through the Financial Plan, Council will be able to articulate the value the community receives for their tax dollars.

The draft Financial Plan is being introduced to Council at today's meeting and will provide an overview of the overall budget. The Financial Plan is scheduled to be presented in detail to Council for review and consideration throughout November. Following the completion of the detailed presentations, Council direction is sought on assessment growth (non-market change) revenue, 2015 surplus, supplementary requests, allocation of gas tax funding, and direct-award grants. To enable rate increases for the water and solid waste utilities to be in place for January 1, 2016, it is recommended that those rate bylaws be brought to Council on November 26, 2015 for first three readings.

Once Council's initial review is complete, and before commencing public consultation, it is recommended that first reading of the financial plan bylaw be given, signalling to the public that Council has reviewed the plan and given preliminary approval. A separate report will be brought to Council in November outlining participatory budgeting opportunities for the 2016 budget.

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 itself. Tax notices will be sent out once the financial plan and tax rate bylaws have been adopted by Council.

## PURPOSE

The purpose of this report is to introduce the draft 2016 Financial Plan for Council's consideration and recommend first reading of the 2016 Five Year Financial Plan Bylaw prior to commencing 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.

This is the second year of the implementation of a new financial planning process moving from an expense based budget that focused primarily on the dollars allocated to each department toward one with an emphasis on priorities, outlining services and capital projects including costs, revenues and benefits of each. The new format enables the City to better demonstrate the value tax and rate payers receive for their dollars. Greater emphasis is also being placed on staff and community involvement in the planning process.

At the June 18, 2015 Governance and Priorities Committee meeting, staff outlined the lessons learned developing and implementing the new financial planning process for 2015 and sought Council direction on the 2016 financial planning process. Building upon the foundational information developed for the 2015 financial plan, the approved focus for the 2016 financial planning process is to improve the metrics, further align the Financial Plan with the Strategic Plan, and change the timeline with a goal to have a substantially complete financial plan before the end of 2015 to enable staff to start implementing Council's direction at the beginning of 2016.

The public consultation for the 2016 financial plan will use a similar approach to 2015 involving a survey and a Town Hall/e-Town Hall meeting. The process will build upon the tools and information now in place.

In November, a separate report to the Governance and Priorities will outline participatory budgeting opportunities.



Approximately 70 staff from across the organization continued to be involved in compiling the information for the financial plan and detailed reviews of all departmental budget submissions have been completed by staff.

Work continued on implementing the “Great Ideas” identified by staff during the 2015 financial planning process. Some examples include: providing all employees with email accounts, implementing the Development Tracker, improving public hearing notices, and implementing online payments for dog licencing. This is an ongoing dialogue and staff will be encouraged to provide continuous feedback where “Better is Possible” and how we can provide better value and service to the community.

The budget process is one of continuous improvement and will be enhanced each year. Through the financial planning process, Council will set service levels and allocate funding based on input from staff across the organization as well as input from the community. Staff will seek Council's feedback to ensure the financial plan and process meet Council's expectations.

Council passing 1<sup>st</sup> reading to the financial plan bylaw indicates preliminary approval of the financial plan and signals to the public that Council has had an opportunity to review the draft. Once the public feedback has been considered, Council can make adjustments to the financial plan before final approval and adoption of the bylaw in April 2016.

## **ISSUES & ANALYSIS**

### **Operating Budget**

#### **Overview**

The draft 2016 operating budget totals \$221 million, which is a net increase of \$2.8 million over the 2015 budget resulting in a proposed overall tax increase of 2.31%: 1.02% for City operating, 0.14% for Greater Victoria Public Library, and 1.14% for Police.

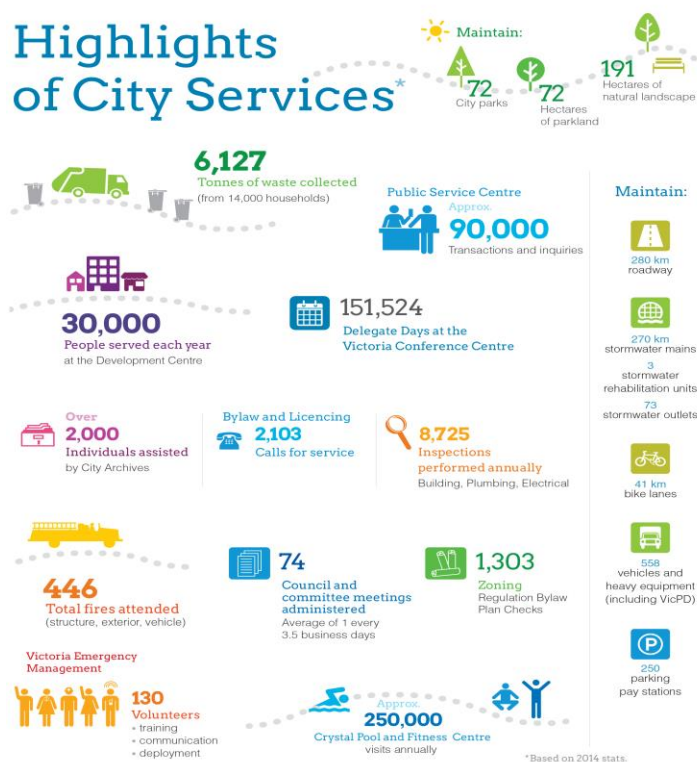
As part of the 2015-2018 Strategic Plan, Council set a target maximum tax increase of inflation plus one percent. Inflation is currently (August) 1.2% for Victoria, which means that the draft increase is slightly higher (0.11% or \$129,000) than this target. Should Council wish to reduce this increase to the target 2.1%, it is recommended that assessment growth property tax revenue be used.

This draft assumes that the budget request from VicPD is at the same level as submitted for the 2016 year in the 2015-2019 Financial Plan. The Police Board is scheduled to approve the police budget on October 20, 2015 and a joint meeting for the Board, Township of Esquimalt and City of Victoria is scheduled for November 4, 2015.

The draft financial plan maintains services at current services levels. The main cost drivers are salary increases, hydro rate increases, water costs (assuming the CRD bulk water rate increase is 2%), and software maintenance agreements. These increases have been offset in part by increased development and construction permit revenues, recreation revenues, a new revenue for operating fees from Fortis BC, and increased Provincial Government payments-in-lieu of taxes.

No tax increase for the capital budget has been factored in at this point. As per the Financial Sustainability Policy, staff will outline potential projects for Council's consideration should Council

wish to levy an additional tax increase for capital budget funding. These potential projects are outlined in Appendix A.



The following table outlines the full-time equivalent (FTE) position count for 2014 to 2016:

	Restated 2014 FTE	Restated 2015 FTE	Approved Changes	Final 2015 FTE	Draft 2016 FTE	2015 to 2016 Change
Citizen Engagement and Strategic Planning	39.65	39.65	20.00	59.65	59.65	0.00
City Manager's Office	1.00	1.00		1.00	1.00	0.00
Deputy City Manager	-	2.00		2.00	2.00	0.00
Arts, Culture & Events	7.00	7.00		7.00	7.00	0.00
Human Resources	11.00	10.00		10.00	10.00	0.00
Legislative and Regulatory Services	24.28	21.28		21.28	21.28	0.00
Real Estate	1.00	1.00	1.00	2.00	2.00	0.00
Engineering	294.97	294.97	1.75	296.72	296.72	0.00
Finance	63.21	63.21		63.21	63.21	0.00
Legal Services	4.00	4.00		4.00	4.00	0.00
Parks, Recreation and Facilities	149.48	149.48		149.48	149.48	0.00
Sustainable Planning and Community Development	42.43	42.43		42.43	42.43	0.00
Victoria Conference Centre	16.62	14.62		14.62	14.62	0.00
Victoria Fire Department	123.09	123.09		123.09	123.09	0.00
<b>Total</b>	<b>777.73</b>	<b>773.73</b>	<b>22.75</b>	<b>796.48</b>	<b>796.48</b>	<b>-</b>

Note: 2014 and 2015 FTEs have been restated to reflect departmental reorganizations where employees shifted between departments

The 2015 financial planning process resulted in a reduction of four FTEs.

During 2015, Council approved the following new positions resulting in the addition of 22.75 FTEs:

- An inter-disciplinary team of 3 FTEs to assist in delivering the City's Strategic Plan;
- An additional 1.75 FTEs to increase sidewalk maintenance
- A new parking ambassador model of 17 FTEs; and
- A real estate function of 1 FTE

A Business Hub will also require an additional FTE funded from the \$250,000 allocation for Economic Development.

With the addition of these positions, the full-time employee equivalent count, excluding VicPD, is 796.48. The City has numerous part-time and casual employees in addition to those who are full-time, resulting in a headcount of approximately 1,000.

It is anticipated that future years will require additional resources as a result of additional inventory related to capital projects, developer amenity contributions, as well as expected growth. Proposed 2016 capital projects are estimated to result in a need for approximately one additional FTE in 2017. As longer-term planning is improved upon, staff will be able to provide better future estimates to inform Council's decision-making and are including these considerations in reports to Council.

The following table summarizes the property tax increase for 2016:

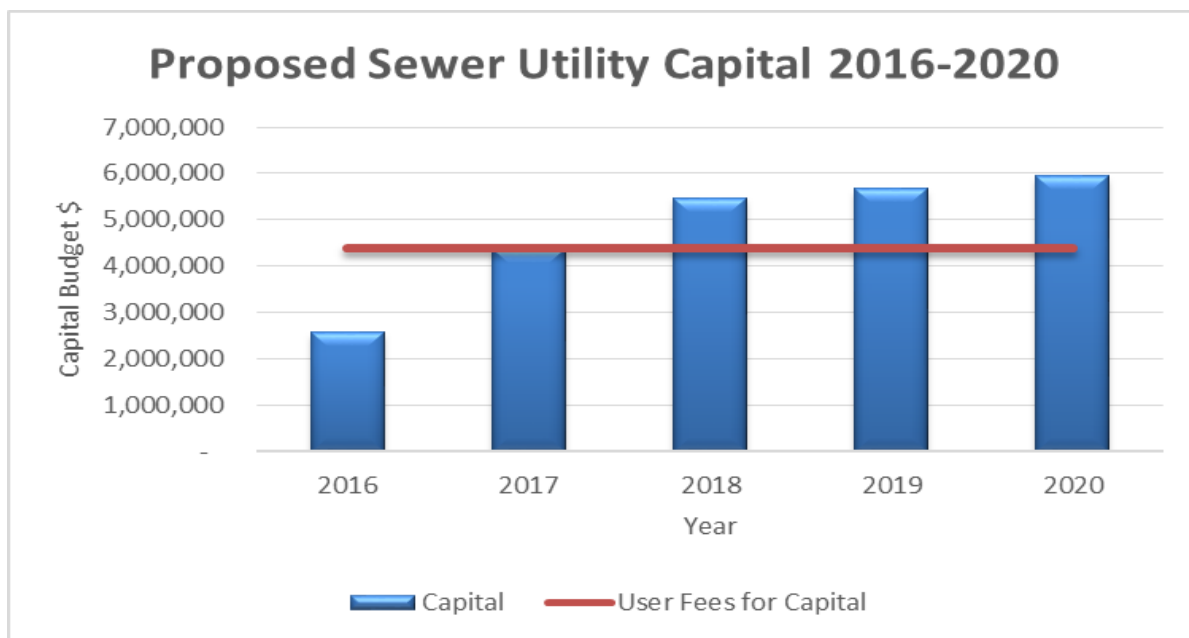
City Operations	Tax Increase	
	\$	%
Salaries and benefits	\$ 1,900,000	
Water and hydro	148,900	
Software licences and maintenance	133,300	
Reduced traffic fine revenue	121,000	
New revenue - Fortis operating fees	(192,000)	
Increased payments in lieu of taxes	(431,600)	
Increased property lease revenue	(60,000)	
Increased building, electrical and plumbing permit revenue	(240,000)	
Increased development permit revenue	(120,000)	
Increase recreation revenues	(151,000)	
Other changes	<u>135,566</u>	
	\$ 1,244,166	1.02%
<b>Library (2016 estimate in 2015 Financial Plan)</b>	168,519	0.14%
<b>Police (2016 estimate in 2015 Financial Plan)</b>	1,392,214	1.14%
<b>Total draft property tax increase</b>	<u>\$ 2,804,899</u>	<u>2.31%</u>

### Utilities

The proposed Water Utility budget results in a user fee revenue increase of 333,000 or 2.16% as outlined in the following table:

Cost Driver	Amount	% Increase
CRD Bulk Water	\$ 170,000	1.10%
Salaries, materials and equipment	123,000	0.80%
Capital investment	40,000	0.26%
	<u>\$ 333,000</u>	<u>2.16%</u>

The proposed Sewer Utility budget focuses on investment in areas that are not impacted by the Capital Regional District's sewage treatment project. Some of the sewer infrastructure investment is dependent on the location of a treatment facility; these projects total approximately \$34.6 million and are anticipated to be implemented over a 15-year period starting in 2017. This work will be delayed until a decision has been made on that facility. As a result, no revenue increase is proposed. The budget proposes putting aside funding (approximately \$1.4 million for 2016) in the sewer utility reserve for the projects that are being delayed. Should Council not wish to do so, the revenue budget could be reduced by approximately 20%. However, the recommendation is to transfer that revenue into reserve to smooth out the impact of these projects in later years. The following graph shows the capital spending amounts as bars and the funding line, if funding is transferred to reserves, as the straight line:





The Solid Waste program proposes a user fee revenue increase of \$47,700 or 1.67% as outlined in the following table:

<b>Cost Driver</b>	<b>Amount</b>	<b>% Increase</b>
Salaries, materials and equipment	45,000	1.57%
CRD Tipping Fees	9,700	0.34%
Other revenues	(7,000)	-0.24%
	<u>47,700</u>	<u>1.67%</u>

2016 is the first year for the City's Stormwater Utility. The funding for majority of the Utility's costs are covered by a stormwater user fee. However, \$1.25 million, representing the cost of City rights-of-way, continues to be funded by property taxes. The user fee funding is approximately \$4.7 million and is simply a shift from property taxes to a user fee; there is no overall increase in revenue as a result of this shift. A separate report on rate adjustments will be brought to Council for consideration. These adjustments do not result in increased revenue for the Stormwater Utility as they simply reallocate the local frontage component within the overall fee.

	<b>2015</b>	<b>2016</b>	<b>Change</b>
<b>Stormwater Fees</b>	10,333	4,735,878	4,725,545
<b>Property taxes</b>	121,635,023	116,909,478	(4,725,545)
	<u>121,645,356</u>	<u>121,645,356</u>	<u>-</u>

#### Greater Victoria Public Library (GVPL)

The City's share of the GVPL's operating and facility maintenance budget request, as submitted as part of their five-year plan in 2015, is \$4.7 million, which is an increase of approximately \$168,000 over 2015. The 2016 budget request is anticipated to be slightly less than what was submitted in the five-year plan and the new numbers will be incorporated into the City's financial plan once the Library Board has given approval. The Library Board will consider the 2016 provisional budget request on October 20, 2015 and the budget will be submitted to each municipality by October 31, 2015. The final budget will be submitted in March 2016.

On June 18, 2015 Council requested that the Library Board notify the City of their preferred option for a library branch in James Bay upon completion of their strategic planning process scheduled for September. This process has concluded and the Library Board will receive the results at their October 20, 2015 meeting. It is anticipated that the City will be notified subsequent to that meeting. Once, the preferred option is known, the intention is to include this information as part of the public consultation on the City's draft financial plan.

The City has the option to lease space in the Capital Park development and this potential new branch could be opened in 2017. The City would be responsible for all capital costs associated with a new branch as well as ongoing lease payments. The operating costs would be shared among all member municipalities based on the operating agreement formula; the City's share is approximately 30%.

A new branch could be between 3,500 and 7,500 square feet. The following table outlines the range of budget impact to the City:

<b>Type of Cost</b>	<b>Range of Cost</b>
Capital Cost - one-time	\$850,000 - \$1,600,000
Lease costs - ongoing	\$120,000 - \$300,000
Operating costs - ongoing	Approximately \$110,000

The capital improvements are equivalent to a 0.7%-1.3% tax increase and the ongoing operating costs are equivalent to a tax increase of 0.2%-0.35%. In addition to the forthcoming request from the Library Board, the City is facing a number of significant capital funding needs including Fire Station No. 1, Crystal Pool and Fitness Centre, and Point Ellice Bridge.

#### Assessment Growth (Non-Market Change)

As per the Financial Sustainability Policy, the first \$500,000 of new property tax revenue resulting from new construction is transferred to reserve. The draft financial plan includes this amount plus \$60,000 previously approved by Council for the real estate function. However, any assessment growth revenue above \$560,000 has not been factored in. A conservative early estimate, based on information provided by BC Assessment, is \$650,000. However, this is based on incomplete information this early in the year and this amount will likely change before it is finalized in March 2016. In 2015, Council approved transferring \$500,000 into the Buildings and Infrastructure Reserve, funded a number of items related to the strategic plan and public feedback, and used the remaining \$1 million to lower the overall property tax increase. For 2016, Council could consider using this revenue to fund supplementary requests, fund additional capital projects or other strategic plan items, address feedback from public consultation, transfer additional funds to reserve, or reduce taxes. The current reserve contribution to the Buildings and Infrastructure Reserve is \$5.3M plus the proposed addition of \$500,000 for a total of \$5.8 million in 2016; the estimated balance at the end of 2015 is \$28 million. The preliminary non-market change amount is equivalent to an approximate 0.53% tax reduction.

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

<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>	
Reduce Property Tax Increase	\$250,000	Buildings and Infrastructure Reserve	\$108,000	Reduce Property Tax Increase	\$868,845	Reduce Property Tax Increase	\$1,000,000
Buildings and Infrastructure Reserve	\$75,000			Buildings and Infrastructure Reserve	\$500,000	Buildings and Infrastructure Reserve	\$500,000
<b>Total</b>	<b>\$325,000</b>	<b>Total</b>	<b>\$108,000</b>	<b>Total</b>	<b>\$1,368,845</b>	Community Garden Volunteer Grants	\$36,000
						Interdisciplinary Team	\$300,000
						Downtown Community Centre Funding	\$50,000
						Increase Community Centre Funding	\$100,000
						Solid Waste Garbage Collection and Waste Separation	\$55,000
						Village Centre Beautification (Banners)	\$10,000
						Traffic Calming	\$100,000
						Sidewalk Maintenance Upgrades	\$80,000
						Real Estate Function	\$101,000
						<b>Total</b>	<b>\$2,332,000</b>

## 2015 Surplus

Per the Financial Sustainability Policy, prior year surplus can be used for one-time expenditures and/or be transferred to infrastructure reserves. Since the 2015 year is not yet complete and the amount of the 2015 surplus is not finalized, no surplus has been included in the draft financial plan. It is proposed that a decision on the use of the 2015 surplus be made once the consultation on the draft Financial Plan is complete. The following table outlines the surplus allocation for the past four years:

2011		2012		2013		2014	
Victoria's 150th Celebration	\$150,000	Buildings and Infrastructure Reserve	\$1,228,387	Additional staffing to expedite planning applications	\$350,000	Expediate Local Area Plans	\$200,000
Customer Service Strategy	\$180,000			Active transportation projects	\$124,559	Victoria Housing Reserve	\$750,000
Buildings and Infrastructure Reserve	\$520,900			Buildings and infrastructure Reserve	\$2,800,000	Buildings and infrastructure Reserve	\$500,000
UBCM Conference	\$100,000					Centennial Square Washroom Upgrades	\$125,000
Twin City Delegates	\$65,000					Accessibility Capital Fund	\$250,000
<b>Total</b>	<b>\$1,015,900</b>	<b>Total</b>	<b>\$1,228,387</b>	<b>Total</b>	<b>\$3,274,559</b>	Emergency Management	\$250,000
						Storage-Homeless Persons' Belongings	\$45,000
						UBCM Conference Hosting	\$155,000
						VCAN Support	\$1,100
						VCAN Support 2016 - First 6 Months	\$900
						Island Transformations	
						Railway Crossing Study	\$4,000
						Western Canada Music Awards Grant	\$25,000
						Concrete and Brick Pavers Intersection Maintenance	\$37,000
						Parks Master Plan	\$250,000
						Dallas Road Split Rail Fencing	\$125,000
						Strategic Plan Grants (unspent 2014 Greenways)	\$25,000
						Strategic Plan Grants - additional funding	\$36,164
						Strategic Objectives Account (unallocated)	\$109,318
						<b>Total</b>	<b>\$2,888,482</b>

A conservative early estimate of the 2015 surplus is \$1 million. The final number is likely to be different than this estimate.

## 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; known cost increases, such as hydro, at already announced rates; and unknown cost increases (the majority) at an inflationary factor of 2%.

The following table outlines the estimated impact to tax and rate payers. These estimates do not include any tax increases for the capital budget; per the Financial Sustainability Policy, Council

will consider such increases each year based on proposed projects. These estimates were calculated based on 2015 assessed property values and 2015 estimated water usage.

	2016	2017	2018	2019	2020
<b><u>Estimated Average Residential</u></b>					
Property Taxes (\$518,000 assessed value)	\$53	\$62	\$54	\$62	\$59
Water Utility - 80 units	7	13	7	10	10
Sewer Utility - 80 units	-	-	-	-	-
Solid Waste - 120 litre bin	3	6	4	4	4
Stormwater Utility	-	9	12	12	9
	<b>\$63</b>	<b>\$90</b>	<b>\$77</b>	<b>\$88</b>	<b>\$82</b>
Estimated Increase	2.05%	2.76%	2.30%	2.57%	2.34%
	2016	2017	2018	2019	2020
<b><u>Estimated Typical Small Business</u></b>					
Property Taxes (\$500,000 assessed value)	\$160	\$188	\$163	\$188	\$179
Water Utility - 80 units	7	13	7	10	10
Sewer Utility - 80 units	-	-	-	-	-
Stormwater Utility	-	8	5	5	5
Business Licence	-	-	-	-	-
	<b>\$167</b>	<b>\$209</b>	<b>\$175</b>	<b>\$203</b>	<b>\$194</b>
Estimated Increase	2.19%	2.60%	2.12%	2.41%	2.25%

### **Supplementary Operating Budget Requests**

The following table summarizes the supplementary budget requests; additional details on each are attached as Appendix B:

Description	2016 Ongoing	2016 One-time	2017 One-time
Cultural Plan		\$116,000	
Additional Sidewalk Power-washing	\$15,000		
Traffic Orders	\$8,000		
Broad Street Mall Repairs		\$15,000	\$20,000
Parks Overnight Sheltering Support and Clean-up	\$313,000		
Senior Parks Planner	\$103,000		
Arboriculture	\$128,500		
Real Estate – consulting studies		\$100,000	
<b>Total</b>	<b>\$567,500</b>	<b>\$191,000</b>	

The public consultation process may result in additional funding needs. Possible funding sources are 2015 surplus, non-market change revenue or an additional tax increase. It is recommended that Council consider these requests along with feedback from public consultation on the draft Financial Plan.

## Capital Budget

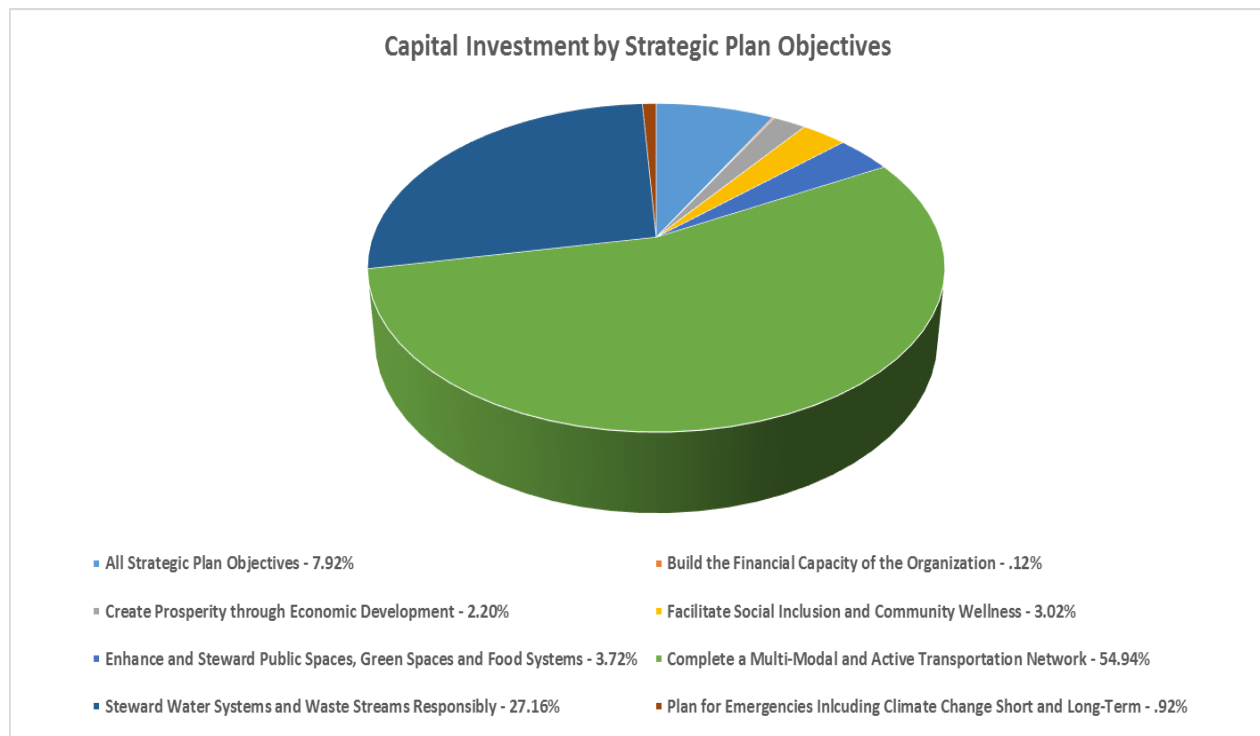
### Overview

The draft capital budget for 2016 totals \$51 million, which is larger than the typical \$30-35 million primarily due to the Johnson Street Bridge replacement (\$16.3 million).

For 2016, each capital project has been aligned with the 2015-2018 Strategic Plan as follows:

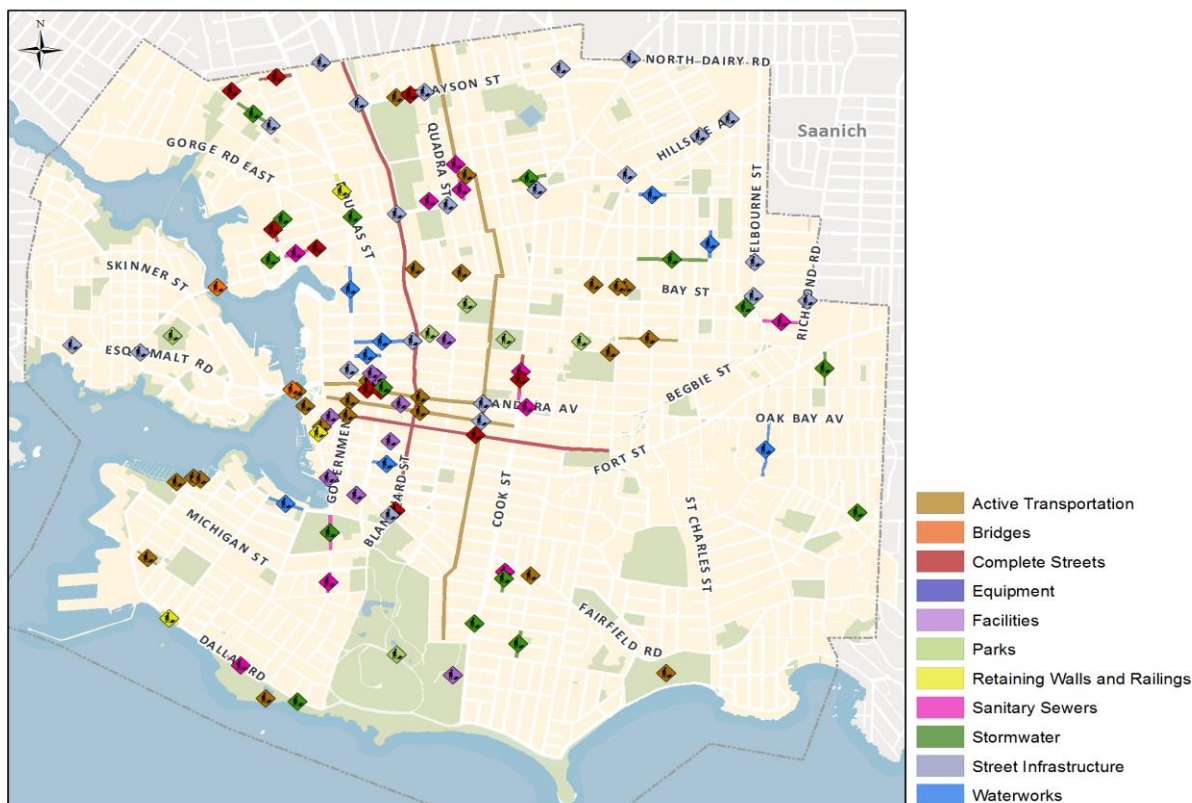
- **Complete a Multi-Modal and Active Transportation Network:** Infrastructure for all active modes of transportation including bike lanes, crosswalks, bus shelters, sidewalks, pathways, roads, bridges, retaining walls, street and traffic lights
- **Facilitate Social Inclusion and Community Wellness:** Recreation and community centre buildings and infrastructure and “Great Neighbourhoods” funding
- **Enhance and Steward Public Spaces, Green Spaces and Food Systems:** Park upgrades and infrastructure, playgrounds, upgrades to City facilities and street infrastructure such as benches, cluster lamps and railings
- **Steward Water Systems and Waste Streams Responsibly:** Water, Sewer and Stormwater Infrastructure projects
- **Plan for Emergencies Including Climate Change Short and Long-term:** Energy conservation projects, and emergency management equipment
- **Create Prosperity through Economic Development:** Parkade upgrades, Victoria Conference Centre upgrades, and seasonal animation
- **Build the Financial Capacity of the Organization:** Strategic review of City facility use and public program delivery
- **All Strategic Plan Objectives:** Equipment, which includes vehicles, information technology and various equipment replacements

The following chart outlines the capital spending by strategic plan objective:



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

#### 2016 Draft Capital Projects:



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

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.

The capital budget funding levels have reached sustainable levels for some assets (water), some are close to sustainable levels (storm drains), some projects are shaped through consultation with the community (park upgrades), some have funding levels that fall short of industry-recommended replacement schedules (playgrounds) and some require additional analysis to determine the required funding levels (facilities, sewer, and street infrastructure such as street and traffic lights).

Identified as a priority in the 2015-2018 Strategic Plan, a Parks Master Plan will be developed in 2016. This plan will identify priority areas for parks investment and will inform future capital plans.

A facilities condition assessment was completed in 2015 and a report will be brought to Council in October that outlines the full scope of City-owned facilities, as well as estimated future

investment costs. This assessment will be used to inform priorities for facility upgrades, which will be incorporated into future financial plans. The 2016 capital plan only includes the “must-do” projects as identified through the facilities assessment process.

The sewer master plan was put on hold by staff until a decision is made regarding sewage treatment, however it is scheduled to take place in 2016. The City continues to upgrade its aging sewer infrastructure that is not impacted by a future sewage treatment facility; however, it is anticipated that additional annual funding will be required.

The pavement management plan indicates that additional funding is needed to maintain existing service levels. Over the last number of years, funding has increased for this asset group and Appendix A outlines a number of projects for Council’s consideration should Council wish to implement a tax increase for the capital budget. Staff continue to investigate alternative rehabilitation strategies, such as thin asphalt overlays, and mill and fill replacements, to achieve more upgrades within available funding.

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 over \$10 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 2016, potential deferred maintenance projects are outlined in Appendix A. Each year from 2013 to 2015 a 1.25% property tax increases was levied for the capital budget. This level of increase takes a conservative approach in reaching sustainable funding levels; an alternate option for Council’s consideration would be to spread the increases over a longer time-period to balance taxpayer affordability while being aware of the risk.

Historically, the City’s capital plan has been funded by a combination of property taxes, utility user fees, grants, debt and reserves. Approximately one third of the City’s typical \$30-\$35 million capital budget is funded from reserves for investments such as vehicle and equipment replacements, remediation of City properties, and some building upgrades. Larger projects, such as a bridge replacement or construction of an arena, have primarily been funded through debt and grants.

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 2015. 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. Work is currently underway to determine funding needs for facilities, fleet and street infrastructure. Upon completion of this work, target balances for each reserve will be calculated according to the approved methodology and will inform future capital budgets. The following table outlines the estimated year-end reserve fund balances.

### Capital Reserves

Description	Balance Dec 31, 2014	2015 Budget Contribution	2015 Projected Expenditure	Projected Balance Dec 31, 2015	Draft 2016 Budget Contribution	Draft 2016 Budget Expenditure	Draft Projected Balance Dec 31, 2016
<b>Equipment &amp; Infrastructure</b>							
<b>Police</b>							
Police Vehicles, Equipment & Infrastructure	2,200,182	1,000,000	1,566,000	1,634,182	1,000,000	1,188,664	1,445,518
Police Emergency Response Team	238,616			238,616			238,616
<b>City</b>							
VCC Equipment and Infrastructure	673,182		250,000	423,182		423,182	-
City Equipment	7,016,893	1,602,500	1,654,820	6,964,573	1,602,500	632,534	7,934,539
City Vehicles & Heavy Equipment	5,830,881	1,500,000	2,965,000	4,365,881	1,555,000	1,694,500	4,226,381
City Buildings & Infrastructure	38,623,986	6,263,393	16,570,349	28,317,030	5,887,211	1,076,118	33,128,123
Parking Services Equipment and Infrastructure	5,523,579	807,540	1,737,000	4,594,119	320,975	544,000	4,371,094
Multipurpose Equipment and Infrastructure	675,018	112,500		787,518	114,750	35,000	867,268
Recreation Facilities Equipment and Infrastructure	945,022			945,022			945,022
Archives Equipment	49,728			49,728			49,728
Strategic Planning Initiatives	143,532		143,532	-			-
Artificial Turf Field	706,150		520,000	186,150			186,150
Gas Tax	8,439,766	3,200,000	1,260,000	10,379,766	3,428,000	7,288,000	6,519,766
<b>Water Utility Equipment and Infrastructure</b>	<b>8,488,272</b>	<b>1,850,000</b>		<b>10,338,272</b>	<b>1,850,000</b>	<b>1,000,000</b>	<b>11,188,272</b>
<b>Sewer Utility Equipment and Infrastructure</b>	<b>20,614,264</b>	<b>1,680,536</b>		<b>22,294,800</b>	<b>1,825,623</b>		<b>24,120,423</b>
	100,169,070	18,016,469	26,666,701	91,518,838	17,584,059	13,881,998	95,220,899
<b>Economic Development</b>							
	743,626			743,626			743,626
<b>Tax Sale Lands Fund</b>	<b>7,201,808</b>	<b>50,000</b>	<b>2,015,400</b>	<b>5,236,408</b>	<b>50,000</b>		<b>5,286,408</b>
<b>Parks and Greenways Acquisition Fund</b>	<b>2,297,832</b>		<b>500,000</b>	<b>1,797,832</b>			<b>1,797,832</b>
<b>Debt Reduction</b>	<b>25,319,981</b>	<b>3,409,187</b>		<b>28,729,168</b>	<b>3,471,573</b>		<b>32,200,741</b>
<b>Local Amenities Reserve</b>	<b>522,121</b>			<b>522,121</b>			<b>522,121</b>
<b>Development Cost Charges</b>	<b>8,457,604</b>		<b>53,000</b>	<b>8,404,604</b>		<b>54,060</b>	<b>8,350,544</b>
<b>Downtown Core Area Public Realm Improvement</b>	<b>58,090</b>			<b>58,090</b>			<b>58,090</b>
	144,770,133	21,475,656	29,235,101	137,010,688	21,105,632	13,936,058	144,180,262

### Operating Reserves

Description	Balance Dec 31, 2014	2015 Budget Contribution	2015 Projected Expenditures/ Commitments	Projected Balance Dec 31, 2015	Draft 2016 Budget Contribution	Draft 2016 Budget Expenditure	Draft Projected Balance Dec 31, 2016
<b>Financial Stability Reserves</b>							
City	2,022,096	282,000	211,700	2,092,396	100,000	539,000	1,653,396
Police	1,065,188			1,065,188			1,065,188
<b>Fiscal Reserve</b>							
Insurance Claims	3,780,040			3,780,040			3,780,040
Working Capital Fund	3,885,046			3,885,046			3,885,046
<b>Victoria Housing Reserve</b>	<b>1,901,083</b>	<b>1,000,000</b>	<b>1,975,725</b>	<b>925,358</b>	<b>250,000</b>		<b>1,175,358</b>
<b>Dockside Affordable Housing</b>	<b>239,614</b>			<b>239,614</b>			<b>239,614</b>
<b>Climate Action Reserve</b>	<b>505,768</b>	<b>90,000</b>		<b>595,768</b>	<b>90,000</b>		<b>685,768</b>
<b>Art in Public Places</b>	<b>436,960</b>	<b>135,000</b>	<b>95,000</b>	<b>476,960</b>	<b>135,000</b>	<b>375,000</b>	<b>236,960</b>
<b>Heritage Buildings Seismic Upgrades</b>	<b>19,363</b>			<b>19,363</b>			<b>19,363</b>
	13,855,157	1,507,000	2,282,425	13,079,732	575,000	914,000	12,740,732

The City currently has \$65.3 million in outstanding debt, with additional authorized but yet to be issued debt of approximately \$15.8 million for the Johnson Street Bridge. 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 \$3.4 million of budget room for debt servicing, which is transferred to the Debt Reduction Reserve. There are some smaller debt



issuing falling off in 2023; however, the next significant debt issue to retire is in 2032. The following table outlines the current debt issues, year of retirement and the annual debt servicing costs.

Final Year	Issue	Description	Total
2022	102	Burnside Gorge Community Centre	221,701
	102	City Hall Accessibility	220,817
2023	103	Parkades	173,594
	105	Parkades	178,094
2024	105	Crystal Gardens	340,359
2025	110	Parkades	493,694
2031	115	Johnson Street Bridge Replacement (CMHC)	743,241
2033	79	Multipurpose Arena	360,514
2033	80	Multipurpose Arena	390,514
2034	81	Multipurpose Arena	390,514
2034	130	Johnson Street Bridge Replacement	1,475,097

#### Allocation of Annual Gas Tax Funding

The City receives annual funding from the Federal Government through their gas tax program. The expected amount for 2016 is \$3.4 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. In 2015, Council allocated \$7.75 million over five years to implement new bike lanes in five priority areas as well as \$1 million for the David Foster Harbour Pathway implementation and \$2.2 million for the LED streetlight replacement project. With the expected amount for 2016, the gas tax funding available is \$6.5 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.

There are a number of capital projects that would qualify for this funding including storm drain projects and David Foster Harbour Pathway. It is proposed that the Storm Drain Brick Main project continues to be funded through gas tax and that the remaining funding be allocated upon completion of the public consultation process.

#### 20-Year Capital Plan

In the development of the capital plan and as a result of a detailed review of all capital budget submissions, it came to light that there was a lack of information about the future year deliverables for a number of projects; examples of those are discussed below. The focus for the 2017-2036 Capital Plan will be to incorporate new information gathered throughout 2016 to address this information gap.

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 does not yet exist. Work on this plan is underway and upon completion will inform the 2017 capital plan.

The City is embarking on a Parks Master Plan which will inform future priority setting for parks projects. Therefore, budgets for future year park projects are labeled “TBD”.

For others, such as Gate of Harmonious Interest and Ship Point retaining wall, condition assessments and design work taking place in 2015 will determine the extent of the work required and budgets for the renewal investments can be developed once the condition assessments have been completed and will be incorporated into the capital plan at that point.

It can be difficult to determine the exact funding needs far into the future; therefore all future year amounts are best estimates only. The goal for 2017 is to improve upon these estimates using information gathered during 2016.

### **Outstanding Council Motions**

Earlier in 2015, Council requested information regarding the net proceeds for business licencing. The total revenue generated from business licences is approximately \$1.36 million. The costs, including overhead, are approximately \$400,000 leaving a net of approximately \$950,000. Policing costs have not been factored into the City’s costs.

Council also passed the following motion in relation to Vic High School sports facility refurbishment:

Matching grant of up to \$250,000 subject to:

- a. Community consultation for the project by School District 61 or its designate
- b. Council approval of the final design of the project
- c. Entering into a joint use agreement between the City and School District 61

This grant has not yet been factored into the 2016-2020 Financial Plan. As per Council direction, the funding for this project will be considered once all terms of the Council motions have been addressed.

### **2015-2018 Strategic Plan Funding**

The majority of action items within the Strategic Plan are fully funded. However, a number of items still require funding as follows:

Action Year	Action	Funding Need
2015	Work with partner agencies and street-involved people to establish increased options for safe and secure storage of the belongings of street-involved people in an area that will not have negative impacts on surrounding neighbours and land uses.	Council allocated \$45,000. Separate report coming to Council identifying additional funding needs.

Action Year	Action	Funding Need
2016	Working toward establishing supervised consumption services, in collaboration with Island Health, VicPD and YES2SCS.	City's funding needs unclear at this point.
2015	Complete and implement Municipal Property Acquisition and Management Strategy.	Council has approved and funded real estate arm. As identified in the report brought to Council approximately \$100,000 of funding for consulting support is needed and has been added as a supplementary request for 2016 for Council's consideration.
2015	Initiate Parks Master Planning process.	Funding has been allocated for the plan. Funding for capital improvements to be determined once plan is complete.
2015	Prioritize "special places" along the David Foster Harbour Pathway and identify funding opportunities	Possible funding source is annual gas tax.
2016	Complete two of the "special places" at Heron Cove and Ship Point, along the David Foster Harbour Pathway corridor.	Possible funding source is annual gas tax.
2015	Identify resources required to develop Arts and Culture Plan, including identifying objectives and purposes of the plan.	A supplementary request of \$76,000 for 2016 is being put forward for Council's consideration.
2016	Complete the Douglas/Blanshard Corridor Master Plan and allocate funds in Financial Plan for quality-of-life infrastructure.	This is part of the Burnside/Gorge local area plan. Funding for quality-of-life infrastructure will be identified once the plan is complete.

Action Year	Action	Funding Need
2016	Build upon input from Parks Master Plan process and hold a placemaking activity at Ship Point to advance a site plan in the Harbour Principles. Consult public on specific design, and allocate money in 2018 capital budget to complete	Funding for capital improvements to be determined once plan is complete.
2016	Identify scope and develop budget strategy for a new Central Library and for a library branch at Capital Park in James Bay.	GVPL Board has just concluded a strategic planning process and is expected to inform the City with the preferred option for a James Bay branch later this fall. Funding for both facilities is yet to be determined.
2016	Move forward with plans for a new fire station.	Cost estimates for the various options are being updated before a report is brought to Council for consideration.

The largest funding needs are expected to relate to facilities, and it is recommended that decisions on these be made once the facilities assessment report including estimated investment needs has been received by Council.

### **Grants**

As directed by Council, grants have been grouped into four categories: direct-award grants, festival investment grants, community garden volunteer coordinator grants, and Strategic Plan grants which include micro-grants.

Council directed staff to include inflationary increases for community and seniors centres operating and youth programming grants. The Victoria Heritage Foundation has requested an 8.25% or \$15,632 increase in funding (letter attached as Appendix C) and the Victoria Civic Heritage Trust is requesting a 2% or \$2,111 increase. All other grant funding is proposed to remain at the 2015 budget level.

In addition to operating and youth programming grants, the City also provides support to community and seniors centres for facility-related costs such as janitorial, lease payments and strata fees. The proposed budgets are the same as the 2015 level. A separate report on support for neighbourhoods, including community and seniors centres, will be brought to Council this fall.

Council also directed staff to consult with impacted organizations regarding proposed changes to the Strategic Plan grants as outlined in a staff report dated September 17, 2015. Upon completion

of the consultation, Council is scheduled to make a decision on potential limits and the grant intake period for Strategic Plan grants will open.

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

Organization	Type of Grant	2015 Amount Paid	2016 Requests	Change
Victoria Civic Heritage Trust	Building Incentive	420,000	420,000	0
Victoria Civic Heritage Trust	Operating	105,550	107,661	2,111
Victoria Heritage Foundation	Operating	189,368	205,000	15,632
Recreation Integration Victoria	Operating	29,435	30,055	620
Victoria Youth Council	Operating	20,000	20,000	0
Quadra Village Community Centre	Operating	50,000	50,600	600
Quadra Village Community Centre	Youth Programming	8,063	8,160	97
Fernwood Community Centre	Operating	50,000	50,600	600
Fernwood Community Centre	Youth Programming	8,063	8,160	97
Vic West Community Association	Operating	50,000	50,600	600
Vic West Community Association	Youth Programming	8,063	8,160	97
Vic West Community Association	Facility (janitorial)	33,118	33,515	397
Fairfield Community Place	Operating	50,000	50,600	600
Fairfield Community Place	Youth Programming	8,063	8,160	97
Fairfield Community Place	Facility (janitorial, recycling, liability insurance)	48,982	49,510	528
Fairfield Community Place	Youth Outreach	15,000	15,000	0
Cook Street Village Activity Centre	Operating	50,000	50,600	600
Cook Street Village Activity Centre	Facility (strata fees)	16,721	16,922	201
Victoria Silver Threads	Operating	50,000	50,600	600
Victoria Silver Threads	Facility (lease)	122,389	122,389	0
Burnside Gorge Community Centre	Operating	50,000	50,600	600
Burnside Gorge Community Centre	Youth Programming	8,063	8,160	97
Burnside Gorge Community Centre	Youth Outreach	10,000	10,000	0
James Bay Community School Centre	Operating	50,000	50,600	600
James Bay Community School Centre	Youth Programming	8,063	8,160	97
James Bay Community School Centre	Facility (janitorial, recycling)	51,433	52,050	617
James Bay New Horizons	Operating	50,000	50,600	600
James Bay New Horizons	Facility (janitorial)	26,036	26,348	312
Oaklands Community Centre	Operating	50,000	50,600	600
Oaklands Community Centre	Youth Programming	8,063	8,160	97
Oaklands Community Centre	Facility (janitorial)	16,077	16,270	193
Cool Aid Downtown Community Centre	Operating	50,000	50,600	600
Blanshard (Hillside Quadra)	Per capita base (0.75 times population)	5,434	5,434	0
Burnside/Gorge	Per capita base (0.75 times population)	4,395	4,395	0
Downtown (incl Harris Green)	Per capita base (0.75 times population)	3,454	3,454	0
Fairfield Gonzales	Per capita base (0.75 times population)	11,869	11,869	0
Fernwood	Per capita base (0.75 times population)	7,069	7,069	0
James Bay	Per capita base (0.75 times population)	8,430	8,430	0
North Jubilee	Per capita base (0.75 times population)	2,288	2,288	0
South Jubilee	Per capita base (0.75 times population)	1,643	1,643	0
North Park	Per capita base (0.75 times population)	2,588	2,588	0
Oaklands	Per capita base (0.75 times population)	5,119	5,119	0
Rockland	Per capita base (0.75 times population)	2,618	2,618	0
Vic West	Per capita base (0.75 times population)	5,104	5,104	0
		<b>1,770,561</b>	<b>1,798,451</b>	<b>27,890</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

It is recommended that Council approve the direct-award grants as outlined in the table above.

## **Public Information and Consultation**

The 2015 budget was a big departure from previous years. Many lessons were learned and the City benefited from a lot of feedback and greater involvement from the community in the process. Quality information is the foundation for meaningful engagement and community feedback has identified that it has been the greatest weakness in previous budget consultation activities. To foster meaningful participation in the budget process in the future, clear, accessible information will continue to be generated and shared with the community through a variety of tools aimed to increase reach and understanding of the financial planning process.

Guided by the City's and the International Association of Public Participation's Core Values, the public will be engaged earlier on in the engagement process and will have more time to provide input. Information will be provided in advance of consultation to ensure the community has the information and notice required to provide informed input. Through recent neighbourhood meetings, a number of improved tools for understanding impacts and investment in neighbourhoods, will be introduced. The draft Financial Plan itself will be more accessible to the public through the use of visuals and plain language. Direct impacts of the budget and services provided will be highlighted to ensure the Plan resonates with community members and that the value the community receives for their tax dollars is evident.

Throughout October and November 2016, clear, accessible information on the budget will be shared to provide improved information about the budget, services and the budget process. Infographics will be used to help breakdown complex information into visuals that are more easily understandable and engaging. The current website information will be completely redeveloped to provide budget information in a way in which it resonates with the broad public.

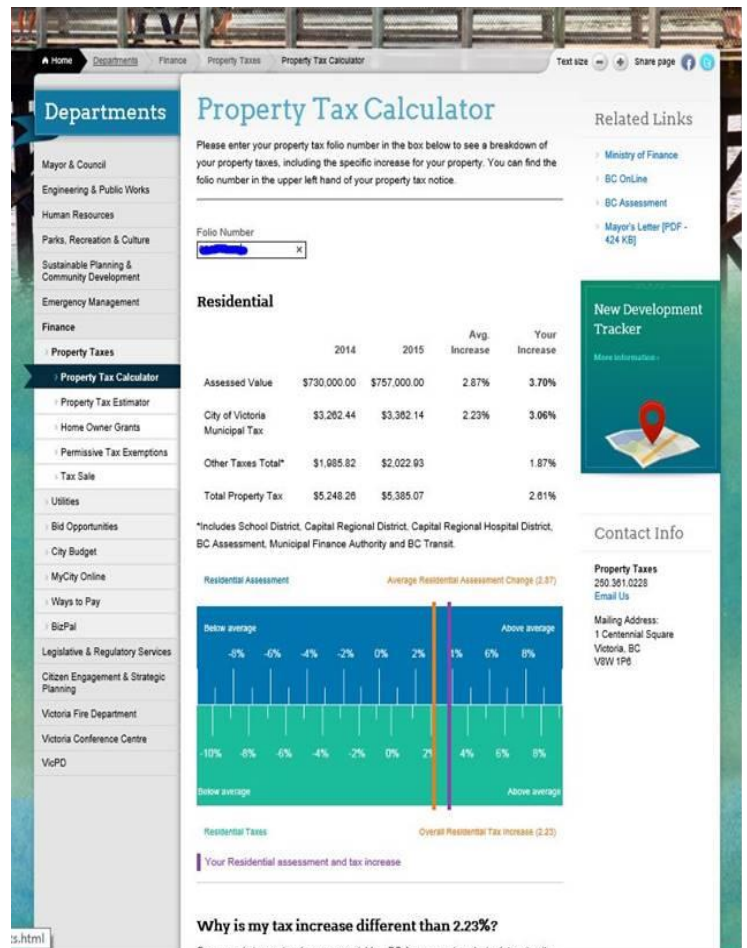
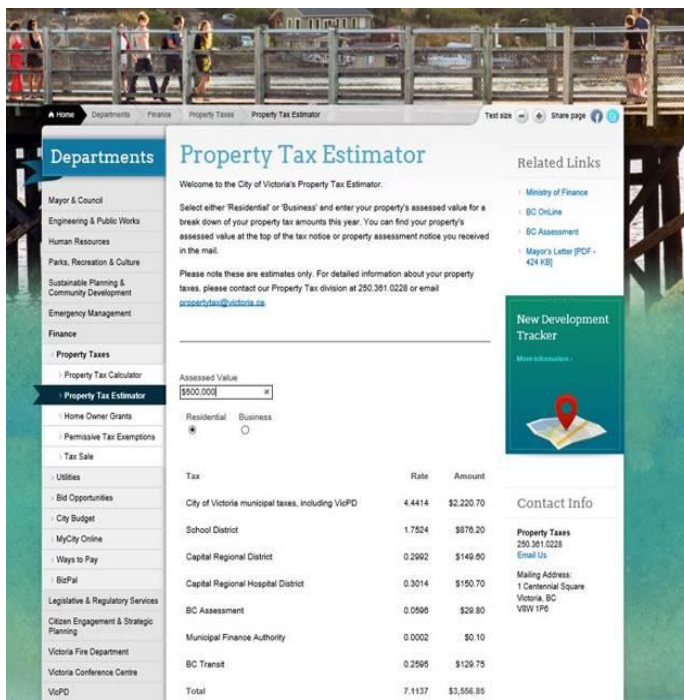
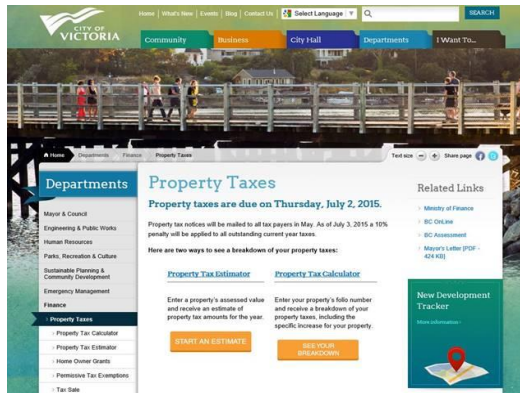
Continuing in 2016, the new tools introduced in 2015 will be used, including an online budget toolkit explaining operating and capital budgets, where funds come from, how they are allocated and what the community receives for their collective investment. The budget toolkit will be available on the City's website in November for community members to print off and use.

A video providing an overview the financial planning process, budget highlights and the services offered will also be created to broaden awareness and understanding around the budget.

An e-town hall will also be offered in January, providing multiple ways for the public to engage in the budget discussion, in both traditional and electronic mediums, and in real-time. Based on our own experience for the 2015 financial planning process, and building on experiences in other municipalities, the e-town hall can make the budget process more accessible by removing barriers to participation and creating opportunities to draw new people into the budget discussions.

Upon conclusion of the consultation period, the process, all feedback and any subsequent changes, will be summarized and included in the financial plan itself to demonstrate the opportunities for public input and the public input received.

The online tax estimator and calculator (example below), launched in the spring of 2015, will continue to enable taxpayers to input their assessed value and see an estimate of what their taxes will be. The calculator will be tailored to both residential and business properties to assist individuals purchasing property to estimate their taxes.



Building on improved information, community members will also be asked to comment on the draft Financial Plan. An online survey and a Town Hall will be used to collect community feedback. An E-Town Hall (example below) will be added to the Town Hall meeting enabling the public to remotely participate in a Town Hall meeting by submitting questions and feedback via email prior to the event as well as live through social media and the City's website. Comments and questions will be read out by a moderator as they come in and individually addressed by subject matter experts.


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## e-Town Hall Meetings

### 2015 Municipal Budget Meeting

The City of Nanaimo wants your input on the 2015 Municipal Budget. Join the discussion at 7 p.m. on September 29th. Participation is easy by using any of the following methods of engagement.

- **In person** - Attend the meeting in the Shaw Auditorium at the Vancouver Island Conference Centre
- **Facebook** - The event's wall will be open for your questions and suggestions during the meeting <http://www.nanaimo.ca/goto/fbTownHall>
- **Twitter** - Once the meeting is underway, use the hashtag [#NanaimoTH](#)
- **Website Submission** - Submit your questions or comments using the online webform <http://www.nanaimo.ca/goto/townhallquestion>
- **By Phone** - Once the meeting is underway, dial 250-754-4251 and tell your question to the operator

#### Discussion Topic

What to include in the City's operational and capital budgets is one of the biggest and most important decisions Council and staff make each year. Setting priorities and deciding where and where not to spend money is a challenging task. Provide your input by participating in the meeting using one of the five methods of engagement listed above.

#### Prepare and Participate

Improve your level of participation by being prepared. Familiarize yourself with the proposed topic using documents made available on the City of Nanaimo's website prior to the meeting beginning.

- [2014-2018 Financial Plan](#)
- [Annual Municipal Report](#)

To ensure community members have an opportunity to review the draft Financial Plan prior to the Town Hall and launch of the survey, electronic copies of the draft Financial Plan will be available online and hard copies will be available for the public to pick up at City Hall and other City facilities. All public feedback will be presented to Council for consideration in February 2016.

During 2015, options for a participatory budgeting process were developed and a separate report will be brought to Council in November for consideration. The approved engagement strategy for the 2015 and 2016 financial planning processes is attached as Appendix D.



## **Timeline**

Council direction on the 2016 financial planning process was provided in June. The following table outlines the remaining timeline for this year's process.

<b>Tentative Dates</b>	<b>Task</b>
Four meetings in November, 2015	Detailed presentations of draft financial plan.
December 10, 2015 Council	First reading of financial plan bylaw.
December/January	Public consultation begins and continues until the third week of January.
Third week of January 2016	Town Hall and e-Town Hall meeting.
February 4, 2016 Governance and Priorities Committee	Present consultation results and seek direction on changes to financial plan.
April 7, 2016 Governance and Priorities Committee	Final report on financial plan including incorporated changes; report on 2015 tax rates. Second and third reading of financial plan bylaw; first, second and third reading of tax bylaw.
April 14, 2016 Council	Second and third reading of financial plan bylaw; first, second and third reading of tax bylaw.
April 28, 2016 Council	Adoption of financial plan bylaw and tax bylaw
May 2016	Seek Council direction on 2017 financial planning process.

## 2017 Financial Plan

Council direction will be sought in May 2016 on the 2017 financial planning process.

The focus for the 2017 plan will be to improve upon the information provided in the 2016 Financial Plan, specifically the metrics and the capital budget summary sheets. As the asset management software implementation continues, additional inventory and condition assessment information will become available and will be incorporated into future financial plans.

The capital plan will also be informed by the master planning activities for facilities, parks and sewer as well as ongoing condition assessment for assets across the organization.

In addition, further development of the City's budget simulator will take place to expand the use (example below).

### Budget Simulator for 2016



#### CORE CITY SERVICES

**Increase the Fire Department Budget expenses budget** [Learn more](#)

Should the 2013 budget include an increase to the Fire Department' expense budget? Increases can start at \$1000 and expand to \$15,000. The Fire Department's Budget cannot be decreased.

#### Your choice

0 15  
\$0 -\$15,000

**Should the Town release their council meeting minutes and vote records as open data?**

[Learn more](#)

The Town currently posts council records in PDF format to our website, [www.townopennorth.ca](http://www.townopennorth.ca). Releasing this information in a machine-readable format would allow citizens, developers and researchers increased access to the democratic processes of our local government. To set up this release the Town would have to spend \$9000 one time on preparing documents.

NO  
\$0 -\$9,000

**Would you accept a local tax of \$50 per unit to invest in a new project? If yes, which project?**

- ☐ Planting of 5000 trees at \$10,000
- ☐ Development Project with greening a public place or redevelopment of a commercial artery at \$20,000
- ☐ Recycling Project of a church into a cultural center and leisure (rather than leaving an empty church sale for condos) at \$100,000
- ☐ Upgrade major streets and sidewalks of the Borough at \$50,000
- ☐ An innovative project home culture including a modernized library at \$25,000
- ☐ Set up a soccer field synthetic turf at \$50,000
- ☒ No, I do not want any new taxes for a project

#### REVENUE GENERATING PROJECTS

**Should a new parking lot be implemented with a daily rate of \$10 a day?**

Our town could accommodate a new parking lot space an abandoned lot which would create \$40,000 in new revenue. The lot would charge a daily rate of \$10 day. Would you like to see a new parking lot in our town?

#### Your choice

NO  
\$0 \$40,000

### *2015 – 2018 Strategic Plan*

The draft Financial Plan was developed in alignment with the 2015-2018 Strategic Plan. This report outlines a number of action items in the strategic plan that require further analysis before funding options can be developed and brought to Council for consideration and inclusion in the financial plan.

### *Impacts to 2015 – 2018 Financial Plan*

The 2016-2020 Financial Plan will replace the current year's plan.

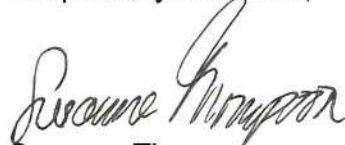
### *Official Community Plan Consistency Statement*

Not applicable.

## **CONCLUSION**

The draft Financial Plan aims to balance high quality service provision with taxpayer affordability. Council's review as well as feedback from the public will further shape the financial plan and will set the service levels for staff to implement.

Respectfully submitted,



Susanne Thompson  
Director, Finance



Jason Johnson  
City Manager

**Report accepted and recommended by the City Manager:** \_\_\_\_\_

**Date:** \_\_\_\_\_

*October 15, 2015*

### **Attachments:**

- Appendix A: List of Deferred Maintenance Projects for Potential Capital Budget Tax Increase
- Appendix B: Supplementary Operating Budget Requests
- Appendix C: Grant Request from Victoria Heritage Foundation
- Appendix D: Engagement Strategy

## **Appendix A: List of Deferred Maintenance Projects for Potential Capital Budget Tax Increase**

Historically, capital budget tax increases have funded deferred maintenance projects for storm drains, streets and facilities. For this year, the proposed list only includes streets projects since the pavement management plan indicates that additional funding for streets is necessary to maintain standards. No facilities or storm drain projects are proposed this year; additional information is being gathered to inform future financial plans.

### **Residential Streets**

<b>Description</b>	<b>Amount</b>	<b>Tax Impact</b>
Alpha Street – Beta to Gamma (Burnside Neighbourhood)	\$450,000	0.37%
Ludgate Street – Bay to John (Burnside Neighbourhood)	\$300,000	0.25%
Meares Street – Cook to east end (Fairfield Neighbourhood)	\$390,000	0.32%
Total	\$1,140,000	0.94%

### **Major Streets**

<b>Description</b>	<b>Amount</b>	<b>Tax Impact</b>
Vancouver Street – Pandora to Balmoral (North Park Neighbourhood)	\$200,000	0.16%
Blanshard/Hillside intersection (Burnside Neighbourhood)	\$200,000	0.16%
Vancouver Street – Southgate to Fairfield (Fairfield Neighbourhood)	\$250,000	0.21%
Southgate Street – Quadra to Vancouver (Fairfield Neighbourhood)	\$250,000	0.21%
Total	\$900,000	0.74%

## Appendix B – Supplementary Operating Budget Requests

### Cultural Plan

#### Overview:

This request will enable fulfillment of Council's strategic plan objective to deliver a Cultural Plan.

#### 5 Year Forecast:

	2016	2017	2018	2019	2020
<b>Expenditures</b>					
Contracted Services	116,000	0	0	0	0
<b>Total Expenditures</b>	116,000	0	0	0	0
<b>% Increase</b>		(100.00%)	0.00%	0.00%	0.00%
<b>Net Request</b>	<b>116,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendix B – Supplementary Operating Budget Requests

### Additional Sidewalks Power-washing During Dry Season

#### Overview:

Long dry spells without significant rainfall is resulting in dirty sidewalks downtown with lots of bird droppings and resulting smell. It affects the cleanliness and appearance of city's sidewalks. This proactive response will provide extra power wash cleaning when it is needed (June to September).

#### 5 Year Forecast:

	2016	2017	2018	2019	2020
<b>Expenditures</b>					
Equipment Rentals	4,800	4,800	4,800	4,800	4,800
WO Regular Time	10,200	10,200	10,200	10,200	10,200
<b>Total Expenditures</b>	15,000	15,000	15,000	15,000	15,000
<b>% Increase</b>					
<b>Net Request</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>

## Appendix B – Supplementary Operating Budget Requests

### Traffic Orders

#### Overview:

This budget is used to fund costs of changes to on-street parking regulations (signs/painting) on an annual basis.

Changes in land use can impact traffic patterns, and demands for on-street parking. Having the ability to respond to public requests/inquiries ensures the ongoing safe operation of traffic for all road users (traffic control devices such as stop signs); helps contribute to successful commercial areas/urban villages (on-street parking turnover for customers); and respects/protects the residential integrity of neighbourhood residential areas (providing Residential Parking Only restrictions on low-density residential streets adjacent

Approximately 80 traffic orders were processed in 2015, as well as the reduced speed zones on arterial and downtown streets in Victoria. The five year average spending for traffic orders is \$34,500, however the annual budget for traffic orders is \$26,000. This request is to add \$8000 to the budget to align the budget with the cost requirements for the program.

#### 5 Year Forecast:

	2016	2017	2018	2019	2020
<b>Expenditures</b>					
9211 WO Regular Time	8,000	8,160	8,323	8,490	8,659
<b>Total Expenditures</b>	8,000	8,160	8,323	8,490	8,659
<b>% Increase</b>		2.00%	2.00%	2.00%	2.00%
<b>Net Request</b>	<b>8,000</b>	<b>8,160</b>	<b>8,323</b>	<b>8,490</b>	<b>8,659</b>

## Appendix B – Supplementary Operating Budget Requests

### Broad Street Mall Repairs

#### Overview:

The Broad Street Mall, from View Street to Pandora Avenue was constructed in 2000. Sections of the inset concrete and glass design have settled, and bricks are also settling, creating tripping hazards. These sections need to be removed and replaced to restore the original look.

#### 5 Year Forecast:

	2016	2017	2018	2019	2020
<b>Expenditures</b>					
9211 WO Regular Time	15,000	20,000	0	0	0
<b>Total Expenditures</b>	15,000	20,000	0	0	0
<b>% Increase</b>		33.33%	(100.00%)	0.00%	0.00%
<b>Net Request</b>	<b>15,000</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Appendix B – Supplementary Operating Budget Requests

### Parks Overnight Sheltering Support and Clean-up

#### Overview:

Continue with the program that started in July, 2015 of extending the hours of Beacon Hill Park public washrooms and Stadacona Park public washrooms until 2.30 am every morning year round. Static security services will be at each location from 9.30pm to 2.30am to assist with smooth operations and any minor situations that may arise. Port-a-toilets are placed at Topaz Park for use by persons seeking overnight shelter in the park. This request would also fund site clean-up of locations where persons are seeking shelter in parks on a daily basis. Debris and discarded chattels will be cleaned up and disposed of. Two employees will be deployed daily.

#### 5 Year Forecast:

		2016	2017	2018	2019	2020
<b>Expenditures</b>						
9121	WO Outside Equipment Ren	15,000	15,000	15,000	15,000	15,000
9211	WO Regular Time	164,000	164,000	164,000	164,000	164,000
9411	WO Contracted Services	134,000	134,000	134,000	134,000	134,000
<b>Total Expenditures</b>		313,000	313,000	313,000	313,000	313,000
<b>% Increase</b>			0.00%	0.00%	0.00%	0.00%
<b>Net Request</b>		<b>313,000</b>	<b>313,000</b>	<b>313,000</b>	<b>313,000</b>	<b>313,000</b>

## Appendix B – Supplementary Operating Budget Requests

### Senior Parks Planner

#### Overview:

The Parks Planning and Design service area delivers design, consultation and project management for an annual average of \$2.3 million in capital expenditures (based on capital budgets from 2010-2015); is responsible for developing plans, strategies and policies to guide investment into and the use of the park and open spaces in the City of Victoria; and, provides comment on all development and other permit applications that impact greenspace, urban forest and other areas of the public realm.

With the growing pressure to reduce the timeline for delivery of development reviews and the growing need to invest in our parks spaces, adding a second Senior Parks Planner will help deliver projects on time and on budget. Approximately 70% of the position's workload is anticipated to be related to permit application review, with the remaining 30% of the time available to undertake projects.

The addition of 1 FTE will allow us to better administer our service delivery to ensure that we assist in meeting the strategic objective of enhancing and stewarding our parks and greenspaces.

From 2012-2014, the average number of development related applications reviewed was approximately 320. This is broken out into several different types of permits.

Rezoning	46
DPs	48
HAP	12
Subdivision	12
BPs	<u>200</u>
TOTAL	318

#### 5 Year Forecast:

		2016	2017	2018	2019	2020
<b>Expenditures</b>						
4016	Salaries - Inside	83,400	85,068	86,769	88,505	90,275
4102	Benefits	19,600	19,992	20,392	20,800	21,216
<b>Total Expenditures</b>		103,000	105,060	107,161	109,304	111,491
<b>% Increase</b>			2.00%	2.00%	2.00%	2.00%
<b>Net Request</b>		<b>103,000</b>	<b>105,060</b>	<b>107,161</b>	<b>109,304</b>	<b>111,491</b>

## Appendix B – Supplementary Operating Budget Requests

### Arboriculture

#### Overview:

The Urban Forest Management plan was approved in 2013. Key actions from the management plan included a full inventory of the urban forest. Priority tree removals and pruning will allow for achieving management plan direction, minimize risk of tree failures and maintain and/or increase canopy cover recommendations.

Deliverables include:

- Forest inventory update kept to standard or 17% per year
- Tree assessments on sensitive tree removals
- Emergency response to tree/limb failures
- Pro-active removal and pruning as per inventory recommendations

#### 5 Year Forecast:

		2016	2017	2018	2019	2020
<b>Expenditures</b>						
9211	WO Regular Time	106,500	108,630	110,803	113,019	115,279
9221	WO Overtime	12,000	12,240	12,485	12,734	12,989
9411	WO Contracted Services	10,000	10,200	10,404	10,612	10,824
<b>Total Expenditures</b>		128,500	131,070	133,692	136,365	139,092
<b>% Increase</b>			2.00%	2.00%	2.00%	2.00%
<b>Net Request</b>		<b>128,500</b>	<b>131,070</b>	<b>133,692</b>	<b>136,365</b>	<b>139,092</b>

## Appendix B – Supplementary Operating Budget Requests

### Real Estate – Consulting Studies

#### Overview:

To fund consulting services to review the substantial catalogue of land and to establish near term strategic opportunities as outlined in the Urban Systems Report on the implementation of a real estate function within the City of Victoria.

#### 5 Year Forecast:

	2016	2017	2018	2019	2020
<b>Expenditures</b>					
4214 Consulting	100,000	0	0	0	0
<b>Total Expenditures</b>	100,000	0	0	0	0
<b>% Increase</b>		(100.00%)	0.00%	0.00%	0.00%
<b>Net Request</b>	<b>100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendix C – Grant Request from Victoria Heritage Foundation



September 22, 2015

Susanne Thompson  
Director of Finance  
City of Victoria  
#1 Centennial Square  
Victoria, BC V8W 1P6

Re: 2016 Grant Funding Request

Dear Ms. Thompson,

The Victoria Heritage Foundation (VHF) was instituted by the City of Victoria in 1983 to manage the City's funding program for Heritage-Designated houses, and it continues to be an important component of the City's Heritage Program. In 36 years, the City of Victoria and VHF have helped to fund over 1,200 projects to stimulate and promote the conservation and maintenance of 364 Heritage-Designated houses.

VHF also undertakes education and outreach projects such as workshops, lectures, our website, walking tour brochures and the award-winning four-volume series *This Old House: Victoria's Heritage Neighbourhoods* in order to further knowledge and awareness of Victoria's built heritage. VHF is able to accomplish much of this work thanks to the contribution of over 1,000 annual volunteer hours. VHF's 2014 Annual Report documents in detail our yearly expenditures and budget allocations. The report was distributed to Mayor and Council and City staff in July. It can also be viewed on our website.

VHF's annual operating grant has remained unchanged at \$189,368 since 2010. As of 2016, demand for grants is expected to exceed our capacity. For 2016 the Victoria Heritage Foundation is requesting **\$205,000**. Factors contributing to the expected shortfall include:

- VHF average project costs have increased 16% (2010-14)
- VHF operating costs (insurance, auditor, office) have increased 11% (2010-14)
- Increased grants for seismic upgrades
- Five Capital Park heritage houses are expected to apply for grants

VHF's work makes a significant contribution to the goals and objectives set out in Victoria's *2015 Strategic Plan 2015-18*. Relevant goals and objectives relating to the Strategic Plan are appended for reference. The VHF Board is currently developing a Strategic Plan that further advances its work consistent with City's Strategic Plan.

We would be happy to answer any questions that you may have. Thank you for your consideration.

Respectfully,

Handwritten signature of Doug Koch in black ink.

Doug Koch,  
Board President

Handwritten signature of Tara Kaehne in black ink.

Tara Kaehne, CPA, CA  
Treasurer

Handwritten signature of Brigitte Clark in black ink.

Brigitte Clark,  
Executive Director

cc: Jonathan Tinney, Director of Sustainable Planning & Community Development  
Andrea Hudson, Assistant Director, Sustainable Planning & Community Development  
Murray Miller, Senior Heritage Planner, non-voting member of VHF  
Pamela Madoff, Council liaison to VHF

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Victoria Heritage Foundation c/o Victoria City Hall #1 Centennial Square Victoria, BC V8W 1P6  
☎ 250 383-4546 ✉ [vhf@victoriaheritagefoundation.ca](mailto:vhf@victoriaheritagefoundation.ca) [www.victoriaheritagefoundation.ca](http://www.victoriaheritagefoundation.ca)

## Appendix

The work of the Victoria Heritage Foundation contributes to the priorities of Victoria's Strategic Plan 2015-2018 as follows:

### Innovate & Lead

- Heritage honours the past, while allowing the future to evolve
- VHF enjoys a high profile and often serves as the first point of contact for heritage-related inquiries
- VHF's award-winning website and GIS map extend the reach of the City's heritage program
- VHF collaborates with neighbourhood groups and other heritage organizations

### Engage and Empower the Community

- VHF grants encourage heritage homeowners to undertake appropriate rehabilitation and inspire neighbours to do the same

### Strive for Excellence in Planning & Land Use

- Existing historic neighbourhoods make for compact and sustainable land use patterns
- Heritage houses contribute to placemaking in Victoria's distinctive neighbourhoods
- VHF assists City Planners in identifying and researching potential heritage houses

### Create Prosperity through Economic Development

- VHF grants leverage significant private investment
- Rehabilitation creates twice as many local skilled jobs as new construction
- Heritage is a cornerstone of sustainable cultural tourism
- Heritage supports tourism - historic hotels and B&Bs, carriage and walking tours
- Heritage houses and streetscapes are desirable locations for film productions

### Make Victoria More Affordable

- Heritage houses often include affordable rental units
- Heritage houses may lend themselves to the addition of garden and secondary suites, adding density without destroying the heritage value of the house and neighbourhood
- VHF grants add to the affordability of heritage houses

### Facilitate Social Inclusion and Community Wellness

- Heritage contributes to social and cultural well-being
- Attractive pedestrian-friendly streets improve quality of life and promote socialization

### Enhance and Steward Public Spaces, Green Spaces and Food Systems

- Heritage neighbourhoods include mature gardens and trees, reinforcing Victoria's reputation as the City of Gardens

### Complete a Multi-Modal and Active Transportation Network

- Attractive, walkable neighbourhoods close to town and amenities minimize vehicle use

### Nurture Our Arts, Culture and Learning Capital

- Heritage neighbourhoods preserve the valuable legacy of the past
- VHF walking tour brochures promote awareness and appreciation of Victoria's architecture and history

### Plan for Emergencies Including Climate Change Short and Long-Term

- The greenest building is the one already built
- VHF promotes educational events on seismic upgrades for heritage houses
- VHF promotes seismic upgrades through increased grant percentage

## **Appendix D – Approved 2015-2016 Engagement Strategy**

The community engagement planned for the 2015 and 2016 budget places significant focus on public awareness, education and involvement around the City's budget more so than in previous years.

Beginning in 2015, a two-phased engagement approach has been approved by Council. The first phase will focus on providing the community clear, accessible information to generate greater awareness and education on the budget. 2015 also includes community involvement in designing and exploring participatory budgeting options for the following year. A substantially improved Financial Plan document and new online tools will better equip community members with the information required to participate in a more collaborative budgeting process during the second phase in 2016.

### **Our Budget. Shaping the Future Together – Proposed Phase One: 2015**

Throughout January and February 2015, clear, accessible information on the budget will be shared to provide improved information about the budget, services and the budget process. The new Financial Plan will outline service levels, actuals and value received for financial investment. Quality information is the foundation for meaningful engagement and has been the greatest weakness in previous consultation activities. To foster meaningful participation in the budget process in future, it is important that greater focus on the information is placed and improved access, through better tools, is provided for greater reach and understanding.

As budget decisions have a profound impact on the daily lives of tax and ratepayers, ranging from garbage collection to parks, to emergency services, engagement will be extensive to ensure all those affected by the conversations are aware of the various opportunities to provide input into the process. Staff will seek out opportunities to go to where the people are to ensure the greatest amount of individuals are engaged and informed.

Several new tools will be introduced in February 2015 including an online budget toolkit explaining operating and capital budgets, where funds come from, how they are allocated and what the community receives for their communal investment. An E-town hall opportunity is proposed for the first time enabling the public to submit questions and feedback through a variety of channels including in person, through the website and using social media. An online tax calculator (example below) will enable taxpayers to input their assessed value and see what their taxes will be is another useful new tool proposed for the coming year. The calculator will be tailored to both residential and business properties to assist individuals purchasing property to determine the difference in taxes.

These new tools will deliver information in a clear and accessible manner as well as encourage interaction through new, innovative channels with diverse audiences. The input solicited from the public about the draft financial plan will be used to inform the 2015 Financial Plan.

In 2015, it is also proposed that the City commence dialogue with the residents and business representatives to explore potential participatory models together and identify what additional information community members feel they require to provide greater input and involvement into the budget process. Based on best practice research being completed now, there are several options that can be explored in 2015 for 2016, including public participation in specific grant fund allocation, investment by neighbourhood or investment by topic areas, such as beautification or active transportation.

Improved budget information and greater exploration of options for participatory budgeting will build a strong foundation on which to introduce participatory elements and process for 2016.

### **Shape Your City Budget – Proposed Phase Two: 2016**

In 2016, the City will be in a position move towards a more collaborative budget process through the introduction of participatory budgeting for a portion of the City's budget.

As a principle of the City's civic engagement strategy, the City's budget is a foundational topic for greater levels of public participation due to its breadth and impact. Involving the public in 2015, to explore and design a participatory process is consistent with the City's Core Values for Public Participation. This in combination with significantly improved budget information and tools has potential for building greater community capacity and understanding of participatory processes, together.

Opportunities for face-to-face workshops and online engagement will be facilitated in order to reach the wide-ranging stakeholders impacted by the decisions being made. The tools introduced in 2015 will be further developed and new tools will continue to be introduced in order to engage the largest amount of the diverse stakeholders impacted by the decisions being made. Best practices from other municipalities will be applied to Victoria such as the introduction of an online budget simulator which has been used in Coquitlam, Regina, Edmonton, Toronto and Montreal. This innovative tool will offer citizens a way to participate in the budget process from the convenience of their homes.

The two-phased engagement strategy will set a new precedent for involving the community in the budget process through clear, accessible information, innovative tools and greater collaboration in the budgeting process.