



Committee of the Whole Report

For the meeting of January 4, 2018

To: Committee of the Whole **Date:** December 21, 2017
From: Susanne Thompson, Director of Finance
Subject: Proposed Adjustments to the Draft 2018-2022 Financial Plan

RECOMMENDATIONS

That Council:

1. Provide direction regarding any funding allocations for items identified by the public or through responses to Council's motions passed during budget discussions.
2. Approve the following ongoing allocation of the remaining estimated \$1.5 million new property tax revenue from new construction:
 - a. Any ongoing funding needs identified by the public or through responses to Council's motions during budget discussions, as determined by Council
 - b. Ongoing Supplemental Requests
 - i. Managing Growth and New Development
 1. Parks Planner \$103,000
 2. Transportation Planner \$104,000
 - ii. Managing Public Safety
 1. Fire Prevention Officer \$121,000
 - iii. Managing Green Spaces
 1. Community Garden Program \$15,000
 2. Parks Natural Areas Support \$63,000
 - iv. Managing Public Engagement
 1. Graphic Design Support \$81,000
 - v. Youth Initiatives
 1. Youth Leaders in Training Program \$20,000
 - vi. Multi-Modal Transportation Network
 1. Street Occupancy and Parking Support – 1 FTE only
 - vii. Asset Management
 1. Building Project Administrator \$99,000
 - viii. Managing Climate Action and Sustainability
 1. Sustainability Waste Management Engineer \$99,000
 - ix. Any VicPD ongoing supplementary requests
 - c. Additional Grant Requests
 - i. Victoria Heritage Foundation 5.1%, \$10,716
 - ii. Victoria Civic Heritage Trust 2%, \$2,186

- d. Any remainder evenly shared between the Buildings and Infrastructure Reserve and the Vehicles and Heavy Equipment Reserve
- 3. Approve the following one-time allocation of the remaining estimated \$2.9 million 2017 surplus:
 - a. Any one-time funding needs identified by the public or through responses to Council's motions during budget discussions, as determined by Council.
 - b. Supplementary Requests:
 - i. Managing Growth and New Development
 - 1. Secretary Planning \$67,000
 - 2. Parks Arborist \$97,000
 - ii. Managing Green Spaces
 - 1. Overnight Sheltering – Support and Clean-up \$300,000
 - 2. High Risk Tree Removal \$150,000
 - 3. Pioneer Square Archaeological Reporting \$37,000
 - 4. Downtown Public Realm Plan Implementation \$105,000
 - iii. Managing Public Engagement
 - 1. Engagement Advisor \$109,000
 - iv. Managing Accessibility
 - 1. Accessibility Framework \$40,000
 - v. Youth Initiatives
 - 1. Youth Strategy Liaison \$30,000
 - vi. Active Transportation
 - 1. Neighbourhood Transportation Management \$180,000
 - 2. Speed Reader Boards \$85,000
 - vii. Multi-Modal Transportation Network
 - 1. Traffic Signal Timing Update Study \$40,000
 - 2. Extra Bridge Coverage \$30,000
 - viii. Asset Management
 - 1. Condition Assessment Pilot Project \$60,000
 - 2. Professional Certification/Project Management \$50,000
 - ix. Managing Climate Action and Sustainability
 - 1. Step Code Implementation \$10,000
 - 2. Environmental Performance Audit \$50,000
 - x. Managing Housing
 - 1. Victoria Housing Strategy Implementation \$250,000
 - xi. South Island Prosperity Project funding \$220,000
 - xii. Any VicPD one-time supplementary requests
 - c. Any remainder to the Buildings and Infrastructure Reserve
- 4. Direct staff to bring forward the Five Year Financial Plan Bylaw, 2018, as amended, to the April 12, 2018 Council meeting

EXECUTIVE SUMMARY

The purpose of this report is to seek direction regarding adjustments to the draft 2018-2022 Financial Plan based on the feedback from public consultation before Council gives final approval to the Financial Plan Bylaw prior to May 15 as required by the *Community Charter*.

On November 9, 2017, following review and discussion, Council gave first reading of the 2018 Financial Plan Bylaw indicating preliminary approval and signalling to the public that Council had

an opportunity to review the draft prior to commencing public consultation. The opportunity to provide feedback on the draft financial plan concluded on December 8, 2017. In addition to requesting feedback on the content of the entire draft Financial Plan, the City also sought feedback on how to allocate the 2017 surplus and the 2018 new property tax revenue from new construction. Council directed staff to bring forward options, upon completion of public consultation, for the use of new property tax revenue from new construction, 2017 surplus, annual gas tax funding, and funding options for supplementary budget requests (Appendix A) and additional grant requests (Appendix B).

The new property tax revenue from new construction (net of Capital Park which is funding the new library branch in James Bay) is estimated at approximately \$2.1 million. However, the amount available from this revenue is \$1.5 million as Council has already allocated \$500,000 to the Buildings and Infrastructure Reserve and \$87,000 to maintain staffing levels for the Correspondence function. This new property tax revenue is likely to change before it is finalized due to assessment appeals that property owners file with BC Assessment. The final amount will not be known until the end of March.

The 2017 year-end is not yet complete, but the surplus (one-time revenue) is estimated at \$3 million. However, Council has already approved \$70,000 for the International Ice Hockey Federation World Junior Hockey Championship, and \$30,000 for education related to single-use plastic bags, leaving a remaining balance of \$2.9 million to allocate.

The ongoing supplementary requests total \$705,000 plus VicPD's revised request of \$642,000 and \$160,000 (City's share would be approximately \$548,000 and \$136,000 respectively should Esquimalt Council approve the requests), and one-time requests total \$1.69 million plus VicPD's request of \$253,898 (City's share would be approximately \$217,000 should Esquimalt Council approve the request). A separate report from VicPD, outlining the changes to their supplemental requests, is part of today's agenda. Through the financial planning process, Council sets services levels and makes difficult funding decisions between competing priorities, including determining the merit of supplementary budget funding requests. Should Council wish to fund any supplementary requests, the ongoing requests are recommended to be funded by new construction property tax revenue, and the one-time requests are recommended to be funded by 2017 surplus.

In the online survey consultation, 48% of respondents indicated they were moderately or very satisfied with value for tax dollars, with 46.5% agreeing with the proposed tax increase, 45% felt the increase should be reduced, and 8.5% felt the increase should be higher to address additional services or service levels. In terms of surplus, the highest response was to invest some surplus in reserves and some in new initiatives (47.8%), followed by saving for future infrastructure investment (42.8%). For new property tax revenue from new construction, the majority (55.66%) indicated a preference to save for future infrastructure investment, followed by a reduction to the tax increase (44.8%). A separate report summarizing the consultation results was provided to Council at the December 14, 2017 Committee of the Whole meeting. A summary of the public input will be included in the final Financial Plan itself.

Any adjustments approved by Council will be incorporated into the 2018-2022 Financial Plan and the Five Year Financial Plan Bylaw, which is scheduled to be given second and third readings, and adoption in April once the final assessment data has been received from BC Assessment.

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 seek direction regarding adjustments to the draft 2018-2022 Financial Plan based on the feedback from public consultation before Council gives final approval to the Financial Plan Bylaw prior to May 15 as required by the *Community Charter*.

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.

The draft 2018 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. Budgets were developed to maintain existing services and service levels; staff's recommendations on service level changes are presented as supplementary budget requests for Council's consideration.

The draft operating budget totals \$233.3 million and the draft capital budget totals \$43.1 million for 2018. The proposed budgets would result in an overall increase in property taxes of 2.77%, and combined with utility user fee increases, the total is 2.80%.

On November 9, 2017, Council passed the following motions, for which direction is sought today:

- Direct staff to bring forward options for the use of the remainder of new property tax revenue from new construction (non-market change) upon completion of public consultation
- Direct staff to bring forward options for the use of 2017 surplus upon completion of public consultation
- Direct staff to bring forward options for funding supplementary budget requests upon completion of public consultation
- Direct staff to bring forward options for funding increased grant requests upon completion of public consultation

After detailed review and discussion, Council gave first reading to the Financial Plan Bylaw on November 9, 2017 prior to commencing public consultation that took place through an online survey and a Town Hall/eTown Hall during November and early December. Building on the activities and tools used during the 2017 financial planning process, the process for 2018 included a "budget snapshot" to each neighbourhood, summary materials in print and online, the budget simulator, the property tax estimator and the budget video explaining municipal budgets. A separate report is part of today's meeting agenda outlining the results of the consultation.

ISSUES & ANALYSIS

Available Funding

New Property Tax Revenue from New Construction (Non-Market Change)

Non-market change revenue is new property tax revenue resulting from new construction that the City will be collecting on an ongoing basis each year. The Financial Sustainability Policy, as

amended by Council in 2015, recommends that \$500,000 of new property tax revenue resulting from new construction be transferred to reserves.

The most recent estimate is \$2.1 million (excluding the NMC related to the Capital Park development which is funding the new library branch in James Bay), though this new estimate is likely to change again due to assessment appeals filed by property owners before the assessment roll is finalized in March. Council has already approved allocating \$500,000 to the Buildings and Infrastructure Reserve and \$87,000 to maintain staffing levels for the Correspondence function, leaving \$1.5 million available to allocate.

The Building and Infrastructure reserve contribution, including the additional allocation in 2018, is \$6.3 million and the estimated unallocated balance at the end of 2018 is approximately \$16.7 million. The remaining estimated new property tax revenue from new construction is equivalent to an approximate 1.2% reduction to the tax increase.

The following table outlines the allocation of new property tax revenue from new construction for the last five years:

2013		2014		2015		2016		2017	
Buildings and Infrastructure Reserve	\$108,000	Reduce Property Tax Increase	\$968,845	Reduce Property Tax Increase	\$1,000,000	Real Estate Function	\$60,000	Police Budget	\$277,000
		Buildings and Infrastructure Reserve	\$500,000	Buildings and Infrastructure Reserve	\$500,000	Buildings and Infrastructure Reserve	\$365,000	Buildings and Infrastructure Reserve	\$250,000
Total	\$108,000	Total	\$1,368,845	Community Garden Volunteer Grants	\$36,000			Accessibility Reserve	\$250,000
				Interdisciplinary Team	\$300,000			Real Estate Function	\$135,000
				Downtown Community Centre Funding	\$50,000			Tree Care	\$128,000
				Increase Community Centre Funding	\$100,000			Greening of Fleet	\$61,722
				Solid Waste Garbage Collection and Waste Separation	\$95,000			New Gymnasium - 950 Kings Rd	\$43,000
				Beautification (Banners)	\$10,000			Arts and Culture Support	\$25,000
				Traffic Calming	\$100,000			Community Garden Volunteer Coordinator	\$6,000
				Sidewalk Maintenance Upgrades	\$80,000			Distribution of Mulch to Community Garden Operators	\$6,000
				Real Estate Function	\$101,000			Victoria Heritage Foundation Grant	\$5,125
				Total	\$2,332,000	Total	\$425,000	Victoria Civic Heritage Trust Grant	\$2,153
								Medallion Challenge Trophy	\$500
								Total	\$1,195,500

2017 Surplus

Surplus is one-time funding arising from the previous year's expenditure budgets being underspent or revenue budgets being exceeded, or a combination of the two. The Financial

Sustainability Policy provides that prior year surplus can be used for one-time expenditures and/or is transferred to infrastructure reserves. The reason for this policy is to ensure that ongoing expenditure requirements are funded by ongoing revenues, not surplus which cannot be counted on annually.

To illustrate this rationale, the following very simplistic example shows that the increase is not eliminated, but rather deferred to the following year:

	Year 1 Municipal Taxes for Average Household	Year 2 Municipal Taxes for Average Household	Year 3 Municipal Taxes for Average Household
Taxes to pay for ongoing costs without current year increase		\$ 2,300	\$ 2,350
Current year tax increase needed to fund ongoing costs		\$ 50	\$ 50
One-time reduction using surplus		\$ (20)	\$ -
Tax bill	\$ 2,300	\$ 2,330	\$ 2,400
Tax increase \$		\$ 30	\$ 70
Tax increase %		1.30%	3.00%

The 2017 surplus is estimated at \$3 million; primarily as a result of higher than expected revenues in parking, savings due to vacancies, and unspent contingency. As part of the report on 2017 Financial Statements coming to Council in April, finalized details about the 2017 surplus will be provided. Council has already approved one time allocations of \$70,000 for the International Ice Hockey Federation World Junior Hockey Championship, and \$30,000 for education related to single-use plastic bags, leaving a remaining balance of \$2.9 million to allocate.

The following table outlines the surplus allocation for the past five years:

2012		2013		2014		2015		2016	
Buildings and Infrastructure Reserve	\$ 1,228,387	Additional staffing to expedite planning applications	\$ 350,000	Expediate Local Area Plans	\$ 200,000	Crosswalk Projects	\$ 200,000	Buildings and Infrastructure Reserve	\$ 1,440,209
		Active Transportation Projects	\$ 124,559	Victoria Housing Reserve	\$ 750,000	Broad Street Mall Repairs	\$ 15,000	Accelerated Local Area Planning (2018-2019)	\$ 500,000
		Buildings and Infrastructure Reserve	\$ 2,800,000	Buildings and Infrastructure Reserve	\$ 500,000	Buildings and Infrastructure Reserve	\$ 552,721	South Island Prosperity Project (SIPP)	\$ 220,000
Total	\$ 1,228,387	Total	\$ 3,274,559	Centennial Square Washroom Upgrades	\$ 125,000	Arboriculture (Urban Forest Mgmt Plan Implementation)	\$ 128,500	Vulnerable Population Pilot Project	\$ 204,891
				Accessibility Capital Fund	\$ 250,000	Accessibility Capital Fund	\$ 250,000	Parks Overnight Sheltering	\$ 200,000
				Emergency Management	\$ 250,000	Real Estate Function Consulting	\$ 100,000	Parks Infrastructure	\$ 158,000
				Storage-Homeless Persons' Belongings	\$ 45,000	City of Victoria Youth Council Additional Request	\$ 6,000	High Risk Tree Removal	\$ 150,000
				UBCM Conference Housing	\$ 155,000	Cultural Plan	\$ 116,000	Canada 150 Feshtwies	\$ 150,000
				VCAN Support	\$ 1,100	Senior Parks Planner	\$ 103,000	Songhees and Esquamet First Nations Long House	\$ 110,000
				VCAN Support 2016 - First 6 Months	\$ 900	Sidewalk Power-Washing	\$ 15,000	Parks Planning Temporary Support	\$ 103,000
				Island Transformations Railway Crossing Study	\$ 4,000	Parks Overnight Sheltering Support and Clean-Up	\$ 313,000	Victoria Housing Strategy Implementation	\$ 100,000
				Western Canada Music Awards Grant	\$ 25,000	Traffic and Parking Improvements	\$ 8,000	Correspondence Coordinator	\$ 87,000
				Concrete and Brick Pavers Intersection Maintenance	\$ 37,000	India Mele and Dragon Boat Society 80% FIG Grants	\$ 11,200	Install Symbol of Lekwungen People	\$ 75,000
				Parks Master Plan	\$ 250,000	Total	\$ 1,818,421	Adaptive Management Framework	\$ 55,000
				Dallas Road Spit Rail fence	\$ 125,000			Temporary Moveable Child Friendly Play Feature in Centennial Square	\$ 50,000
				Strategic Plan Grants (unspent 2014 Greenways)	\$ 25,000			City Studio (2018-2019)	\$ 50,000
				Strategic Plan Grants - additional funding	\$ 36,164			Public Works Master Plan	\$ 50,000
				Strategic Objectives Account (unallocated)	\$ 109,318			Seasonal Special Events Traffic Control Support	\$ 50,000
				Total	\$ 2,888,482			Solid Waste Management Strategy	\$ 50,000
								City's Truth and Reconciliation Commission Calls to Action Task Force	\$ 50,000
								Car Free Day (2018-2020)	\$ 45,000
								Development Services Temporary Support	\$ 42,000
								Zoning Updates	\$ 30,000
								Youth Strategy	\$ 30,000
								2017 Canadian Capital Cities Organization Annual Conference	\$ 20,000
								Temporary installation of table tennis and chess tables in Centennial Square	\$ 11,000
								Victoria Community Association Network	\$ 1,200
								Fairfield Community Centre Insurance Administration	\$ 500
								Total	\$ 4,032,000

Annual Gas Tax Funding

The City receives annual funding from the Federal Government through their gas tax program. The amount expected for 2018 is \$3.59 million. Each year, the amount received is transferred to the City's Gas Tax Reserve which Council approves allocations from through the annual capital plan. On November 9, 2017, Council allocated \$2.45 million to Storm Drain Brick Main Rehabilitation and on December 14, 2017 allocated the remaining available funding in 2018 and a portion of the allocation for 2019 to the implementation of the Bicycle Master Plan. For 2015, 2016 and 2017, Council allocated funding for the David Foster Harbour Pathway implementation, storm drain brick main replacement, LED streetlight replacement, and new bike lanes in priority areas.

The City is required to report annually through the Union of BC Municipalities on which projects have been funded using gas tax and the Gas Tax Agreement outlines which types of projects are eligible. There are a number of capital projects that would qualify for this funding including the Bicycle Master Plan and David Foster Harbour Pathway.

Funding Considerations for Council

Supplementary Requests and Additional Grant Requests

The draft Financial Plan includes proposed funding to maintain existing services and service levels. Proposed service level changes are brought to Council as supplementary requests and summaries are attached as Appendix A. The annual financial planning process involves making difficult decisions between competing priorities. Council sets service levels and allocates funding to the approximately 200 services and over 200 capital projects the City provides through this process as well as determines the merit of each supplementary request.

A few direct award grant organizations have requested additional funding. The Victoria Heritage Foundation has requested a 5.1% or \$10,716 increase in funding and the Victoria Civic Heritage Trust is requesting a 2% or \$2,186 increase. Both requests are attached as Appendix B.

In addition, Council recently approved an additional community garden in the North Park neighbourhood. Current funding within the draft 2018 Financial Plan for community garden volunteer coordination is \$42,000. Should Council wish to continue to provide \$6,000 in funding to each neighbourhood, an additional \$6,000 would be required. Also, as outlined in the October 26, 2017 Committee of the Whole report on the 2018-2022 Draft Financial Plan, the Festival Investment Grant budget continues to be oversubscribed. Should Council wish to increase funding in this area, an additional \$103,000 would increase the funding to \$275,000 and would address some of the increased requests for funding. Funding options for these increases, since they are ongoing funding items, would be either a property tax increase or new property tax revenue from new construction. A Council motion would be required to increase the funding for these grants within the financial plan and should specify whether the funding source is to be new property tax revenue from new construction or a tax increase.

Council has committed funding for the South Island Prosperity Project. The funding for the previous two years was through surplus and since this is time-limited funding, that is the recommendation for 2018 as well. Their 5-year strategy is attached as Appendix C.

Supplementary requests and additional grant requests are outlined in the table below. Should Council wish to fund any of these, the recommended funding for ongoing requests is new property tax revenue from new construction, and surplus for one-time requests. Alternatively, Council could consider a tax increase as a funding source as well.

Supplemental Description	2018 Ongoing	2018 One-Time
Managing Growth and New Development		
Parks Planner	\$103,000	
Transportation Planner	\$104,000	
Secretary Planning		\$67,000
Parks Arboriculture		\$97,000
Managing Public Safety		
Fire Prevention Officer	\$121,000	
Managing Green Spaces		
Overnight Sheltering – Support & Clean Up		\$300,000
Community Garden Program	\$15,000	
Parks Natural Area Support	\$63,000	
High Risk Tree Removal		\$150,000
Pioneer Square Archaeological Reporting		\$37,000
Downtown Public Realm Plan Implementation		\$105,000
Managing Public Engagement		
Graphic Design Support	\$81,000	
Engagement Advisor		\$109,000
Managing Accessibility		
Accessibility Framework		\$40,000
Youth Initiatives		
Youth Leaders in Training Program	\$20,000	
Youth Strategy Liaison		\$30,000
Active Transportation		
Neighbourhood Transportation Management		\$180,000
Speed Reader Boards		\$85,000
Multi-Modal Transportation Network		
Street Occupancy and Parking Support	1 FTE Only	
Traffic Signal Timing Update Study		\$40,000
Extra Bridge Coverage		\$30,000
Asset Management		
Building Project Administrator	\$99,000	
Condition Assessment Pilot Project		\$60,000
Professional Certification/Project Management		\$50,000
Managing Climate Action and Sustainability		
Sustainability Waste Management Engineer	\$99,000	
Step Code Implementation		\$10,000
Environmental Performance Audit		\$50,000
Managing Housing		
Victoria Housing Strategy Implementation		\$250,000
Total Staff Requests	\$705,000	\$1,690,000
Council Commitments		
South Island Prosperity Project		\$220,000
Additional Grant Requests		

Victoria Heritage Foundation	\$10,716	
Victoria Civic Heritage Trust	\$2,186	
Total Staff and Grant Requests and Commitments	\$717,902	\$1,910,000
Estimated Available Funding	\$1,500,000	\$2,900,000

In addition to the above requests, as part of the financial planning process, VicPD put forward requests for additional funding – some ongoing and some one-time. Since that time, they have realized some cost savings and have also secured external funding that has reduced their requested amount. A separate report from VicPD outlining these changes is part of today's agenda. Assuming Esquimalt Council approves these supplementary requests, the City's share would be 85.3% as per the formula in the Framework Agreement. Ongoing supplementary requests total \$802,000 and the one-time request is \$253,898, and the City's share would be approximately \$684,000 and \$217,000 respectively.

As outlined during the 2017 financial planning process, three asset areas require additional funding to maintain current service levels: roads, facilities, and fleet. The Pavement Management Plan is scheduled to be updated and future funding needs related to roads will be brought to Council once completed. Also, the Climate Leadership Plan presented to Committee of the Whole on December 14, 2017, identified several opportunities for facilities, transportation and fleet. Therefore, it is recommended that any remaining funding, once Council has approved funding for any supplementary requests, be transferred to the Buildings and Infrastructure Reserve and the Vehicle and Heavy Equipment Reserve.

Public Consultation Input and Council Motions

During the budget meetings on October 30, 31, November 2 and 7, 2017 Committee passed a number of motions requesting additional information. Responses to these were provided at the December 14, 2017 Committee of the Whole meeting and are also part of today's agenda, as is the report summarizing the feedback from public consultation.

Subsequent to the budget meetings, Council received information that has budget implications and passed one motion referring funding consideration to this meeting and these are attached as Appendix D:

1. Potential resource implications of developing new "inclusion" policy and program
2. Witness Reconciliation Program

Both of these programs are time-limited in nature and therefore surplus is the recommended funding source should Council determine they merit funding. Alternatively, a tax increase could be considered.

It is recommended that Council provide direction to staff to address the public feedback and any actions regarding the information provided in response to the Council motions passed during and after the budget discussions.

Next Steps

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

Tentative Dates	Task
January 4 and 8, 2018 Committee of the Whole	Present consultation results and seek direction on changes to financial plan.
April 12, 2018 Committee of the Whole	Final report on financial plan including incorporated changes; report on 2018 tax rates.
April 12, 2018 Council	Second and third reading of financial plan bylaw; first, second and third reading of tax bylaw.
April 26, 2018 Council	Adoption of financial plan bylaw and tax bylaw

Respectfully submitted,



Jo-Ann O'Connor
Manager, Financial Planning



Susanne Thompson
Director, Finance

Report accepted and recommended by the City Manager:


Date: Dec 21, 2017

Attachments:

- Appendix A: Supplementary Operating Budget Requests
- Appendix B: Additional Grant Requests
- Appendix C: South Island Prosperity Project – Five-Year Strategy
- Appendix D: Subsequent Council Motions