



Municipal Budgeting

Understanding the Budget Process

OVERVIEW



Each year the District of Saanich updates its Five Year Financial Plan, in accordance with the Community Charter. The Financial Plan includes operating and capital budgets for each year contained in the Plan. As the District embarks on the process to develop the 2015 to 2019 Plan, we have prepared this document to assist the public better understand the municipal budgeting process.

Each year Saanich is faced with the challenge of balancing the budget, as mandated for municipal governments by provincial legislation. While a municipality can incur debt to pay for large capital acquisitions, it cannot incur a deficit to fund day to day operations the same way senior levels of government can. This is a key difference as it means that we must identify revenue sources to cover off all anticipated expenditures. In order to balance the budget, a careful analysis must be done regarding the level of services required to meet the expectations of the community balanced against realistic taxation and user fees levels.

SAANICH'S OVERALL PRINCIPLE

Long Term Financial Sustainability



- Ensure Adequate Funding for Services and Infrastructure
- Access Diversified Sources of Revenue
- Manage Expenditures
 - Contain Costs
 - Be Efficient
- Provide for Contingencies
 - Manage Business Risks
 - Operate Prudently
- Maintain Reserves for the Future
- Use Debt Strategically

REVENUE



Municipalities use a variety of revenuesources

to pay for a wide range of services that residents and businesses depend on and use regularly. The major revenue sources that are typically used to pay for day to day services include:

- Property tax
- Utility user fees (sewer and water charges)
- Other user fees (e.g. recreation passes/registration fees, connection fees, rezoning application fees)
- Permits and licencing fees (building permits, dog licences, business licences)

Municipalities also have access to other forms of funding which are generally used for capital projects:

- Grants from the Provincial and Federal governments and their agencies
- Proceeds from borrowing
- Reserve funds (funds saved up over time for large projects)

Part of Council's decision making process each year is to determine what level of funding for services should come from the various sources of revenue.



**SURVEY
SAYS:**

Saanich's 2015 Citizen and Business Surveys indicated that the participants feel that revenue sources should come firstly from government grants, then from user fees, reserves (savings), borrowing and lastly from property taxation.

**INTERESTING
FACTS**

Grants from other levels of government are usually targeted to very specific types of projects (predominately capital) that may or may not align with the priorities of the community. The only ongoing, government grant funding that is available to offset the cost of annual operations is the Traffic Fine Revenue Sharing Grant which must be specifically allocated to policing service programs.

EXPENDITURES

Municipalities are service based organizations. Your local government provides a wide variety of services to an extremely varied client base. While not an exhaustive list, our customers include:



Youth
Families
Seniors
Pet owners



Farmers
Philanthropists
Home owners
Renters



Business owners
Workers/employees
Pedestrians
Cyclists



Wheelchair/
Scooter Drivers
Drivers
Developers



Retirees
Workers
Sports enthusiasts
Walkers
Artists

Our challenge is striving to meet the needs of as many of our “customers” as possible in a fiscally responsible way. The process is further complicated where the needs and wants of our citizens are in conflict with one another.

There is frequently misperception about which services are under the control of the local government and which services are provided by other levels of government. While local governments collect revenues for the Province, BC Transit and the Regional District (among others) along with the annual municipal property tax payment, the funds are simply passed on. The reason for this approach is greater efficiency having one point of collection rather than having each organization bill separately.





Services Saanich provides:

- Road maintenance, repair and snow removal
- Garbage collection for residents
- Policing
- Fire protection
- Recreation Facilities
- Parks/Trails maintenance and development
- Sidewalks, curbs and gutters
- Drainage systems
- Sewer systems
- Water systems



Services Saanich contributes to:

- Regional sewage treatment
- Affordable Housing
- Regional parks (eg. Elk-Beaver Lake)
- Regional Trails (eg. Galloping Goose)
- CREST (911)



Services Saanich doesn't provide:

- Public Transit - BC Transit
- Education - Province and School Districts
- Health Care - Province
- Highways (Island Highway/Pat Bay Highway) - Province
- Recycling program - Capital Regional District
- Library operations - Greater Victoria Regional Library

When considering

If you feel you are getting good value for the services provided, it can be helpful to consider that many of our services are available 24/7. Municipal employees are always on call to deal with a wide variety of emergencies, from fires and accidents to blocked drains and fallen trees that are obstructing roadways.



Some sample costs of running the District of Saanich are:

The cost to purchase one ladder truck for the fire department

⇒ \$ 958,000

The cost of one new police recruit

(Pay, uniforms, equipment, training and testing)

⇒ \$ 99,000

The annual cost to insure the fleet of municipal vehicles

⇒ \$ 270,000

The cost of one block of new sidewalk (including curb/gutters and driveway drops)

⇒ \$ 1,000,000

The cost to resurface one km of residential road

⇒ \$ 150,000

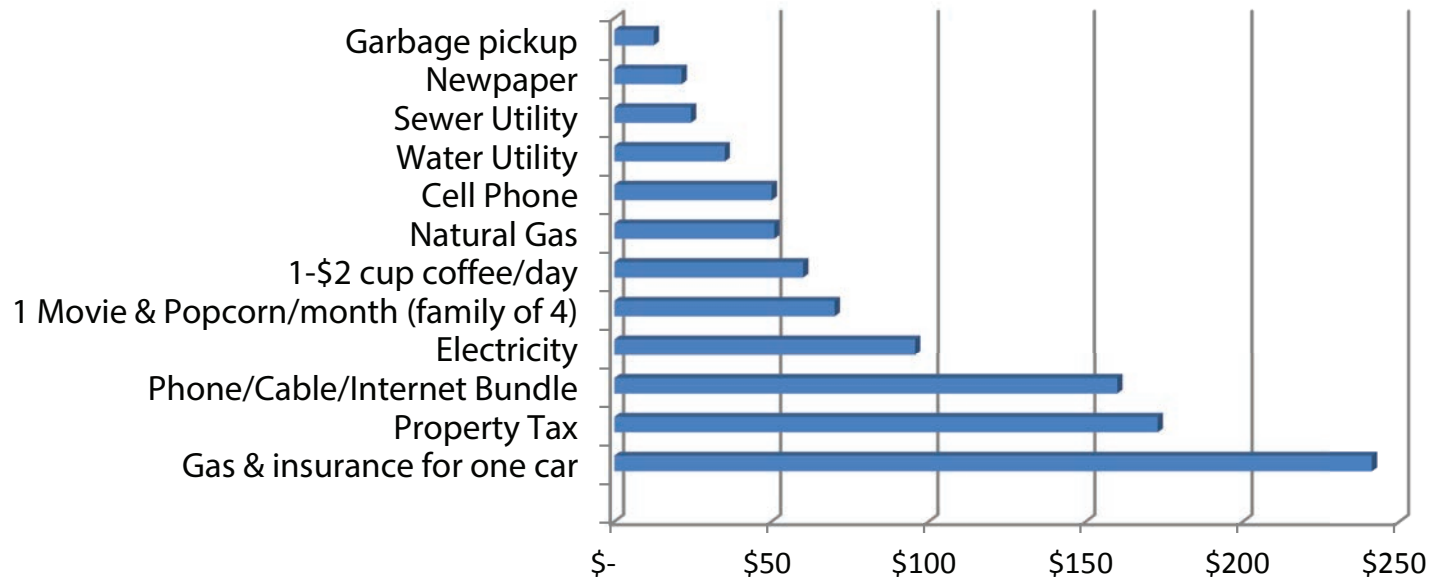
The cost to install traffic signals at one intersection

⇒ \$ 200,000

COMPARISON

Another way to consider value for money is to compare the cost of municipally provided services with other standard services households purchase, such as electricity, heating fuel and cable/internet service.

Typical Monthly Household Costs



Each year Saanich must take into account “non-discretionary” increases in the cost of providing services. These are increases required to the budget for items Saanich cannot directly control. Some of these are similar to what we experience in our own homes – the cost of electricity, gas and phone/internet connections.

Saanich continues to build new infrastructures such as sidewalks, trails, bikeways, facilities and streetscaping. This infrastructure must be properly maintained and there is an additional ongoing cost to accomplish this.



In addition, Saanich is committed to increasing capital spending to sustainable levels to ensure the long term viability of our infrastructure. This will ensure that our extensive investment in infrastructure assets is sufficiently protected and that our transportation, parks, water, sewer, drainage and facilities will be appropriately maintained and replaced to support the current community and future generations.

Municipal tax increases are frequently compared with the increase in the Consumer Price Index (CPI). As we know, the CPI measures the change in the price of a “basket of goods” frequently purchased by consumers. However, municipal governments have their own spending patterns that are different than those of other sectors. The CPI calculates household spending patterns that focus on food, shelter, transportation, health/personal care, clothing/footwear and recreation; none of which are purchases typical of local governments.

PUBLIC INPUT

Saanich conducts regularly scheduled citizen and business surveys. These are

comprehensive surveys designed to garner public input that can be used to inform the budget process. The surveys are a key method for public participation. Both surveys were conducted again in 2015 and the following key points have been factored into decision making about budget priorities:

2015 Citizen Survey

SERVICE DELIVERY

Recreation programs and services received the highest satisfaction rating of all municipal services offered followed by fire services, school fire safety program and the quality of drinking water.

The services highlighted as priorities for improving satisfaction were the condition, lighting and maintenance of streets and sidewalks, design of streets, public places and boulevard areas and land use planning.

LOCAL GOVERNMENT

Survey participants feel revenue sources should come firstly from government grants, then from user fees, reserves or savings then borrowing and lastly from property taxation.

74% of survey respondents want Saanich Council to maintain the current levels of property taxation while offering the same levels of municipal services.

Residents ranked the three highest capital project priorities as the water distribution system, sanitary sewer system and environment protection and enhancement.

The complete Citizen Survey results are available at www.saanich.ca/citizensurvey





2015 Business Survey

VISION AND VALUES

The most important priorities of the business community are: sanitary sewer system, environment protection and enhancement and roads and traffic control.



SERVICE DELIVERY

Satisfaction with services provided by Saanich is high.

Highest satisfaction rating were for fire services (100%), fire safety inspections (98%), police services (97%), police presence and visibility (96%).

PAYING FOR SERVICES

The same level of services should be maintained, with the same amount of property taxes.

Government should rely less on property tax and borrowing, more on user fees and government grants.



The complete Business Survey results re available at www.saanich.ca/businesssurvey

THE BUDGET



The Finance Audit and Personnel Committee approves Budget Guidelines to set the tone for departments as they develop their budgets in the fall.

The key guidelines for the 2015 budget are:

- Preliminary 2015 departmental net budget totals will be limited to a 0% increase over the 2014 adopted net budget totals, exclusive of existing personnel costs, capital expenditures and non-recurring expenditures.
 - Capital expenditures funded from current revenue to be increased by 2% over previous year.
 - Property taxation increased a minimum .75% for infrastructure replacements.
 - A planned maximum 0.10% tax increase for operating costs from new infrastructure inventory approved in the previous year.
 - Requests for additional operating budgets, new tax funded personnel or capital funds will not be considered.
- A Departmental Budget Submission is the detailed action plan that supports the department's plans for the year. It is the "engine" to implement departmental strategy, and it:
- provides a narrative description of budget challenges and key accomplishments for the previous year.
 - communicates how departments will achieve their objectives.
 - shows how departments plan to allocate resources to achieve priority departmental initiatives for the coming year.
 - describes core services and the resources dedicated to those services.

Given the current economic uncertainty, the following significant factors continue to influence and challenge progress being made toward achieving an overall goal of long-term financial sustainability.

INFRASTRUCTURE DEFICIT

Replacement of aging infrastructure originally constructed with senior levels of government support requires significantly increased annual funding to reach sustainable replacement levels. Major facility replacement cost estimates are currently under review.



NEW INFRASTRUCTURE DEMAND

Increasing demand for new infrastructure such as sidewalks comes at the same time that assets built during the last boom are reaching an age where their maintenance is becoming critical and more costly and infrastructure replacement funding is a priority.



PUBLIC SAFETY COSTS

The cost to provide police and fire services in a more complex and demanding public safety environment continues to increase.

AGING POPULATION As the number of older residents increase, the demand for age-sensitive services and infrastructure also grows.



GROWING RANGE OF RESPONSIBILITIES

The breadth of social and environmental issues that municipalities are expected to address continues to increase. Regional Transportation and Sewage Treatment also continue to be key cost drivers.

LINKS

FINANCE DOCUMENTS

2015-2019 Financial Plan

www.saanich.ca/budget

Departmental Fact Sheets

www.saanich.ca/budget



GENERAL DOCUMENTS

Strategic Plan

www.saanich.ca/strategicplan

Official Community Plan

www.saanich.ca/officialcommunityplan

Business Survey

www.saanich.ca/businesssurvey

Citizen Survey

www.saanich.ca/citizensurvey