

Proposed Amendments to the Financial Sustainability Policy

Purpose

To outline proposed amendments to the Financial Sustainability Policy for Council's consideration

Council Direction

Review the following five sub-policies:

- **Policy 1 – Growth in Property Tax Base**
- **Policy 5.1 – Alternative Revenues and External Funding**
- **Policy 6 – Infrastructure Maintenance and Replacement**
- **Policy 8 – Debt Management**
- **Policy 9 – Fees and Charges**

Growth in Property Tax Base

- **Growth impacts both capital and operating budgets**
- **No easy linkage to determine appropriate split**
- **Proposed to allocate first \$500,000 to capital reserves and remainder allocated as determined by Council each year**

Alternative Revenues and External Funding

- Intent of policy is focus is on highest priority needs and does not let grant opportunities drive the financial plan
- Proposed to clarify in policy that grant funding will be sought for priority infrastructure needs that are currently not included in the financial plan due to limited funding or pending Council decisions

Infrastructure Maintenance and Replacement

- The City has been increasing infrastructure funding since 1999
- Current policy has a 1.5% tax increase annually for capital investment
- Work is underway to determine funding needs for facilities, parks, streets infrastructure and sewer
- Proposed that Council annually considers a property tax increase dedicated to capital investment

Debt Management

- The intent of the policy is to limit the impact of new debt issues on property taxes
- The policy is currently silent regarding internal borrowing from Debt Reduction Reserve
- Proposed to add internal borrowing to the policy and to specify a 7% maximum for external borrowing rather than a fixed dollar amount

Fees and Charges

- The intent of the policy is to encourage that fees and charges are reviewed regularly
- Fees for the City's major revenue sources - utilities, parking and recreation - are reviewed regularly
- However, DCCs for example, have not been reviewed in almost a decade
- It is proposed that the policy be amended to add that fee bylaws should include an annual CPI increase when appropriate

Recommendations

1. **Growth in Property Tax Base - replace policy 1.1 as follows:**
 - To balance infrastructure upgrade needs with ongoing operating funding requirements, the first \$500,000 of assessment growth (non-market change) property tax revenue will be transferred to infrastructure reserves and the remaining balance allocated as determined by Council
2. **Alternative Revenues and External Funding – add the following to policy 5.1:**
 - Grants should be sought for known infrastructure needs or identified priorities in the City's Strategic Plan even if they are not included in the financial plan due to limited funding or pending Council decision.

Recommendations

3. **Infrastructure Maintenance and Replacement – replace policy 6.2 as follows:**
 - Each year, Council will consider a property tax increase dedicated to increasing capital infrastructure investment
4. **Self-financed Programs**
 - In the introductory paragraph, add a reference to the Stormwater Utility and remove the reference to the Victoria Conference Centre

Recommendations

5. **Debt Management – amend policy 8.1 as follows:**
 - Every attempt should be made to keep the debt servicing charges at the current budget level of 7% of the property tax levy by adding new debt only in the years when other debt issues are retired. This will minimize the impact on property taxes as a result of new debt.

AND add policy 8.3 as follows:

 - As an alternative to external borrowing, funds in the City's Debt Reduction Reserve can be borrowed with a maximum repayment term of 15 years at an interest rate equal to the lost investment interest
6. **Fees and Charges – add the following to policy 9.0:**
 - Fee bylaws should, when appropriate, include an annual increase equivalent to the Consumer Price Index for Victoria