

2025-2029 Draft Financial Plan

January 20, 2025

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 letters.

CAO's Strategic Outlook

Municipal Demand Signals:

- Council Strategic Planning – early 2023: Strengths, Weaknesses, Opportunities & Threats
- Council Priorities Plan (significant projects and initiatives)
- Adopted plans & plans in development:
 - Climate Action Plan
 - Sanitary Sewer, Storm Sewer and Facilities Asset Management Plans
 - Policing transition
 - Economic Development
- Council & resident expectations for service delivery (levels of service)

Service Levels

- The Township's core budget is developed to maintain existing service levels
- 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

Staff Process

- Consolidation of departmental submissions to determine required revenue
- Capital projects reviewed to ensure alignment with available funding and staffing resources
 - Increased focus on asset management and long-term planning
- Additional review of core budgets and supplemental requests while considering service level impacts

Supplemental Requests

- Changes to existing service levels; new or additional
- Often one-time studies or minor operating items
 - Can be more significant
- Some are included as additions to core budget
 - Change in total cost from previous year is identified as taxation impact

Capital Requests

- Replacement Programs
 - Fleet
 - IT Equipment
- Recurring Programs
 - Streetlights and Banners
 - Road Infrastructure
 - Traffic Calming Infrastructure
- One Time Projects

Infrastructure Replacement

- Shift to long term capital asset planning and management
 - Annual plan has been sustained in the short term
 - Storm and Sewer Master Plans, Facilities Management Plan
- Financial sustainability analysis report
 - Current annual infrastructure gap is estimated at \$5.5M
 - More than \$35M of infrastructure is overdue for replacement
 - Increasing contributions will accelerate the bridging of any gap
- Council approved 1% annual increase to reserves
 - Current draft budget includes an increase of 2% for infrastructure reserve funding and additional 1% for updated fleet replacement

Capital Requests

- Total Capital Budget **\$56,014,000**
- Public Safety Building **\$37,265,000**
 - Funded by LT debt and surplus
- Fleet **\$ 2,065,000**
- Remaining Capital Program **\$16,684,000**
 - Projects deemed necessary

- 2025 capital requests exceed available infrastructure and fleet reserves by \$1,500,000

Tax Increase

- Draft 2025 Financial Plan includes an increase of 14.09%
- Inclusion of various alternate funding sources
 - Casino, Local Government Housing, Climate Action
- Staffing Changes - full year costs

Key Cost Drivers

- Police
 - Increase of 10.03% over 2024 - includes additional resource requests
- Labour
 - Wages associated with negotiated collective agreements
 - Staff resourcing demands to address service levels
- Long Term Infrastructure
 - Reserve contributions – infrastructure and fleet renewal

Budget Constraints

| | 2025 Budget | 2024 Budget | Increase | |
|--------------------------------------|----------------|----------------|--------------------|--------------|
| | | | Revenue | % |
| Victoria-Esquimalt Police Services | \$10,850,450 | \$9,866,625 | \$983,825 | 2.67% |
| Wages & Benefits-CUPE, Fire & Exempt | \$22,854,543 | \$21,515,751 | \$1,338,792 | 3.64% |
| Greater Victoria Public Library | \$1,132,514 | \$1,083,793 | \$48,721 | 0.13% |
| By-Election Costs | \$86,500 | \$0 | \$86,500 | 0.24% |
| | | | <u>\$2,457,838</u> | <u>6.68%</u> |

***1% tax increase = \$368,000*



Additional Cost Drivers

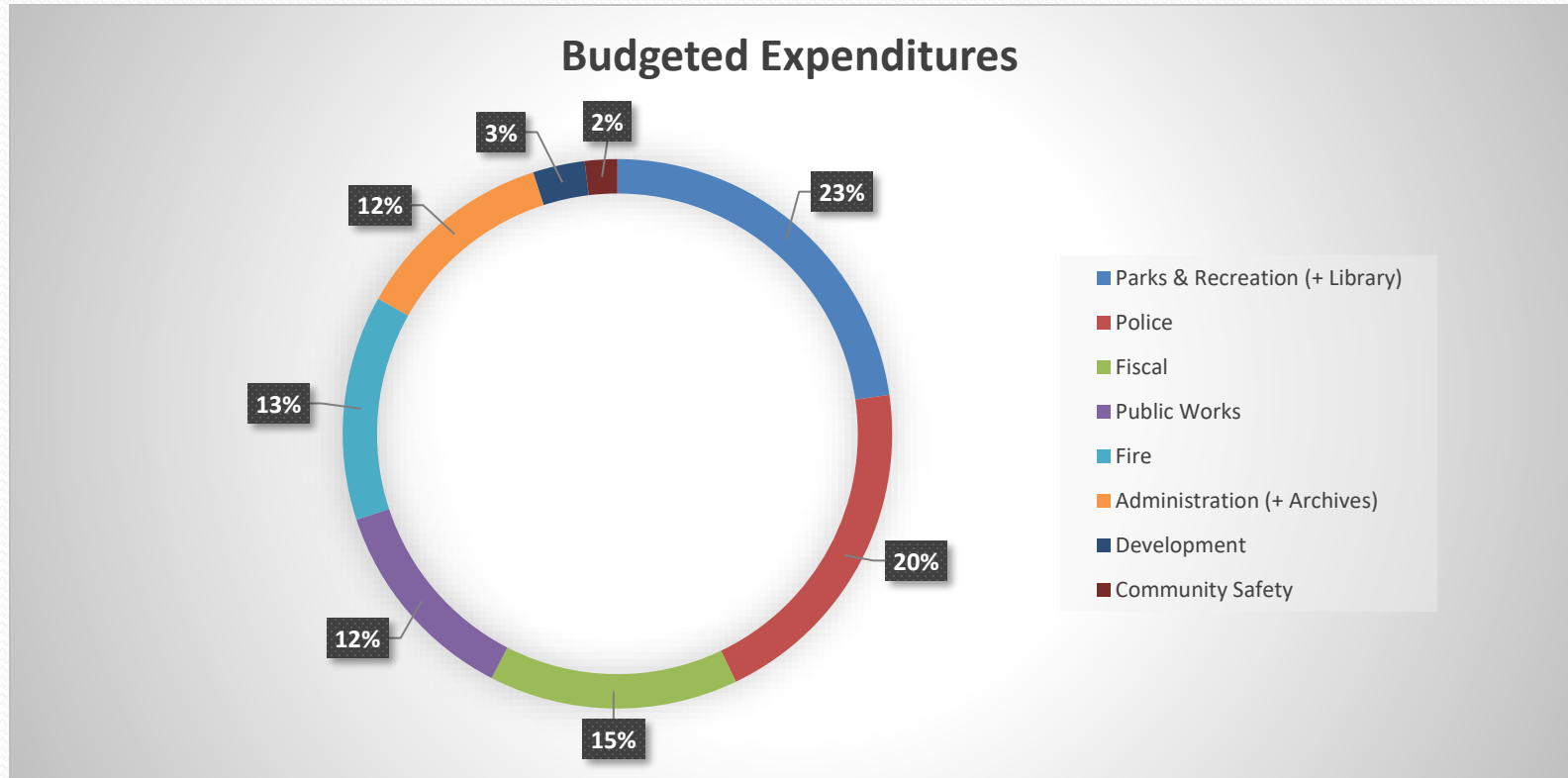
| | <u>2025 Budget</u> | <u>Increase %</u> |
|--------------------------------------|------------------------|-----------------------|
| Infrastructure Reserve Contributions | \$1,104,000 | 3.00% |
| Staffing Changes | \$931,549 | 2.53% |
| Supplemental Service Level Requests | \$568,863 | 1.55% |
| Budget Constraints (previous slide) | \$2,457,838 | 6.68% |
| | | <u>13.76%</u> |

***1% tax increase = \$368,000*

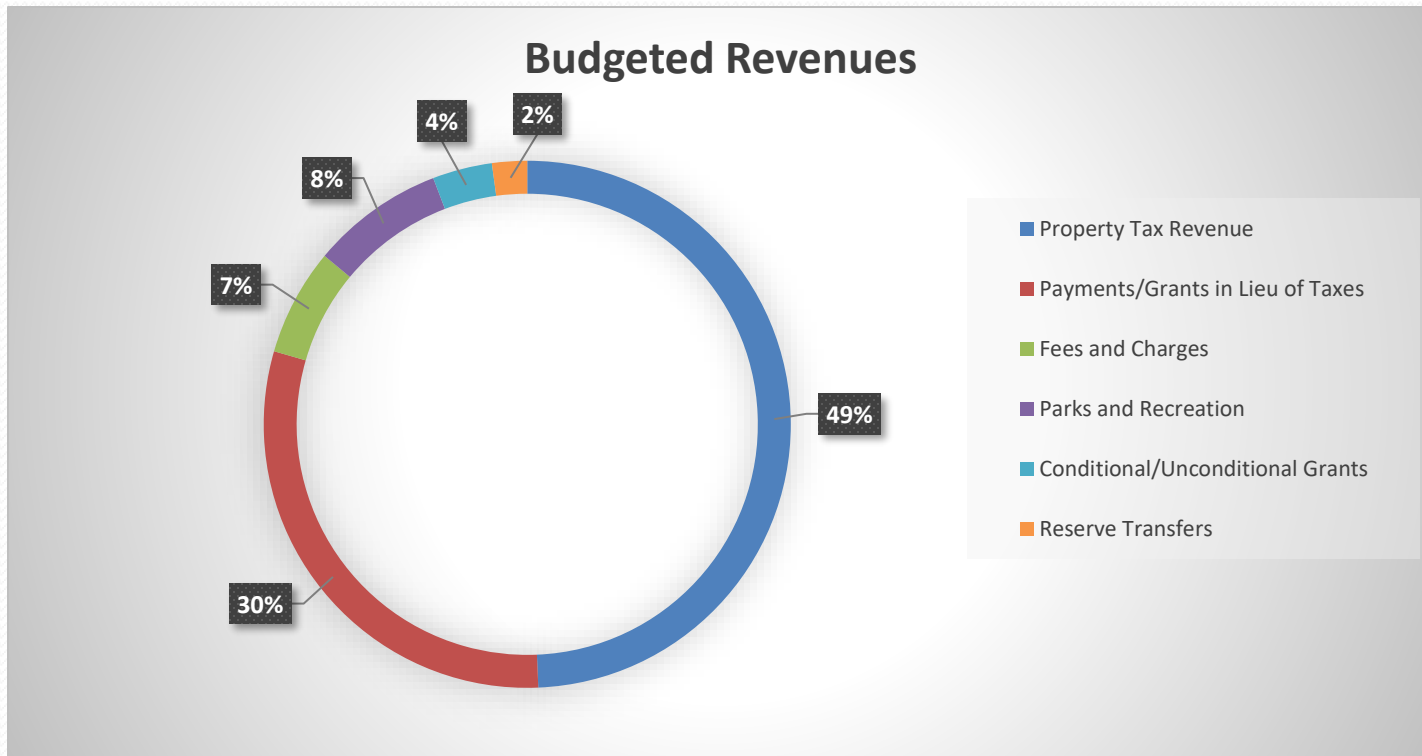
Staffing Changes

- 2025 - 8 new FTE funded through taxation
 - Development (2)
 - Engineering (1)
 - Human Resources (1)
 - Fire (4)
- Corporate Services – 1 new FTE approved in 2024-2028 financial plan
- Capital Works Program – 2 new FTE funded fully from capital reserves (not taxation)

Budgeted Expenditures



Budgeted Revenues



Debt Summary

| | | |
|------------------------|-----------------------------------|--------------|
| Sewers I&I Program | 2,012,000 | Matures 2025 |
| | 1,129,000 | Matures 2026 |
| | <u>2,353,000</u> | Matures 2027 |
| | 5,494,000 | |
| Public Safety Building | 35,000,000 | Matures 2051 |
| Total Debt | <u><u>\$40,494,000</u></u> | |

Debt Costs

| | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>2028</u> | <u>2029</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Sewer I & I Program | \$401,853 | \$335,608 | \$235,312 | | |
| Public Safety Building | 1,732,477 | 1,732,477 | 1,732,477 | 1,732,477 | 1,732,477 |
| Total Principal & Interest Payments | <u>\$2,134,330</u> | <u>\$2,068,085</u> | <u>\$1,967,789</u> | <u>\$1,732,477</u> | <u>\$1,732,477</u> |

Unutilized Liability Servicing Capacity \$ 9,386,443
at December 31, 2023



Reserve Funds

| | |
|---|-------------|
| Capital Projects Reserve | \$4,729,884 |
| Eva Chafe Reserve | 31,435 |
| Growing Communities Reserve | 5,115,088 |
| Infrastructure & Revitalization Reserve | 3,079,136 |
| Local Improvement Reserve | 228,617 |
| Machinery & Equipment Reserve | 2,500,337 |
| Municipal Archives Trust | 4,781 |
| Park Land Acquisition Reserve | 1,244,485 |
| Public Art Reserve | 122,915 |
| Sustainability Reserve | 692,840 |
| Tax Sale Lands Reserve | 136,119 |

\$17,885,637



Reserve Accounts

| | |
|---------------------------------|-------------|
| Canada Building Fund (Gas Tax) | \$2,097,170 |
| Casino Revenue | 331,508 |
| Housing | 235,583 |
| Local Government Climate Action | 430,960 |
| WWTP Mitigation Impact | 533,426 |
| | <hr/> |
| | \$3,628,647 |
| | <hr/> <hr/> |



Property Taxation

- After all funding sources considered, budget is balanced through property taxation
- Tax increase partially mitigated by Non-Market Change (NMC)
 - General increase applied evenly
- Assessment changes are factored when setting rates
- Different rates set for various property classes

CPI Considerations

- CPI is the most widely used indicator of inflation, but focuses primarily on common household purchases
 - Housing, transportation, food are typical CPI basket items
- The Township purchases an entirely different range of goods and services
 - Labor, materials and contractual services are the largest expenditures
 - As costs increase, municipalities require more money to purchase and provide the same mix of goods and services
- While municipalities continually provide new and enhanced service levels, CPI does not account for additions to the typical basket

Assessment Values

| | 2024 Supplemental Roll \$ | 2025 Completed Roll \$ | Increase/ (Decrease) \$ | Increase/ (Decrease) % |
|-----------------------|---------------------------------|------------------------------|-------------------------------|------------------------------|
| Residential | 5,492,043,905 | 5,616,245,605 | 124,201,700 | 2.26% |
| Utilities | 2,165,500 | 2,349,300 | (154,300) | 8.49% |
| Major Industry | 61,026,200 | 59,166,700 | - 1,859,500 | -3.05% |
| Light Industry | 37,096,600 | 39,949,400 | 2,852,800 | 7.69% |
| Business/Other | 376,432,501 | 378,215,800 | 1,783,299 | 0.47% |
| Recreation/Non-Profit | 29,396,400 | 31,412,000 | 2,015,600 | 6.86% |
| | <u>5,998,161,106</u> | <u>6,127,338,805</u> | <u>129,177,699</u> | <u>2.15%</u> |

Assessment Changes

| | <u>Existing Assessments</u> | <u>% Change</u> | <u>Non Market Change</u> | <u>% Change</u> |
|-----------------------|---------------------------------|---------------------|------------------------------|---------------------|
| Residential | (19,770,700) | (0.36%) | 143,972,400 | 2.62% |
| Utilities | 183,800 | 8.49% | - | |
| Major Industry | (188,000) | (0.31%) | (1,671,500) | (2.74%) |
| Light Industry | 3,052,600 | 8.23% | (199,800) | (0.54%) |
| Business/Other | 20,680,599 | 5.49% | (18,897,300) | (5.02%) |
| Recreation/Non-Profit | (1,903,000) | (6.47%) | 3,918,600 | 13.33% |
| | <u>2,055,299</u> | | <u>127,122,400</u> | |

Tax Impact

| | Class 1 - Residential | | Class 6 - Business | |
|----------------|---------------------------|------------------------|---------------------------|------------------------|
| | <u>Average Assessment</u> | <u>Annual Increase</u> | <u>Average Assessment</u> | <u>Annual Increase</u> |
| 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 |
| 2024 | 1,045,506 | 232 | 1,636,663 | 971 |
| 2025 | 1,041,742 | 467 | 1,726,579 | 1,923 |
| Average | | \$132 | | \$ 521 |

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

Next Steps

- February 3
 - Review Supplemental Operating Items
 - Work Force Plans
- February 10
 - Capital Program Review
- April 7
 - Tax Rates Discussion
- May 5
 - Financial Plan and Tax Rates Bylaw Adoption