

# 2024 Draft Budget

March 11, 2024

Township of  
**ESQUIMALT**

The logo for the Township of Esquimalt features the words "Township of" in a small, white, sans-serif font above the word "ESQUIMALT" in a large, white, serif font. Below the text is a white, stylized wave graphic that curves under the word "ESQUIMALT".

# Staff Process

- Consolidation of departmental submissions to determine required revenue
- Capital projects reviewed to ensure alignment with available funding and staffing resources
- Considered other available funding sources where possible
- Additional review of core budgets and supplemental requests while considering service level impacts

# Staff Considerations

- Council Direction/Motions
- Council Priorities Plan
- Workload or Resource Requirements to Maintain Service Levels
- Inflation
- Contractual Obligations
- Asset Maintenance and Replacement

# Service Levels

- Core budget is developed to maintain existing service levels
  - Approved by Council and expected by the public
- Staff use experience and external information to determine delivery cost at approved service levels
  - Look to identify efficiencies wherever possible to mitigate tax increases
- Budget for most likely scenario – not worst case
  - Focus on bottom line for each function
  - Estimation of labour, materials and other costs to provide services

# Municipal Services

- Recreation
- Fire Services
- Police Services
- Parks Maintenance
- Garbage & Kitchen Scrap Collection
- Yard and Garden Waste Facility
- Library
- Road & Sidewalk Maintenance
- Snow Clearing
- Archives
- Bylaw Enforcement
- Storm & Sanitary Drain Maintenance

# Service Comparison

	POLICE		FIRE		RECREATION		LIBRARY	
	OWN	COST	OWN	VOLUNTEER/ COMPOSITE	OWN	COST	OWN	COST
		SHARED				SHARED		SHARED
Esquimalt	X		X		X		X	
Oak Bay	X		X		X		X	
Saanich	X		X		X		X	
Victoria	X		X		X		X	
Central Saanich	X			X		X	X	
Colwood		X		X		X		X
Highlands		X		X		X		X
Langford		X		X		X		X
Metchosin		X		X		X		X
North Saanich		X		X		X		X
Sidney		X		X		X		X
View Royal		X		X		X		X

# Cost Drivers

- Police
  - Proposed 6.86% increase including additional resources
- Labour
  - Negotiated collective agreements high inflationary periods
- Asset Management
  - Focus on long term infrastructure requires work to determine cost magnitude and priority areas
- Inflation
  - While lower than previous year, still high and has a cumulative effect

# New Responsibilities

- Ongoing pressure to respond to service needs previously outside Township's mandate
  - Affordable Housing
  - Climate Change
  - Accessibility Improvements
  - Economic Development
- Growth related considerations
  - infrastructure replacement and expanding recreation services opportunities

# Supplemental Requests

- New or increased levels of service
- Often one-time expenses or minor operating items
- Some are included as additions to core budget
- Require a tax revenue increase unless funding through another source

# Supplementals Breakdown

Policing	1.99%
Asset Management Planning	1.56%
Total New Staff Costs	0.86%
Economic Development & Community Relations	0.43%
Parks Materials, Equipment & Improvements	0.38%
Recreation Maintenance, Equipment & Training	0.29%
Various Studies (Parking, Water Access, Accessibility, Prop Appraisal)	0.21%
IT Requirements	0.21%
Library	0.15%
Garbage Bins	0.13%
Fire Supplies, Tools & Software	0.11%
Increased Custodial - Gorge Pavilion	0.09%
Housing Legislation	0.09%
Weed Control	0.07%
Council Conferences	0.05%
Misc Items <\$5,000	0.05%

# New Staff Requests

- 2024 requests
  - 3 new FTE
  - 2 Part Time additions
- Current year increase: \$252,947
  - 0.79% tax increase (prorated)
  - 2025 total cost: \$461,123 (incremental increase \$208,176)
- Costs for equipment, training and professional dues

# Capital Requests

- Total Capital Budget **\$57,675,000**
- Major Projects:
  - Public Safety Building \$40,918,000
  - Esquimalt Road Improvements \$ 3,200,000
  - Tillicum Road \$ 2,243,000
  - Fleet Replacements \$ 2,051,000
  - Lampson Improvements \$ 1,811,000
  - I&I Program \$ 1,347,000
  - Sidewalk Improvements \$ 1,250,000
  - SC-Equipment and Roof \$ 996,000

# Capital Cost Pressures

- Cost escalation due to inflation, supply chain issues and labour shortages
- Construction cost escalation
- Asset condition assessments are providing a clearer long-term picture of needs and priorities
- Climate impact on asset conditions

# Infrastructure Replacement

- Shift to long term capital asset management is required
- Current plan is sustainable in the short term
  - Significant projects in current year; more in planning phase
  - Supplement reserves with grants and matured debt payments
- Must look to increases in future reserve transfers
  - Cumulative 1% increase (minimum) to infrastructure reserve
  - Asset management planning to determine required amounts

# Infrastructure Deficit

- Annual requirement of \$3,000,000 to fund Storm and Sanitary replacement
- Overdue infrastructure replacement = \$27,000,000
- Implement a cumulative minimum increase of 1% to existing reserve contributions
- Current fleet contributions should be increased by \$600,000/year to fund future requirements
- Increased pressure to fund capital projects with debt borrowing

# Tax Increase

- Draft 2024 Financial Plan includes an increase of 7.72%
  - Slight increase from 7.65% figure due to increased property insurance renewal costs
- Supplemental items funded through taxation \$2,136,723
- Total 2024 Departmental Core Increases = 6.80%
  - Police and library amounts included

# Increased Budget

- Infrastructure Reserve Contributions **+1.00%**
- Fleet Reserve Contributions **+1.00%**
- Full Year Staffing Costs **+0.65%**
- Initial Police Transition Costs **+0.78%**
- Section 27 Police Costs **+0.62%**
  
- Consolidated budget with all items included = 11.77%

# Municipal Comparisons

Municipality	2024 Proposed Tax Increase	Dedicated to Asset Mgmt
Central Saanich	7.76%	1.75%
Colwood	4.90%	1.64%
<b>Esquimalt</b>	<b>7.72%</b>	<b>1.00%</b>
Langford	15.63%	0.57%
Oak Bay	9.68%	1.81%
Saanich	7.91%	1.50%
Sidney	6.04%	0.70%
Sooke	9.90%	2.00%
Victoria	7.93%	2024: NMC (3% 2025-2030)
View Royal	8.20%	1.80%



# Municipal Comparisons

Municipality	2023 Municipal Taxes	2023 Total Taxes and Fees
Central Saanich	\$2,694	\$5,716
Colwood	\$2,361	\$4,561
<b>Esquimalt</b>	<b>\$3,111</b>	<b>\$5,154</b>
Langford	\$2,095	\$4,022
North Saanich	\$1,771	\$5,246
Oak Bay	\$5,063	\$9,933
Saanich	\$3,412	\$6,817
Sidney	\$2,102	\$4,951
Victoria	\$3,458	\$6,478
View Royal	\$2,244	\$4,645
<b>Average</b>	<b>\$3,104</b>	<b>\$5,752</b>

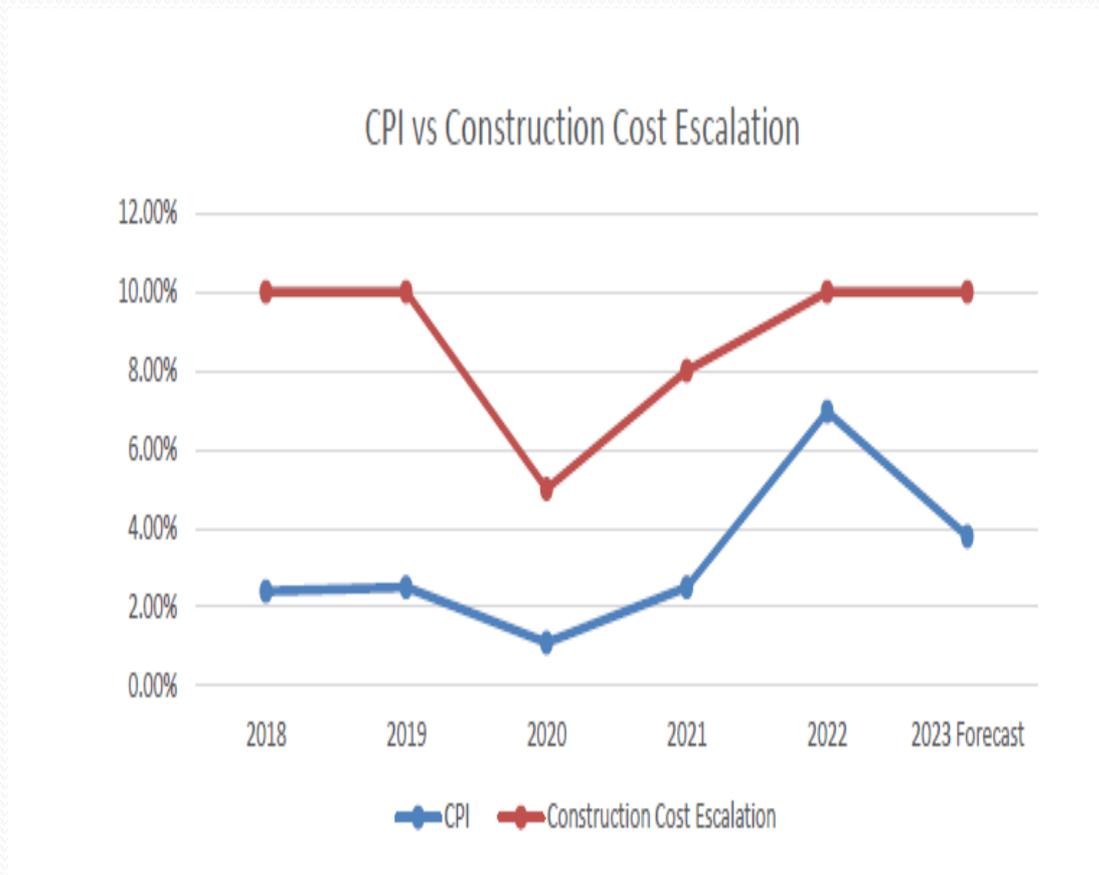
# CPI vs Tax Increase

	Average			
	<u>2012-2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Consumer Price Index (CPI)	1.44%	2.45%	6.96%	3.70%
Tax Increase	1.39%	4.92%	7.41%	7.72%

- While CPI is one measure of inflation, it does not fully capture the expenditure types that the Township incurs
- CPI does not account for additions to the basket (i.e. new services)
- Inflation has a cumulative effect that requires sufficient increases to catch up and maintain service levels
- Oil and gas prices, construction material costs have greater impact than the typical basket of goods

# CPI in Context

- Construction costs have increased 55% over the last six years (Source: City of Victoria)
- Cost escalation is expected to continue with annual increases of 5-10%
- Significantly impacts supplies, materials and contracted services



# Historical Increases

- Township approved annual tax increases at or below inflation for a 10 year period; 3 years at 0% (2012-14)
- Other municipalities have occasionally held increases to 0%
  - Most recently during the pandemic
  - Historically, those with 3 consecutive years have seen at or near double digit increases the following year
- Not consistent with the Township's experience

# PILT Impact

- PWGSC Capital Infrastructure Program 2014-2023
- Total PILT Assessment Increase: 61.2% (Class 4: 34.8%)
- Total PILT Revenue Increase: 20.4%
- Township calculates municipal tax rates then applies to PILT assessments
  - Lower municipal rates = reduced PILT revenue collection
  - PILT assessment growth to subsidize municipal taxation rather than generating overall higher revenue

# Tax Impact

	Class 1		Class 6	
	Average Assessment	Annual Increase	Average Assessment	Annual Increase
2015	461,363	\$49	835,982	210
2016	481,790	46	787,167	205
2017	556,653	12	865,474	52
2018	661,266	69	1,008,867	320
2019	728,308	121	1,041,457	-
2020	744,172	52	1,119,836	225
2021	773,026	42	1,376,736	184
2022	928,731	131	1,440,119	614
2023	1,047,439	235	1,462,206	1,025
<b>Average</b>		<b>\$84</b>		<b>\$ 315</b>
2024 @ 7.72%	1,029,731	234	1,656,987	980
2024 @ 11.77%		357		1,494