



AGENDA

Special Committee of the Whole Financial Plan Meeting

To Be Held In The Council Chambers
Saanich Municipal Hall, 770 Vernon Avenue
TUESDAY, FEBRUARY 2, 2016 AT 7:00 P.M.

1. **PUBLIC INPUT**
2. **INTRODUCTION OF DRAFT 2016-2020 FINANCIAL PLAN**
P. 2 Report of the Director of Finance dated January 28, 2016 introducing the Draft 2016-2020 Financial Plan.
3. **PRESENTATION OF OPERATING BUDGETS**
 - Council and Administration
 - Corporate Services
 - Finance
 - Fiscal Services
 - Legislative Services
 - Planning and Inspections
 - Fire Services and Emergency Program

*** Adjournment ***



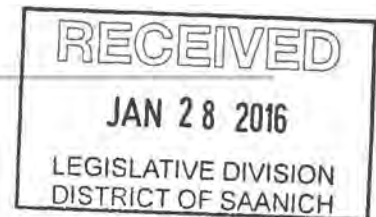
The Corporation of the District of Saanich

Mayor
Councillors
Administrator

Council
Administrator
Media
Jan 28/16 DM

Report

To: Mayor and Council
From: Valla Tinney, Director of Finance
Date: January 28, 2016
Subject: Introduction of the Draft 2016-2020 Financial Plan



Purpose:

To introduce the Draft 2016-2020 Financial Plan.

Background:

The Community Charter requires that local governments approve a five year Financial Plan Bylaw each year prior to the adoption of the Property Tax Bylaw. The Financial Plan must be balanced as mandated by provincial legislation. Current revenue, including transfers from reserves, must be sufficient to support current expenditures for each fund (Operating, Capital and Utilities).

Budget Process:

Departmental presentations are currently scheduled for Feb 2nd and 23rd. Partner organization presentations are scheduled for March 1st and Community Grant presentations for March 15th. Grant approvals, CREST levy approval, Council remuneration and other resolution requirements such as one time resource requests are scheduled for April 19th. Bylaws must be brought forward for 1st, 2nd, and 3rd readings on May 2nd in order for adoption to be scheduled May 9th in consideration of the May 15th statutory deadline.

Discussion:

The 2016-2020 draft budget was developed in accordance with draft Budget Guidelines considered by Council in June 2015. The budget proposal is the starting point for Council consideration of the operating and capital requirements of the District based on priorities set by Council and public input received through the Citizen and Business surveys which were conducted in January 2015.

Saanich incorporates an overall long term financial sustainability principle into development of the financial plan. The foundation of this principle is to:

1. Ensure adequate funding for services and infrastructure
2. Access diversified sources of revenue
3. Manage expenditures; contain costs; be efficient
4. Provide for contingencies; manage business risk; operate prudently
5. Maintain reserves for the future
6. Use debt strategically

Public Input

Citizen and Business Surveys were conducted at the commencement of Council's term, in January 2015. The survey included a random sample of 603 households and 300 businesses. The confidence interval is 95%. The results of the survey guide staff in preparing the budget and Council in its deliberations. The results primarily associated with the financial plan include:

1. A majority of business owners believe current reliance on funds should remain the same for all sources.
2. A large proportion of Saanich residents believe the Municipality should rely more on Government Grants (n.b. – grant programs are targeted at specific expenditure types, usually capital projects and are not available to offset most of the District's operating costs). A majority of residents believe the Municipality should rely the same or more on other funding sources (user fees, reserves, borrowing and taxation).
3. A large majority of residents (74%) and business owners (71%) say they prefer to keep the same level of services. The small proportion of residents preferring a different level of service are evenly split between wanting more services and higher taxes (11%) and reduced services with lower taxes (12%)
4. Satisfaction with services amongst Saanich residents is significantly higher than the norm.
5. A strong majority of residents (89%) agree they receive good value for their tax dollars. The percentage that strongly agree has increased from 20% in 2006 to 27% in 2015.

These survey results provide a degree of confidence that service levels should be maintained and that overall, taxpayers are satisfied with the value they receive. Opportunity for additional public input is provided at the beginning of each Financial Plan meeting.

2016 Financial Planning Issues

Preparation of the 2016 budget proposal has taken into account the following financial planning issues:

Infrastructure – Replacement of aging infrastructure has been confirmed by Council as a priority in the Strategic Plan. An overall plan to increase capital spending to reach sustainable levels by 2019 remains in place. This increased spending is estimated at a minimum of 0.50% property tax increase per year in addition to the inflationary cost increase of operations. This target is reviewed each year. In 2016, new revenues from Fortis for impacts to road paving replacement reduces the need for additional taxation and supports an addition of over \$800,000 to infrastructure funding. This is equivalent to a .75% of taxation lift. Capital program funding from utility user charges have been increased at a minimum of 3% per year for Sewer. Water rates increased by an inflation factor of 2% for infrastructure replacement as the sustainability target has been reached.

Wage and benefit costs – The IAFF Fire contract was settled in 2015. The agreement includes wage increases of 2.5% annually until 2019. Both CUPE and Police Association contracts expired in December 2015 and the new contracts have not yet been settled. Worker's Compensation Board rates increased notably for 2016. These increases are due to industry and organizational experience ratings. Contingency estimates have been included in the financial plan for these items.

Growth – Saanich experienced a modest improvement in growth through 2015 which has returned the District closer to historical levels of new tax and permit revenue.

New Infrastructure Maintenance and Services Operating Cost - For 2016, an additional .1% tax increase has been applied primarily to fund maintenance for new parks and trails, the final year of implementation of the Invasive Species Strategy and software licencing.

Resource Requests – For 2016, resource requests totalling a 0.58% tax increase will be considered to provide funding for key operational needs and positions deemed critical to maintain current operations or support implementation of adopted strategies.

Requests for items requiring one time funding are not incorporated into the draft financial plan as funding will be recommended from non-tax sources. 2015 year-end financial statement preparation is not yet complete and therefore actual annual surplus is not known at the time of publication of the budget document. Detailed submission of these resource requests and confirmation of the availability of surpluses or other funding sources will be brought forward prior to finalization of the financial plan

Water costs – A significant proportion of water costs are bulk water purchases from the CRD. These costs are subject to change each year dependant on CRD regional infrastructure work and operating costs.

Sewer costs – A significant proportion of sewer costs are from CRD regional Sewage Treatment. CRD sewer charges increased by 30.87% over last year due to operational cost increases and to fund new Liquid Waste Management Plan mandated regional sewer treatment.

Consolidated Summary

Saanich's consolidated financial plan for 2016 balances \$251,533,700 in revenues and transfers with \$251,533,700 in expenditures. Including all municipal taxes and utilities, and average homeowner is projected to pay about \$116 more in 2016 (2015 = \$168).

	<u>2015</u>	<u>2016</u>	<u>Increase</u>
Property Taxes	\$ 2,349	\$ 2,425	\$ 76
Sewer	405	437	32
Water	508	513	5
Refuse Collection	170	173	3
	<u>\$ 3,432</u>	<u>\$ 3,548</u>	<u>\$ 116</u>

General Operating Fund:

The draft budget provides for the annual operation of the municipality in 2016 based on a 1.66% increase (\$38.80) for core municipal and police operations, 0.87% increase (\$20.28) for capital replacement (includes the policy increase in infrastructure spending equivalent to 0.75% in municipal property taxes) 0.58% (\$13.52) for resource requests and .014% (\$3.26) for the Greater Victoria Public Library.

This revenue funds the net cost to maintain services at 2015 levels and continues Council's policy of gradually increasing tax funded capital programs to sustainable levels. The following table summarizes the proposed increases for 2016:

BUDGET ITEM	Budget Increase \$	Tax Increase %
General Municipal Core Operating Increase	\$ 2,149,360	2.01%
Police Service Core Increase	\$ 920,000	0.86%
Tax Revenue from new sources	\$ (1,300,000)	<u>-1.22%</u>
Core Increase to Existing Taxpayers		1.66%
Additional Increase for Capital Infrastructure	\$ 932,900	0.87%
Resource Requests	\$ 621,150	0.58%
Total Municipal Increase to Existing Taxpayers		<u>3.11%</u>
Greater Victoria Public Library	\$ 145,840	0.14%
Total Increase to Existing Taxpayers		<u>3.25%</u>

Employee Compensation

Saanich employs close to 1600 employees; factoring in auxiliary and part time hours results in a full time equivalent (FTE) of 1,080. The overall increase reflects the results of completed collective bargaining including retroactive payouts, contingencies for pending bargaining, increments for recent hires and rate increases for WCB.

Capital Policy Increases

Policies established to achieve a consistent annual increase to address infrastructure sustainability include 2% on "core" or capital projects funded directly from current year taxation, debt servicing policy to fund a portion of capital projects through borrowing and an annual .75% tax lift. The increase has been mitigated in 2016 by new Fortis revenues that have been directed to the Transportation Capital Budget.

Solid Waste Services:

The Solid Waste Services Budget provides for all operations and capital funding to support refuse collection in the District. In December 2015, a \$3.00 annual increase in the solid waste base fee was approved to support increased operating costs. Cart fees remained the same as 2015 rates. The annual cost to all homeowners increased by \$3.

Water Utility Fund:

The Water Utility Budget provides for all operations and capital funding to support the water system. In December 2015 a 1.1% annual increase in water rates was approved to support increased infrastructure replacement spending. Cost to the average homeowner increased by \$5 from \$508 to \$513 per year.

Sewer Utility Fund:

The Sewer Utility Budget provides for all operations and capital to support the sewage disposal system. In December 2015 a 7.9% increase in sewer rates was approved to support CRD operating and debt cost and higher Saanich infrastructure replacement spending. Annual cost to the average homeowner increased by \$32 from \$405 to \$437 per year.

General Capital Fund:

The 2016 General Capital Program provides for a \$59 million program of infrastructure and equipment replacement funded from a mixture of property taxation, debt, reserves, grants and development cost charges. Significant new capital projects in 2016 include \$5.9 million for the Wilkinson Bridge (Colquitz Trail) Project, \$3.6 million in Wood Stave replacement, \$2.5 million in facility upgrades and \$1.9 million in fleet replacement.

The Capital Plan matches the District's needs for investment in capital with available financial resources. Replacement of aging infrastructure is given priority in balancing capital requirements with funding. Replacement infrastructure funding is being gradually increased to reach sustainable levels, rising from \$11 million in 2007 to an annual average of over \$22 million in the last three years.

Reserve Fund:

Reserve Funds are projected to decrease overall from \$98,124,000 in 2015 to \$84,876,800 in 2016 as work in progress reserves are used to complete capital projects planned in previous years and funding is provided for equipment replacement, capital projects and land purchases. The Facilities Major Repairs and Replacement Reserve will continue to grow as funds are set aside for significant future projects.

Debt:

Overall debt levels are projected to increase to \$34.9 million in 2016. This remains well below policy guideline of \$89 million in general debt.

Consolidated 2016 Budget Highlights by Strategic Plan Theme Area

Funding of key initiatives has been allocated to each Strategic Plan theme area as follows:

Safe Community:

- \$182,000 in funding for the Safe Route to School program
- \$1,351,000 in funding to provide fleet, IT and other capital replacement for protective services.

Healthy Community:

- \$2,381,600 for park, playground, trail and other park infrastructure replacement
 - Mt. Douglas Improvements
 - Copley East playground replacements
 - Rithet Bog, Rosedale Park Trail Resurfacing
 - Cedar Hill/Finlayson, Agate and Mt. Douglas parking lot improvement
 - Natural Areas Restoration at 574 Walter

Sustainable Environment:

- \$5,891,200 to replace Wilkinson Bridge and related Colquitz Trail (Gas Tax Funded - \$4,905,000)
- \$900,000 to replace the Tolmie Sewer Pump Station
- \$9,637,000 to continue replacing asbestos cement sewer mains and asbestos cement and cast iron water mains

Balanced Transportation:

- A minimum of \$3,481,500 of sidewalk additions and improvements in areas such as:
 - Linwood Avenue (Cook to Tolmie) 500m (Gas Tax Funded - \$500,000)
 - McKenzie Avenue (Cedar Hill to Shelbourne) 190m
 - Tillicum Road (Maddock to Trans Canada Hwy) 800m
- \$1,530,000 in various road improvements to Bus Stops, Signals and Street Lights:
 - Douglas/Saanich/Boleskine intersection (Gas Tax Funded - \$750,000)
 - McKenzie/Quadra traffic signal upgrade
 - LED street light program

Vibrant Connected Economy:

- \$400,000 for Douglas Corridor and to update two Local Area Plans

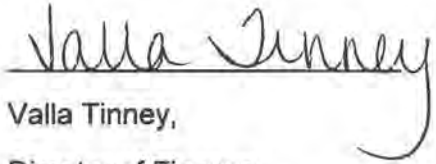
Service Excellence:

- \$750,000 for IT infrastructure upgrades
- \$1,000,000 for network upgrade

Recommendation:

That the Committee receive the report for information.

Prepared by:



Valla Tinney,

Director of Finance

CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:

I endorse the recommendation of the Director of Finance.



Paul Thorkeisson, CAO