



Governance and Priorities Committee Report

For the meeting of February 10, 2015

To: Governance and Priorities Committee **Date:** January 27, 2015
From: Susanne Thompson, Director, Finance
Subject: Draft 2015-2019 Financial Plan

Executive Summary

Council directed staff to develop a new process for financial planning in March 2014, including increased opportunities for public input. Update reports were provided to Council on June 26 and October 23 outlining the progress of the implementation of the new process. The purpose of this report is to introduce the draft 2015 Financial Plan for Council's review and fulsome discussion.

Council sets service levels and allocates funding through the financial planning process in alignment with the Strategic Plan. The draft Financial Plan outlines the budgets for approximately two hundred services and over two hundred capital projects. 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. The capital plan proposes Active Transportation projects such as Pandora Avenue corridor bike lanes, and Heron Cove and Raymur Point Bridges along the David Foster Harbour Pathway; Complete Streets projects including rehabilitation of eight residential streets; a number of park and playground upgrades including Clawthorpe Park and Quadra Heights; facility upgrades for City facilities such as Crystal Pool and Fitness Centre, parkades and VicPD headquarters; as well as underground infrastructure upgrades for the City's water, sewer and stormwater systems.

The new approach to financial planning provides much greater context than in the past by outlining services and capital projects including the deliverables and metrics, benefits, costs and revenues of each. This new format will 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 2015 Financial Plan was developed based on Council's direction for a maximum tax increase of 3.25% (2% for operating and 1.25% for capital) as well as the City's Financial Sustainability Policy as the guiding document for budget development. 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's review and discussion of all the proposed budgets is still required. As presented to Council, the draft operating budget totals \$213 million and the draft capital budget totals \$79.4 million for 2015. The proposed budgets would result in the following increases:

- A property tax increase of \$3.6 million or 3.09% (1.84% for operating and 1.25% for capital)
- A water utility user fee increase of \$689,000 or 3.86%; the majority of this increase (2.06%) is due to the Capital Regional District's bulk water rate.
- A solid waste user fee increase of \$50,000 or 1.78%; this increase is due to an increase in the CRD's tipping fee as well as the discontinuation of an incentive for diversion of kitchen scraps.

The draft Financial Plan is being introduced to Council at today's meeting and will outline the new format and provide an overview of the overall budget. The Financial Plan is scheduled to be presented in detail to Council for review and consideration the week of February 16th. Following the completion of the detailed presentations on February 19, Council direction is sought on user fee increases for water and solid waste, non-market change revenue (assessment growth), 2014 surplus, supplementary requests, two new proposed capital projects, allocation of gas tax funding, outstanding Council motions, and direct-award grants.

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.

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.

Recommendations

That Council receive this report for information and consideration on February 19, 2015.

On February 19, 2015 staff will be recommending that Council:

1. Direct staff to align the Financial Plan with the Strategic Plan upon completion of public consultation.
2. Direct staff to bring forward the Five-year Financial Plan Bylaw, 2015 for first reading prior to commencing public consultation.
3. Direct staff to bring forward bylaws outlining solid waste and water utility user fee increases to the February 26 Council meeting for first three readings.
4. Approve transferring \$500,000 of 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.
5. Direct staff to bring forward options for the use of 2014 surplus once public consultation has been completed.
6. Direct staff to bring forward options for funding supplementary budget requests once public consultation has been completed.
7. Direct staff to include in the draft financial plan funding from reserves and user fees for the Water Meter Replacement project.

8. Direct staff to include in the draft financial plan funding for the LED street light replacement project once Council has made a decision regarding grant applications for the Federal Gas Tax Fund Strategic Priorities Fund.
9. Allocate \$300,000 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 Council direction has been given regarding the Federal Gas Tax Fund Strategic Priorities Fund grant applications.
10. Direct staff to implement the actions regarding outstanding Council motions as outlined in this report.
11. Approve the direct-award grants as outlined in this report.

Respectfully submitted,


Susanne Thompson
Director, Finance


Jason Johnson
City Manager

Report accepted and recommended by the City Manager: _____

Date: _____


Feb. 6, 2015

Attachments:

- Appendix A: Business Cases for Proposed New Capital Projects
- Appendix B: Supplementary Operating Budget Requests
- Appendix C: Engagement Strategy
- Appendix D: Draft Five Year Financial Plan, 2015 bylaw

Purpose

The purpose of this report is to introduce the draft 2015 Financial Plan for Council's consideration and recommend first reading of the 2015 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 after the tax rate bylaw is approved, but 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. A review of the Reserve Fund Policy was initiated as part of the financial planning process. An update report on the review was brought to the Governance and Priorities Committee on January 22, 2015 and a final report will be presented in March. On January 22, 2015 Council direction was also given for the review of the Financial Sustainability Policy. Staff will be bringing a report to Council outlining the proposed resources and timeline required for that review. Also at the January 22, 2015 meeting, Council made amendments to the Revenue and Tax Policy.

The City of Victoria has traditionally developed an expense based budget that focused primarily on the dollars allocated to each department. Limited context regarding services, service levels and details on capital projects was provided in the financial plan.

On March 27, 2014, Council directed staff to bring forward a work plan on a revised financial planning process, including public participation that incorporates the City's Core Values for Public Participation by June 30, 2014.

On June 12, 2014, Council directed staff to develop a work plan, budget and set of principles for a multi-year process for participatory budgeting.

On June 26, 2014 a report outlining the proposed financial plan process was presented to Council for discussion and feedback. This report outlined the objectives of the new process, the format for the financial plan document, resource requirements and a timeline. The approved financial planning process for 2015 introduces a new approach with emphasis on budgeting by priorities, outlining services and capital projects including costs, revenues and benefits of each. The new format will enable 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.

On October 23, 2014 an update report was brought to Council, including a proposed process for public consultation. A two-phased engagement strategy is planned for 2015 and 2016. The first phase in 2015 will focus on providing the community clear, accessible information and new, innovative tools including e-town halls and a property tax calculator. Building upon improved information, public feedback will be sought earlier in the process than in years past and will be used to inform the 2015 Financial Plan. During 2015, the City will work with the community to develop a participatory approach to the financial planning process. Involving the community members in the design of participatory budgeting models will build community understanding and capacity, and assist staff in exploring options. Should the Corporate and Strategic Services Standing Committee continue, the intent is to garner feedback on participatory budgeting from that committee as well.

The new budget process was initiated in June and since then much work has been completed. The focus when developing the 2015-2019 Financial Plan was to provide improved information and outline what each service or capital project entails including the deliverables, metrics and benefits of each in addition to the costs and revenues. Approximately 70 staff from across the organization have been involved in compiling this data. Detailed reviews of all departmental budget submissions have been completed by the City Manager and Directors.

A number of "Great Ideas" sessions with staff have been held to generate discussions for improvements and are also an opportunity to increase the understanding of services and the budgeting process. These sessions have been a new way of helping staff rethink the budget process as not just inputs in terms of dollar figures but also as outputs and delivering community value. This is the beginning of 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.

Giving 1st 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.

Issues & Analysis

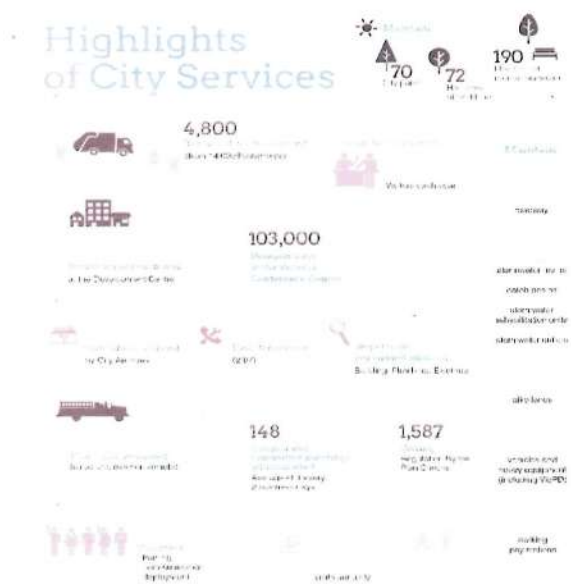
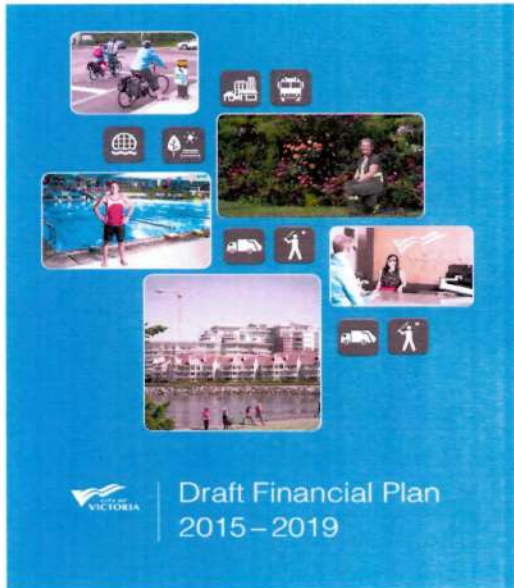
Operating Budget

Overview

The draft 2015 operating budget totals \$213 million, which is an increase of \$3.6 million over the 2014 budget resulting in a proposed overall tax increase of 3.09%; 1.84% for operating and 1.25% for capital.

This increase includes an additional request from VicPD to cover the cost for the CREST radio system replacement (\$247,000 or 0.21%).

The proposed tax increase covers cost increases of existing services as well as increased capital investment. The main cost drivers are collective agreement salary increases, hydro rate increases, additional investment in staff training and development and suggested increased capital funding. In addition, a number of departmental reorganizations resulted in cost savings.



The full-time employee equivalent count, excluding VicPD, was reduced by four for 2015, resulting in a total FTE count of 783. The City has numerous part-time and casual employees in addition to those who are full-time, resulting in a headcount of approximately 990.

The following table summarizes the property tax increase for 2015:

City Operations		Tax Increase	
		\$	%
Collective agreement increases	\$ 1,087,000		
Hydro, gas and water	63,000		
Additional investment in training and development	98,000		
Insurance cost increase	71,000		
New phone contract savings	(41,000)		
Remove position of executive assistant to Mayor and vehicle	(107,000)		
Departmental reorganizations	(176,000)		
Paperless Council agendas	(15,000)		
No election in 2014	(257,000)		
Legal contract increase	31,000		
Payments in lieu of taxes increase	(37,000)		
Various other changes	210,000	\$ 927,000	0.79%
Capital Budget Increase		1,452,000	1.25%
Library (provisional budget)		123,000	0.11%
Police		1,087,000	0.94%
Total Property Tax Increase		\$3,589,000	3.09%

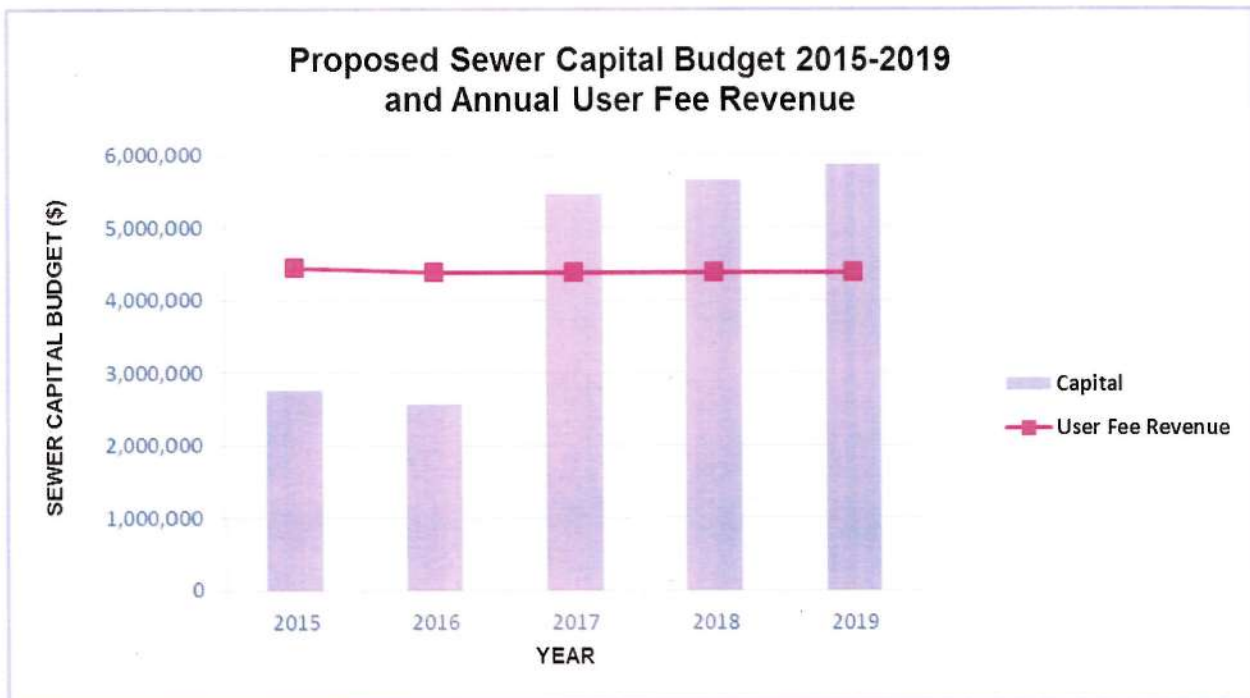
Utilities

The proposed Water Utility budget results in a user fee revenue increase of \$688,900 or 3.86% as outlined in the following table:

Cost Driver	Amount	% Increase
CRD bulk water rate	\$ 369,000	2.06%
Salary, materials and equipment	85,000	0.47%
Capital infrastructure investment	235,000	1.33%
	<u>\$ 689,000</u>	<u>3.86%</u>

Since 2013, the City has put aside funding in reserve for a water meter replacement program, for which implementation is proposed to start in 2016 (business case attached as Appendix A).

The proposed Sewer Utility budget incorporates a reduction in capital funding as a result of the delay in 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 \$1.2 million for 2015) 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 19%. 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:



A review of options for how the sewer user fees are charged to rate payers is underway. Customers have been raising concerns about using 100% of water consumption as the basis for

charging sewer user fees. Options for allocation method will be brought to Council for consideration in February in a separate report.

The Solid Waste program proposes a user fee revenue increase of \$50,000 or 1.78% as outlined in the following table:

Cost Driver	Amount	% Increase
Elimination of CRD incentive for diversion of kitchen scraps	\$ 42,000	1.50%
CRD tipping fee	19,000	0.68%
Removal of start-up costs; internal efficiencies	(11,000)	-0.40%
	<u>\$ 50,000</u>	<u>1.78%</u>

In the past, the utility rate increases have been given Council approval prior to the remainder of the budget that is funded by property taxes. This year, to ensure that the total impact on rate payers is considered at the same time, all budget requests are presented to Council as part of the financial planning process. However, tax rates apply to the entire calendar year whereas user fees cannot be applied retroactively. This means that if user fees are not approved until April, they cannot be implemented until then and the revenue will be collected over eight months rather than the historical twelve. Therefore, to spread the impact of fee increases over a longer time period, staff recommend that Council approve these increases at the February 26 Council meeting.

Greater Victoria Public Library (GVPL)

The City's share of the GVPL's provisional operating and facility maintenance budget request is \$4.5 million, which is an increase of \$123,000 over 2014. The Library Board will consider this budget request on February 17, 2015. Subsequent to that approval, GVPL will present the request to Council. The tentative date for that presentation is the February 26, 2015 Governance and Priorities Committee meeting. Their presentation will also include a request for a new branch in James Bay, to 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%.

The request includes options for various sizes for the new branch: 3000 – 7500 square feet. The following table outlines the range of budget impact to the City:

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

Non-Market Change (Assessment Growth)

As per the Financial Sustainability Policy, all new property tax revenue resulting from new construction is transferred to reserve. At the January 22, 2015 Governance and Priorities Committee meeting, Council directed staff to review this policy. The policy review will take place in 2015, but not prior to finalizing the 2015 Financial Plan. Therefore, direction is sought on the use of this revenue for 2015. Based on a conservative early estimate, the draft Financial Plan includes \$500,000 in non-market change revenue with an offsetting transfer to the Buildings and Infrastructure Reserve. However, any non-market change revenue above the \$500,000 has not been factored in. In 2014, Council chose to transfer \$500,000 into the Buildings and

Infrastructure Reserve and used the remainder to lower the overall property tax increase. For 2015, Council could consider using this revenue to fund supplementary requests, fund projects such as active transportation or other strategic plan items, address feedback from public consultation, transfer additional funds to reserve, or reduce taxes. The preliminary amount is \$2.4 million; however, in the City's experience, this amount is typically reduced once the final assessment roll is received from BC Assessment. The current reserve contribution to the Buildings and Infrastructure Reserve is \$4.7M plus a proposed addition of \$500,000 for a total of \$5.2 million in 2015; the estimated balance at the end of 2014 is \$26 million. The preliminary non-market change amount is equivalent to an approximate 2% tax reduction.

During 2014, the Provincial and Federal Governments sold a few properties for which the City received payments in lieu of taxes (\$564,000). In 2015, these properties will be taxable and the City will receive property taxes from the new owners rather than payments in lieu of taxes. This change in how the taxes are collected will flow through non-market change revenue. Since this is not new tax revenue, but simply a replacement of previous payments in lieu, the amount of non-market change revenue requiring Council direction as estimated above is net of these properties.

2014 Surplus

Per the Financial Sustainability Policy, prior year surplus can be used for one-time expenditures and/or is transferred to infrastructure reserves. Since the 2014 year-end is not yet complete and the amount of the 2014 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 2014 surplus be made once the consultation on the draft Financial Plan and the Strategic Plan is complete. The following table outlines the surplus allocation for the past four years:

2010		2011		2012		2013	
Victoria's 150 th Celebration	\$100,000	Victoria's 150 th Celebration	\$150,000	Buildings and Infrastructure Reserve	\$1,228,387	Additional staffing to expedite planning applications	\$350,000
Customer Service Strategy	\$150,000	Customer Service Strategy	\$180,000			Active transportation	\$124,559
Buildings and Infrastructure Reserve	\$3,142,221	Buildings and Infrastructure Reserve	\$520,900			Buildings and Infrastructure Reserve	\$2,800,000
		UBCM conference	\$100,000				
		Twin City delegates	\$65,000				
Total	\$3,392,221		\$1,015,900		\$1,228,387		\$3,474,559

The 2014 surplus is estimated at \$2 million.

Prior Year Comparatives

After the 2014-2018 Financial Plan was developed, a number of departmental reorganizations and collective agreement settlements took place. Therefore the 2014 budgets that are included in the draft 2015-2019 Financial have been restated for comparative purposes. The overall net bottom line of the 2014 budget has not changed.

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 were calculated based on 2014 assessed property values and 2014 water usage.

	2015	2016	2017	2018	2019
<u>Estimated Average Residential</u>					
Property Taxes (\$504,000 assessed value)	\$68	\$102	\$90	\$97	\$51
Water Utility - 80 units	14	6	14	6	10
Sewer Utility - 80 units	-	-	5	5	5
Solid Waste - 120 litre bin	4	5	4	4	4
Stormwater Utility	-	-	11	9	8
	\$86	\$113	\$124	\$121	\$78
Estimated Increase	2.91%	3.71%	3.79%	3.56%	2.22%
	2015	2016	2017	2018	2019
<u>Estimated Typical Small Business</u>					
Property Taxes (\$500,000 assessed value)	\$202	\$304	\$268	\$289	\$152
Water Utility - 80 units	14	6	14	6	10
Sewer Utility - 80 units	-	-	5	5	5
Stormwater Utility	-	-	25	20	19
Business Licence	-	-	-	-	-
	\$216	\$310	\$312	\$320	\$186
Estimated Increase	2.98%	4.15%	3.88%	3.83%	2.14%

Supplementary Operating Budget Requests

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

Description	2015	2016	2017
Concrete and brick paver intersection maintenance	\$10,000	\$12,000	\$15,000
Sidewalk maintenance upgrades	\$80,000	\$80,000	\$80,000
Zoning regulation bylaw renewal (net of proposed funding for the Downtown Core Area Plan Implementation)	\$265,000	\$335,000	
Twin City anniversary celebrations	\$20,000		
Hosting UBCM conference	\$155,000		

The strategic planning and public consultation processes may result in additional funding needs for items such as active transportation projects or the creation of an economic development office and a property division. Possible funding sources are 2014 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 and the Strategic Plan.

Capital Budget

Overview

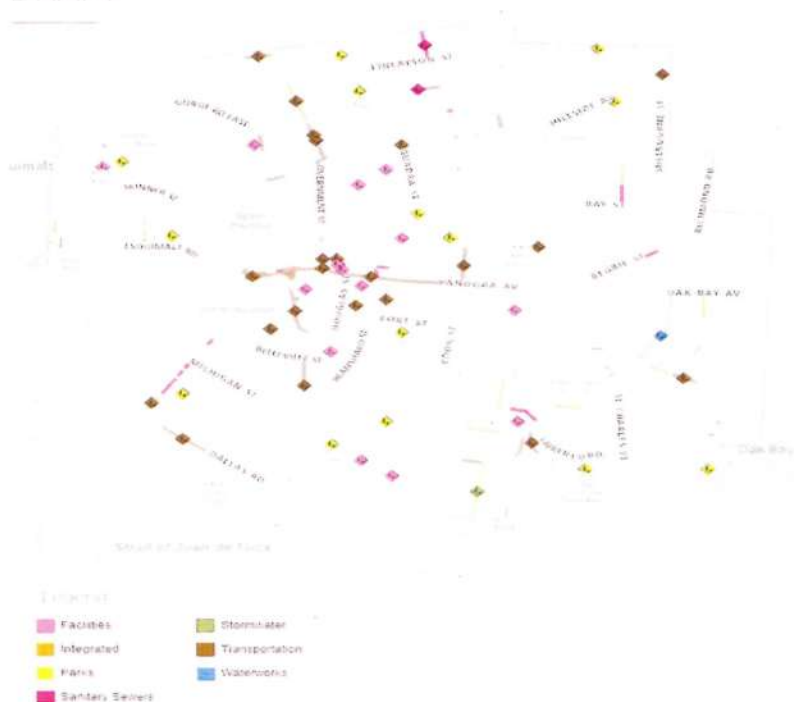
The draft capital budget for 2015 totals \$79.4 million, which is larger than the typical \$30-35 million primarily due to the Johnson Street Bridge replacement (\$39 million).

The capital plan has been grouped in the following categories:

- **Active Transportation** involves infrastructure for all active modes of transportation including bike lanes, crosswalks, bus shelters, sidewalks, pathways, and greenways;
- **Complete Streets** are designed for all ages, abilities and modes of travel; the projects include all aspects of streets from sidewalks and on-street bike lanes to paving and street & traffic lights;
- **Downtown Beautification**;
- **Parks**, which includes park upgrades and infrastructure, playgrounds, sports fields and park acquisition;
- **Street Infrastructure**, which includes electrical kiosks and the Gate of Harmonious Interest;
- **Retaining Walls and Railings**;
- **Bridges**;
- **Facilities**, which includes upgrades to and/or replacement of all City facilities;
- **Environmental Remediation** for City properties;
- **Equipment**, which includes vehicles, information technology and various equipment replacements;
- **Water, Sewer and Stormwater Infrastructure** projects; and
- **VicPD**, which includes computers, communications equipment and vehicles.

Capital Projects

DRAFT



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, greenways and bike lanes), some have funding levels that fall short of industry-recommended replacement schedules (playgrounds) and some require additional analysis to determine the required funding levels (pavement, facilities, sewer, and street and traffic lights).

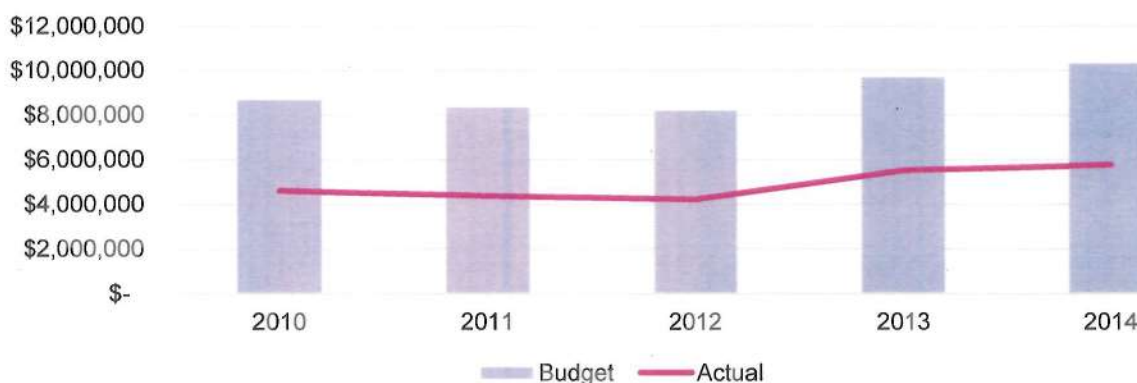
The pavement management plan indicates that additional funding is needed to maintain existing service levels. Funding has and is proposed to continue to increase for this asset group. Staff continue to investigate alternative rehabilitation strategies, such as thin asphalt overlays, and mill and fill replacements, to achieve more upgrades within available funding.

The City has a number of facilities that require capital investment, such as Fire Hall #1, Crystal Pool and Fitness Centre, and Victoria Conference Centre. However, due to lack of information on all City facilities, the total amount required is yet to be determined. At the January 22, 2015 Governance and Priorities Committee, Council approved a facilities assessment to gather this critical information. This assessment is scheduled to be complete in October 2015.

The sewer master plan has been put on hold by staff until a decision is made regarding sewage treatment. 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.

Compared to the previous capital plan, changes have been made, primarily for sewer and storm drain projects, to reduce the budgets to reflect current plans for work to be undertaken. Historically, many of these budgets have been underspent; the proposed investment for 2015 is in line with what historically has been spent and does not reflect a decrease in the actual amount of work to be done.

Sewer and Storm Drain Historical Capital Spending



Capital plan funding levels are determined through policy decisions, taking into account the City's risk tolerance. The capital plan proposes increases to the annual funding through a 1.25%

tax increase in 2015 and a 1.5% tax increase each year for 2016-2018 based on Council direction and the City's Financial Sustainability Policy. This increase in funding will help address investment needs. Due to the lack of a facilities assessment and the need for additional analysis for pavement management and street infrastructure, such as street and traffic lights, it is not clear whether these four years of proposed increases will enable the City to reach sustainable funding levels to maintain existing service levels for all asset groups. Work on gathering this data and a review of the Financial Sustainability Policy are planned for 2015 and will be incorporated into the 2016 financial planning process. In addition, should Council wish to increase current service levels for infrastructure such as playgrounds, pathways and greenways, additional funding would likely be needed; some which could potentially be achieved through grant opportunities such as the Federal Gas Tax Strategic Priorities Fund. The recommended funding levels take 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.

When the tangible capital asset policy was introduced in 2008 only limited analysis of what traditionally had been charged to the capital budget was done. Only those budgets that extend the life of an asset beyond the original expected life, replace assets or increase service capacity of assets are considered capital for accounting purposes. As a result of the detailed preparation of the 2015 budget, a few areas came to light that have been re-classified as operating budgets rather than capital – facilities minor repairs (\$550,000), Crystal Pool minor repairs (\$100,000), and recreation minor equipment (\$17,610). This shifting is an accounting correction only, which moved \$667,610 from the capital budget to the operating budget.

The proposed capital budget includes projects that were underway but not completed before year-end. The funding for these projects must be carried forward from 2014. The budgets for these projects will be updated to reflect remaining amounts once year-end has been completed.

Reserves, Debt and Infrastructure Deficit

A review of the City's Reserve Fund Policy is currently underway. An update report was brought to the Governance and Priorities Committee on January 22, 2015 and a final report will be brought to Council in March. That report will provide information on the City's reserves as well as debt and background information on the infrastructure deficit. There are some smaller debt issuing falling off in 2021 and 2023; however, the next significant debt issue to retire is in 2032.

Proposed New Projects

Two capital projects that achieve customer service improvements and/or result in efficiencies and ongoing operating budget savings are proposed for Council's consideration. Business cases for each are attached as Appendix A.

1. LED Streetlight Replacement:

This project, proposed to start in 2015, would replace HPS street lights with lower maintenance and lower environmental impact LED lights. Initial capital costs would be recovered through ongoing operating budget savings. Potential funding sources for this project could be borrowing from an infrastructure reserve or a grant from the Federal Gas Tax Fund Strategic Priorities Fund. A report regarding this grant opportunity outlining options for Council's consideration will be brought to Council in February.

2. Water Meter Replacement:

This project is proposed to start in 2016, phased over five years, to replace meters that are end of life. The City has put aside \$1.835 million in reserve for this project and it is proposed that the remainder be funded through user fees.

Allocation of Annual Gas Tax Funding

The City receives annual funding from the Federal Government through their gas tax program. Prior to 2014, the annual allocation was \$2.1 million. Each year, amounts received were transferred to the City's Gas Tax Reserve which Council approved 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.

Starting in 2014, as a result of a renewed gas tax agreement with the Federal Government, the City is receiving additional funding of \$1.1 million for a total of \$3.2 million each year.

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: Bicycle Master Plan Implementation, storm drain projects, David Foster Harbour Pathway, and LED street light replacement. It is proposed that the Storm Drain Brick Main project continues to be funded through gas tax and that the remaining funding be allocated once Council has directed staff to apply for gas tax grants. Staff recommend that grant applications be put in for two of the projects and that the remaining projects be funded from the annual gas tax funding. A separate report regarding this grant opportunity will be brought to Council on February 26, 2015.

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 2016-2035 Capital Plan will be to incorporate new information gathered throughout 2015 to address this information gap.

For many capital investments, such as water, stormwater, bicycle master plan implementation, 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 does not yet exist. On January 22, 2015, Council approved a facilities assessment to create this long-term plan, which will be incorporated into future capital plans.

For park upgrades, the projects are typically shaped through consultation with the public and are scalable so budget requests will vary based on the input received. Therefore, budgets for future year park projects are labeled "TBD". Through the financial planning process, opportunities for improved reporting to Council on input received during parks consultation have been identified.

For others, such as Gate of Harmonious Interest and Ship Point retaining wall, condition assessments proposed to take 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 future capital plans.

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 2016 is to improve upon these estimates using information gathered during 2015.

Outstanding Council Motions

Council has passed a number of motions in relation to the 2015 financial plan. The following table outlines each motion and the recommended action for each:

Council Motion	Amount	Comment	Recommended Action
Move unspent 2014 greenways grant budget to 2015.	\$25,000	Council directed that new grant programs aligned with the Strategic Plan be developed.	Allocate the \$25,000 once the new grant program categories have been developed.
Identify funding options for Bicycle master plan implementation.	\$5,060,000	This program is eligible for Gas Tax Fund grant funding. A report is coming to Council for consideration in February.	Consider funding opportunities for this project once a decision on Gas Tax grant applications has been made.
Shift funding within the 2015 capital budget to enhance pedestrian and cycling infrastructure.	\$250,000	The 2015-2034 capital plan has aligned all active transportation projects. The additional funding for the bicycle master plan implementation adds more than \$1 million to active transportation for 2015.	Confirm that additional funding is still desired for 2015.
Provide a \$25,000 grant for the Western Canada Music Awards	\$25,000		Approve 2014 surplus funding for this grant.
Vic High School Sports Facility Refurbishment Project matching grant of up to \$250,000 subject to: <ul style="list-style-type: none"> 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 	Up to \$250,000		Consider funding for this grant once all terms of the Council motion have been addressed.

Grants

As directed by Council, grants have been grouped into two categories: direct-award grants and grants for projects and operating funding. The programs for the latter will be developed once the Strategic Plan is finalized and the total budget for these grants, as presented in the draft Financial Plan, is proposed to remain at the 2014 budget level. A complete list of project and operating funding grant applications for the 2015 budget year is not yet available. Those grants will be considered by Council once the new programs have been developed and grant applications have been received.

For direct-award grants, operating and youth programming grants for Community and Seniors Centres, and the grant for Recreation Integration Victoria are incorporated into the draft Financial Plan at the 2014 budget level. The Victoria Heritage Trust has requested an increase of 2% or \$2,080. The Victoria Heritage Foundation is requesting the same operating grant as in 2014 but is not requesting a grant for the development of "This Old House" brochure in 2015.

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. As part of a detailed review in the development of the 2015 budget, it came to light that the level of funding varies significantly between the centres. It is recommended that the historical level of funding be provided for 2015 but that a review be undertaken during 2015 for implementation in 2016 to ensure that the level of support provided to each is appropriate. A report outlining options will be brought to Council's for consideration in time for the 2016 financial planning process.

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

Organization	Type of Grant	2015 Requests
Victoria Civic Heritage Trust	Building Incentive	420,000
Victoria Civic Heritage Trust	Operating	105,550
Victoria Heritage Foundation	Operating	189,368
Victoria Heritage Foundation	Operating (brochure)	0
Recreation Integration Victoria	Operating	29,435
Quadra Village Community Centre	Operating	40,000
Quadra Village Community Centre	Youth Programming	8,063
Fernwood Community Centre	Operating	40,000
Fernwood Community Centre	Youth Programming	8,063
Vic West Community Association	Operating	40,000
Vic West Community Association	Youth Programming	8,063
Vic West Community Association	Facility (janitorial)	33,118
Fairfield Community Place	Operating	40,000
Fairfield Community Place	Youth Programming	8,063
Fairfield Community Place	Facility (janitorial, recycling, liability insurance)	48,982
Cook Street Village Activity Centre	Operating	40,000
Cook Street Village Activity Centre	Facility (strata fees)	16,721
Victoria Silver Threads	Operating	40,000
Victoria Silver Threads	Facility (lease)	122,389
Burnside Gorge Community Centre	Operating	40,000
Burnside Gorge Community Centre	Youth Programming	8,063
James Bay Community School Centre	Operating	40,000
James Bay Community School Centre	Youth Programming	8,063
James Bay Community School Centre	Facility (janitorial, recycling)	51,433
James Bay New Horizons	Operating	40,000
James Bay New Horizons	Facility (janitorial)	19,236
Oaklands Community Centre	Operating	40,000
Oaklands Community Centre	Youth Programming	8,063
Oaklands Community Centre	Facility (janitorial)	16,077
Blanshard (Hillside Quadra)	Per capita base (0.75 times population)	5,434
Burnside/Gorge	Per capita base (0.75 times population)	4,395
Downtown (incl Harris Green)	Per capita base (0.75 times population)	3,454
Fairfield (incl Gonzales)	Per capita base (0.75 times population)	11,869
Fernwood	Per capita base (0.75 times population)	7,069
James Bay	Per capita base (0.75 times population)	8,430
North Jubilee	Per capita base (0.75 times population)	2,288
South Jubilee	Per capita base (0.75 times population)	1,643
North Park	Per capita base (0.75 times population)	2,588
Oaklands	Per capita base (0.75 times population)	5,119
Rockland	Per capita base (0.75 times population)	2,618
Vic West	Per capita base (0.75 times population)	5,104
		1,568,761

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

Public Information and Consultation

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 be provided to 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.

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 February and March 2015, 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.

Several new tools will be introduced in 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 collective investment. The budget toolkit will be available on the City's website in February 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 for the first time to broaden awareness and understanding around the budget.

An e-town hall will also be offered for the first time in 2015, providing multiple ways for the public to engage in the budget discussion, in both traditional and electronic mediums, and in real-time. 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.

In the spring of 2015, an online tax calculator (example below) will 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.

Departments

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Community Services

Development Services

Engineering

Financial Services

BC Home Owner Grant

Bill Payments

Financial Plan

Property Tax Deferment

Property Tax Estimator

Property Taxes

Tax Exemption

Tax Payment Plan

Tax Sales

Courtenay Fire Department

Human Resources

Legislative Services

Property Tax Estimator

To estimate your municipal taxes, enter the property assessment value from your annual BC Assessment notice in the box below.

Please note: The estimate provided applies only to residential properties (Class 01) for the 2014 tax year.

The values provided in the estimate are only valid for residential properties (Class 01).

Property Assessment Value

[Calculate Tax Estimate](#)

Note: Total property tax estimates displayed are for the taxable value portion of your property's assessment and do not include local service taxes (specified area charges, parcel taxes, frontage taxes, water, sewer and garbage user fees) or any possible reductions for eligible Provincial Home Owner Grants.

Finance Department
City of Courtenay
830 Cliffe Avenue
V9N 2J7
Phone: 250-334-4241
Fax: 250-334-4241
Email: finance@courtenay.ca

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 for the first time 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.

Calendars

City Council

Appearing as a Delegation

Behind the Scenes

Bylaws Search

Committee Agendas and Minutes

Committee Awards

Committees, Commissions, Boards

Council Agendas and Minutes

Council Meetings - Live Video

Council Policies

e-Town Hall Meetings

Grant Committees

In Camera Release of Information

In Conversation with the Mayor

Letters Patent and Orders in Council

Public Hearings

Mayor and Council

Proclamations

Publications and Forms

Revitalization Tax Exemption Bylaw

Strategic Plan

The City's Emblems

City News

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Communication Plan

Municipal Elections

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City Hall

City Council


e-Town Hall Meetings

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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/gov-to/townhall>
- Twitter** - Once the meeting is underway, use the hashtag [#nanaimoTH](https://twitter.com/#!/nanaimoTH)
- Website Submission** - Submit your questions or comments using the online webform <http://www.nanaimo.ca/gov-to/townhallquestions>
- 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](#)

Due to time limitations and the volume of questions and suggestions received, not all

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 March 2015.

During 2015, options for a participatory budgeting process will be developed in consultation with the community for implementation in 2016. This work has already begun including gathering best practices. The directors of Finance and Citizen Engagement and Strategic Planning recently visited Tofino to participate in their first participatory budgeting process, and have conducted research on a number of other communities and their approaches. Through the financial planning process staff have started to identify budgets or areas that may be candidates for participatory budgeting approaches. The approved engagement strategy for the financial planning process is attached as Appendix C.

Timeline

Council feedback has been sought and updates have been provided over the last 10 months regarding the development and implementation of the new financial planning process. The following table outlines the remaining timeline for this year's process.

Tentative Dates	Task
Week of February 16	Detailed presentations of draft financial plan.
February 26 Council	First reading of financial plan bylaw.
March 2	Public consultation begins and continues until the third week of March.
Week of March 23	Town Hall and e-Town Hall meeting.
April 9 Special Governance and Priorities Committee	Present consultation results and seek direction on changes to financial plan.
April 23 Special Council	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 30 Council	Adoption of financial plan bylaw and tax bylaw
July 2015	Lessons learned report to Council; seek direction on 2016 financial planning process.
During 2015	Develop options, in consultation with the community, for participatory budgeting opportunities to be implemented for the 2016 financial planning process.

2016 Financial Plan

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

The focus for the 2016 plan will be to improve upon the information provided in the 2015 Financial Plan, specifically the deliverables and metrics. The metrics included in the draft 2015 Financial Plan were developed based on existing information that was easily tracked. More work is needed to improve the metrics and this will be the focus for 2016.

Also an area of focus for 2016 is to improve the capital plan, including incorporating funding needs for facilities based on information gathered through the facilities assessment in 2015.

In addition, options for participatory budgeting opportunities will be developed in consultation with the community. Additional tools, such as a budget simulator (example below), will also be implemented for the public to use.

CORE CITY SERVICES

Your choice

Increase the Fire Department Budget expenses budget ①

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.

0 15
\$0 -\$15,000

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

① LEGISLATION

The Town currently posts council records in PDF format to our website: 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

Your choice

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 a day. Would you like to see a new parking lot in our town?

NO
\$0 \$40,000

Recommendations

That Council receive this report for information and consideration on February 19, 2015.

On February 19, 2015 staff will be recommending that Council:

1. Direct staff to align the Financial Plan with the Strategic Plan upon completion of public consultation.
2. Direct staff to bring forward the Five-year Financial Plan Bylaw, 2015 for first reading prior to commencing public consultation.
3. Direct staff to bring forward bylaws outlining solid waste and water utility user fee increases to the February 26 Council meeting for first three readings.
4. Approve transferring \$500,000 of 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.
5. Direct staff to bring forward options for the use of 2014 surplus once public consultation has been completed.
6. Direct staff to bring forward options for funding supplementary budget requests once public consultation has been completed.
7. Direct staff to include in the draft financial plan funding from reserves and user fees for the Water Meter Replacement project.
8. Direct staff to include in the draft financial plan funding for the LED street light replacement project once Council has made a decision regarding grant applications for the Federal Gas Tax Fund Strategic Priorities Fund.
9. Allocate \$300,000 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 Council direction has been given regarding the Federal Gas Tax Fund Strategic Priorities Fund grant applications.
10. Direct staff to implement the actions regarding outstanding Council motions as outlined in this report.
11. Approve the direct-award grants as outlined in this report.

Appendix A – Business Cases for Proposed New Capital Projects

LED Street Light Replacement

Overview:

To implement a city-wide conversion of approximately 6500 High Pressure Sodium (HPS) streetlight fixtures to Light Emitting Diode (LED) fixtures phased over 3 years.

Energy consumption from streetlights has remained relatively constant at 4.5 million kWh; representing a 1.2% increase since 2010, while the electricity costs associated with streetlights have increased about 28% due to BC Hydro rate increases. BC Hydro rate increases are expected to continue into the future to fund BC Hydro's capital investments. Electricity costs represent a significant portion of the Streetlight budget at approximately 60%.

The transition from HPS to LED technology is estimated to realize significant energy consumption savings, thereby directly reducing electricity expenses. Additionally, the lifecycle of an HPS streetlight is about 4 years and the lifecycle of the LED streetlight is 15 years. Reducing the frequency of lamp replacement, the City will save on maintenance costs. Currently, BC Hydro provides a rebate program that contributes to offset the cost of the capital outlay.

Aside from the projected operating savings, LED technology is superior to standard HPS lights in many ways such as:

- Reduced energy consumption advances the City's commitment towards carbon neutral municipal operations and greenhouse gas reduction objectives; though modestly since BC has low-carbon hydro-electricity
- Potential improvements in lighting levels and quality, improving the ability for citizens to see and be seen
- Reduction of glare and light wastage through trespass, reducing light pollution

The analysis below shows the capital cost for the phased LED streetlight replacement project over the three year period and the operating savings over the 15 year lifecycle. The initial capital costs would be repaid in savings over a 9 year period.

LED Business Case - 3 Year Replacement			
	Year 2015	Year 2016	Year 2017
<u>Capital Costs</u>			
Capital Cost – LED	577,088	1,091,215	577,088
Capital Cost - Light Pole Arms	119,375	238,750	119,375
BC Hydro Incentives	(144,272)	(272,804)	(144,272)
Total Capital Costs From Reserve	552,191	1,057,161	552,191
<u>Savings over Lifecycle of LED (15 years)</u>			
Electricity	3,679,991		
Labour	683,291		
Materials	873,977		
Total Cumulative Savings	5,237,260		
Initial Capital Outlay	2,161,543		
Net Savings over 15 years	3,075,717		
Repayment of Reserve in Years	9 years		

Appendix A – Business Cases for Proposed New Capital Projects

Water Meter Replacement

Overview:

To replace end of life under-reading water meters with new advanced metering infrastructure. There are over 18,000 water meters and approximately 16,000 of these are residential meters. The remaining 2,000 non-residential meters are currently being replaced under the lifecycle maintenance schedule.

Water meters are an important part of the water distribution system as they measure the volume of water used by customers. The consumption volume is used to bill for water and sanitary sewer fees. Accurate water meters promote water conservation, provide accurate and timely billing, promote customer equity and provide valuable data for system operation, design and maintenance.

Accuracy of the existing meters depends on many factors such as the rate of flow and total quantity of water that has been measured over time. The current inventory of aging meters is due for replacement with the average meter age estimated to be 45 years. Water industry studies have concluded that residential meters should be replaced after 20 years.

Faulty meters under-read the consumption, so customers are not over-charged as all meters the City installs have been engineered to under-read when they become worn-out. In 2009, the City conducted meter accuracy tests at 14 locations. The results of this testing found that on average the meters were only recording 80% of actual water consumption. For 12 of these locations, the meters were considered a failure for low flow accuracy based on American Water Works Association limits.

The City calculates the total un-billed water volume on an annual basis. Un-billed water volume is the difference between CRD wholesale bulk water purchase and the water volume the City's sells to customers and includes system leakage, municipal use and meter accuracy loss. From 2009-2013, the un-billed volumes are approximately 10% of the water volume purchased from the CRD and equates to an average of \$700,000 each year. The un-billed dollar values are not amounts the City has lost in revenue as the water rates are increased to ensure the City collects the required revenue to cover the costs of the utility.

Additional benefits are realized with the installation of new water meters. The City and residents will be able to monitor water consumption in a timely basis and increase the potential for early detection of leaks; reducing the upward pressure on the water rates. Additionally, the City would have the ability to implement a more frequent billing system; increasing the timeliness of billings and potentially reducing the financial burden some residents face due to the current four month billing cycle. Implementing new technology provides options to improve current processes. Should Council wish to explore these opportunities, staff would bring forth a report outlining options and resource requirements.

Currently, the City has \$1,835,000 in the Water Utility Equipment and Infrastructure Reserve for the Water Meter Replacement.

Proposed expenditures: \$1 million each year 2016-2020 for a total of \$5 million.

Appendix B – Supplementary Operating Budget Requests

Concrete and Brick Paver Intersection Maintenance

Overview:

This supplementary request is in regard to concrete and brick paver intersection maintenance. On Government Street, the cross walks at Yates, View, Fort, Broughton, Courtney and Humboldt are all composed of brick pavers.

The bricks and mortar are failing and creating a tripping hazard to pedestrians and cyclists. As the work area is in a high traffic volume area, the work is done on the weekends and the area is closed for traffic until the following Tuesday to allow the mortar to set.

5 Year Forecast

	2015	2016	2017	2018	2019
Expenditures					
9211 WO Regular Time	10,000	12,000	15,000		
Total Expenses	10,000	12,000	15,000		
Net Request	(10,000)	(12,000)	(15,000)		

Appendix B – Supplementary Operating Budget Requests

Sidewalk Maintenance Upgrades

Overview:

This funding request is for additional sidewalk maintenance to:

- Remove and replace surrounding sidewalk panels when new bases for poles are installed to meet current code.
- Repair or replace sidewalk panels and tree well pavers that are sunken or raised by growing tree roots.

This additional work will increase safety for pedestrians by reducing tripping hazards.

5 Year Forecast

		2015	2016	2017	2018	2019
Expenditures						
9411	WO Contracted Services	80,000	80,000	80,000	80,000	80,000
Total Expenses		80,000	80,000	80,000	80,000	80,000
Net Request		80,000	80,000	80,000	80,000	80,000

Appendix B – Supplementary Operating Budget Requests

Zoning Regulation Bylaw Renewal

Overview:

The current bylaw is difficult to interpret and has been developed in a piece-meal fashion over several decades without a comprehensive or holistic approach.

The proposed zoning bylaw renewal would utilize best practices to make the bylaw easier to understand and remove inconsistencies resulting in improved customer service, internally and externally.

This funding would be used to engage external support as well as increase staffing by 0.5 FTE for a two-year period to undertake a comprehensive review, analysis, community consultation and rewrite of the Zoning Regulation Bylaw. The scope would include new Downtown Core Area Zones, Schedule C (parking), specific review and improvements related to the Rockland Zones, addressing issues related to developing sloped sites and ensuring best practices are utilized throughout.

The Downtown Core Area Plan Implementation proposed budget includes \$270,000 of funding for schedule C (parking) and downtown zoning bylaw. To complete the renewal of the entire zoning bylaw, an additional \$600,000 is required.

5 Year Forecast:

	2015	2016	2017	2018	2019
Expenditures					
	435,000	385,000	50,000	0	0
Total Expenses	435,000	385,000	0	0	0
DCAP funding	170,000	50,000	50,000		
Net Request	265,000	335,000	0	0	0

Appendix B – Supplementary Operating Budget Requests

Twin City Anniversary Celebrations

Overview:

Every five years, the City celebrates an anniversary with one of its twin Cities. In 2015, this will be the 30 year anniversary of the City's twinning with Morioka, Japan and the 35 year anniversary of the City's twinning with Suzhou, China.

Morioka celebrations include Bell of Friendship Program, Haiku reception, plinth recognition plaque, and re-commitment ceremony/signing.

Suzhou celebrations include re-commitment Ceremony/signing.

Major delegation visiting from Morioka, Japan in 2015; small delegation visiting from Suzhou, China.

Proposed expenditure: \$20,000

Appendix C – Approved 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 (example below) 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.

Appendix D – Draft Five Year Financial Plan, 2015 bylaw

Schedule 1

	2015	2016	2017	2018	2019
REVENUES					
Property Value Taxes	119,764,025	120,321,512	125,429,015	130,903,754	134,016,581
Property Value Taxes from New Assessments	500,000	500,000	500,000	500,000	500,000
Parcel Taxes	1,466,269	1,431,828	1,466,696	1,502,496	1,539,256
Special Assessments	3,171,685	3,186,238	3,201,082	3,216,224	3,231,668
Grants in Lieu of Taxes	6,115,000	6,226,020	6,339,260	6,454,766	6,572,581
User Fees and Charges	4,283,410	4,381,704	3,143,497	3,193,233	3,241,489
Permits and Licences	4,079,850	4,079,850	4,079,850	4,079,850	4,079,850
Parking Fees and Enforcement	15,677,800	15,903,040	16,132,785	16,367,124	16,606,151
Water, Sewer and Stormwater Utility Fees and Charges	26,437,313	31,869,781	34,487,622	35,540,287	36,643,243
Other Sources	31,078,593	32,490,431	34,311,916	34,703,795	35,208,626
	212,573,945	220,390,405	229,091,723	236,461,529	241,639,443
TRANSFERS FROM					
Accumulated Surplus	-	-	-	-	-
Reserves					
Art in Public Places	145,000	135,000	135,000	135,000	135,000
Fiscal Stability	445,000	140,000	90,000	-	-
	590,000	275,000	225,000	135,000	135,000
Sub-total	213,163,945	220,665,405	229,316,723	236,596,529	241,774,443
COLLECTED ON BEHALF OF OTHER GOVERNMENTS					
Taxes and Fees	87,449,872	89,198,177	90,982,847	92,802,504	94,658,554
	300,613,817	309,863,582	320,299,570	329,399,032	336,432,998

Appendix D – Draft Five Year Financial Plan, 2015 bylaw

Schedule 2

	2015	2016	2017	2018	2019
EXPENDITURES					
General Government	23,937,263	25,329,932	25,727,897	26,393,557	26,514,170
Police	48,245,183	49,665,396	51,100,465	52,576,558	54,094,882
Fire and Victoria Emergency Management Agency	15,523,423	15,903,249	16,290,484	16,687,203	17,093,629
Engineering and Public Works	30,704,212	34,423,090	35,519,667	36,630,500	37,630,764
Sustainable Planning and Community Development	4,994,622	4,831,425	4,821,031	4,825,652	4,922,165
Parks, Recreation and Culture	14,897,071	15,228,038	15,530,213	15,838,842	16,153,844
Greater Victoria Public Library	4,562,523	4,731,042	4,879,695	5,024,896	5,177,110
Victoria Conference Centre	8,099,170	8,185,080	8,270,304	8,357,592	8,446,976
Water Utility	13,375,532	13,639,483	13,900,551	14,166,847	14,438,479
Sewer Utility	3,421,842	3,484,259	3,543,945	3,604,824	3,666,920
	167,760,840	175,420,993	179,584,252	184,106,470	188,138,939
DEBT SERVICING					
Principal and Interest - General	3,918,396	7,827,583	7,827,583	7,827,583	7,827,583
Principal and Interest - Parking Services	845,382	845,382	845,382	845,382	845,382
Principal and Interest - Victoria Conference Centre	340,359	340,359	340,359	340,359	340,359
	5,104,137	9,013,324	9,013,324	9,013,324	9,013,324
TRANSFERS TO					
Capital Funds					
General	13,034,242	11,730,208	13,542,208	15,429,208	15,429,208
Water Utility	3,331,218	3,368,736	3,687,020	3,713,715	3,899,241
Sewer Utility	2,767,852	2,571,522	5,469,493	5,672,101	5,883,421
Reserves					
Equipment and Infrastructure					
City Equipment	1,602,500	1,602,500	1,602,500	1,602,500	1,602,500
City Vehicles and Heavy Equipment	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
City Buildings and Infrastructure	5,378,393	5,879,711	6,381,056	6,882,428	7,383,827
Parking Services Equipment and Infrastructure	807,540	909,212	1,019,825	1,132,397	1,247,210
Multipurpose Facility Equipment and Infrastructure	112,500	114,750	117,045	119,386	121,774
Gas Tax	3,200,000	3,200,000	3,400,000	3,400,000	3,500,000
Police Vehicles, Equipment and Infrastructure	1,000,000	1,065,000	1,125,000	1,150,000	1,180,000
Water Utility Equipment and Infrastructure	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000
Sewer Utility Equipment and Infrastructure	1,680,536	1,814,449	400,000	400,000	400,000
Fiscal Stability	3,509,187	100,000	100,000	100,000	100,000
Tax Sale Lands	50,000	50,000	50,000	50,000	50,000
Victoria Housing	250,000	250,000	250,000	250,000	250,000
Art in Public Places	135,000	135,000	135,000	135,000	135,000
Climate Action	90,000	90,000	90,000	90,000	90,000
	40,298,968	36,231,088	40,719,147	43,476,735	44,622,181
Sub-total	213,163,945	220,665,405	229,316,723	236,596,529	241,774,443
TRANSFERS TO OTHER GOVERNMENTS					
Taxes and Fees	87,449,872	89,198,177	90,982,847	92,802,504	94,658,554
	300,613,817	309,863,582	320,299,570	329,399,032	336,432,998

Appendix D – Draft Five Year Financial Plan, 2015 bylaw

Schedule 3

	2015	2016	2017	2018	2019
REVENUES					
Utility Connection Fees	1,050,000	1,100,000	1,100,000	1,100,000	1,100,000
Grants and Partnerships	20,965,255	1,222,000	-	-	-
TRANSFERS FROM					
Operating Funds					
General	13,034,242	11,730,208	13,542,208	15,429,208	15,429,208
Water Utility	3,331,218	4,368,736	4,687,020	4,713,715	4,899,241
Sewer Utility	2,767,852	2,571,522	5,469,493	5,672,101	5,883,421
Reserves					
Equipment and Infrastructure					
City Equipment	1,654,820	1,019,980	893,060	1,024,341	1,147,827
City Vehicles and Heavy Equipment	2,965,000	-	-	-	-
City Buildings and Infrastructure	4,681,349	420,000	4,000,000	-	-
Victoria Conference Centre Equipment and Infrastructure	250,000	173,000	51,000	30,000	40,000
Parking Services Equipment and Infrastructure	1,737,000	231,540	736,171	240,894	245,712
Gas Tax	640,000	2,817,500	994,750	563,500	1,033,818
Police Vehicles, Equipment and Infrastructure	1,436,506	840,645	1,086,698	1,546,877	1,414,686
Tax Sale Lands	3,036,900	-	-	-	-
Parks and Greenways Acquisition	500,000	-	-	-	-
Development Cost Charges	53,000	54,060	55,141	56,244	57,369
Funding to be determined	1,852,200	2,357,200	1,052,200	500,000	1,300,000
DEBT PROCEEDS	19,400,000	11,600,000	286,000	-	-
	79,355,342	40,506,391	33,953,740	30,876,880	32,551,283

Appendix D – Draft Five Year Financial Plan, 2015 bylaw

Schedule 4

	2015	2016	2017	2018	2019
EXPENDITURES					
Capital Equipment	6,525,320	2,345,693	2,607,586	2,072,821	2,146,611
Capital Programs and Projects					
Active Transportation	3,586,500	4,610,670	1,218,085	1,145,745	2,958,660
Complete Streets	4,481,200	4,083,360	3,896,882	3,638,577	3,957,848
Downtown Beautification	293,000	298,856	304,833	310,930	317,149
Parks	2,770,255	75,000	25,000	-	-
Street Infrastructure	122,000	72,824	20,000	20,400	20,808
Retaining Walls and Railings	2,305,555	420,000	-	-	-
Bridges	38,800,000	11,600,000	4,286,000	-	-
Facilities	6,010,500	867,743	867,500	466,399	431,327
Environmental Remediation	1,942,000	-	-	-	-
Sanitary Sewers	3,067,852	2,871,522	5,769,493	5,972,101	6,183,421
Stormwater	4,183,436	6,096,534	4,626,734	4,548,493	5,347,147
Waterworks	3,831,218	4,918,736	5,237,020	5,263,715	5,449,241
Police	1,436,506	840,645	1,086,698	1,546,877	1,414,686
Projects to be determined (Facilities, Parks etc.)	-	1,404,808	4,007,909	5,890,822	4,324,385
	79,355,342	40,506,391	33,953,740	30,876,880	32,551,283

Appendix D – Draft Five Year Financial Plan, 2015 bylaw, Schedule 5

Revenue and Tax Policy

Purpose

The purpose of the Revenue and Tax Policy is to outline the proportions of revenue sources, the distribution of property taxes among property classes and the use of permissive property tax exemptions.

Primary Objectives

- To provide tax payers with stable, equitable and affordable property taxation while at the same time providing high quality services.
- To support the OCP and other City plans as well as complement the Regional Context Statement.

Policies

1. Revenue Proportions by Funding Sources

Property taxes are the main source of revenue for the City and pay for services such as police and fire protection, bylaw enforcement, and infrastructure maintenance. Property taxes provide a stable and consistent source of revenue for services that are difficult or undesirable to fund on a user pay basis. Therefore, property taxes will continue to be the City's major source of revenue.

However, it is the City's desire to charge user fees where feasible. Some programs, such as recreation, are partially funded by user fees. The City also has several self-financed programs that are fully funded by user fees. These include Water Utility, Sewer Utility, Garbage Utility, and the Victoria Conference Centre.

In addition, the City has reviewed and updated its DCC bylaw to ensure that developers are paying their fair share of infrastructure required as a result of new development.

Policy 1.0

User pay funding will be used for such services that are practical and desirable to fund on a user pay basis.

Services that are undesirable or impractical to fund on a user pay basis will be funded by property taxes.

Policy 1.1

The City will continue to explore alternative revenue sources to diversity its revenue base.

2015 Revenue Proportions by Funding Source

Revenue Source		% Total Revenue
Property Value Taxes	120,264,025	56.42%
Parcel Taxes	1,466,269	0.69%
Special Assessments	3,171,685	1.49%
Grants in Lieu Taxes	6,115,000	2.87%
User Fees and Charges	5,078,849	2.37%
Permits and Licences	4,079,850	1.90%
Parking Fees & Enforcement	15,677,800	7.35%
Water and Sewer Utility Fees and Charges	25,641,874	12.03%
Other Sources	31,668,593	14.86%
Total	213,163,945	100.00%

Appendix D – Draft Five Year Financial Plan, 2015 bylaw, Schedule 5 continued

2. Distribution of Property Taxes Among Property Classes

Market value changes that result in uneven assessment changes between property classes result in a tax burden shift to the class experiencing greater market value increases unless tax ratios are modified to mitigate the shift.

Until 2007, it was Council's practice to modify tax ratios to avoid such shifts. This equalization practice provided an effective tax increase that was equal for all classes. It is important to be aware that this practice only avoids shifts *between* property classes. There is still a potential for shifts *within* a property class where one property has experienced a market value change that is greater than the average for that class.

However, starting in 2007, business and industrial tax ratios have been held constant in recognition of the larger tax burden that has been placed on those classes. This resulted in higher tax increases being passed on to the residential class compared to business and industrial.

The pressure continues across the country to reduce the tax burden on the business and industrial classes. In recognition of this, and the desire to support a healthy business environment, Council's goal is to have a business class tax burden that is equitable.

In 2012, a comprehensive review of the Revenue and Tax Policy was conducted to determine if Council's objective of reducing the tax burden on the business class was appropriate and if so, that the mechanism of achieving the objective (reduction of tax ratio) was the most effective mechanism to achieve the goal. The review concluded that additional relief for the business tax class was warranted. However, the tax ratio was not the best mechanism of achieving that goal. As a result, Council approved the following policy objective: *To reduce the business property tax class share of the total property tax levy to 48% over three years (2012-2014). The redistribution excludes impact of new assessment revenue. The total redistribution of the tax levy was \$1.51 million.*

In 2015, an update review was completed and based on the findings, policy 2.0 was amended to maintain the current share of taxes among tax classes.

Policy 2.0

Maintain the current share of distribution of property taxes among property classes, excluding the impact of new assessment revenue, by allocating tax increases equally. Business and industrial classes will be grouped as outlined in Policy 2.1.

Policy 2.1

Tax rates for the light and major industrial tax classes will be equal to the business tax rate to support the City's desire to retain industrial businesses.

Policy 2.2

Farm Tax Rates will be set at a rate so taxes paid by properties achieving farm status will be comparable to what the property would have paid if it were assessed as residential.

3. Use of Permissive Property Tax Exemptions

The City continues to support local non-profit organizations through permissive tax exemptions. Each year, a list of these exemptions is included in the City's Annual Report.

In addition, the City offers a Tax Incentive Program to eligible owners of downtown heritage designated buildings to offset seismic upgrading costs for the purposes of residential conversion of existing upper storeys. The exemptions are for a period up to ten years.

The City encourages redevelopment of lands within the City and the use of environmentally sustainable energy systems for those developments through revitalization property tax exemptions.

Policy 3.0

Permissive property tax exemptions are governed by the City's Permissive Property Tax Exemption Policy, which outlines the criteria for which property tax exemptions may be granted.

Policy 3.1

Heritage property tax exemptions are governed by the City's Heritage Tax Incentive Program.

Policy 3.2

Revitalization property tax exemptions are governed by the City's Revitalization Tax Exemption (Green Power Facilities) bylaw.