

2021 Draft Budget Summary

The COVID-19 pandemic has impacted cities worldwide and the City of Victoria is no different. We're experiencing significant revenue reductions this year, which is projected to continue in 2021.

Mitigation strategies will minimize impacts on service delivery and maintenance of the City's infrastructure. These strategies include focusing the capital budget on essential projects; eliminating some office leases; reducing travel, conference and training budgets; delaying the re-opening of the Victoria Conference Centre; and using new property tax revenue from new developments to offset cost increases and revenue shortfalls.

Revenue loss in 2020 means there will be no surplus to carry over into 2021, however, the City will receive \$6.522 million from the Federal-Provincial Restart Grant, some of which will help make up for revenue shortfalls.

As presented in the Draft Financial Plan, the 2021 operating budget totals \$255.9 million and the capital budget totals \$52.9 million. Council has provided direction to add an additional \$3 million back into the capital budget. Projects are still to be determined.

Victoria City Council is deliberating on the 2021 Draft Financial Plan (City Budget) and is looking for your input to help inform how best to invest your tax dollars.

Budget Highlights:

In addition to maintaining service levels, below are some of the key highlights of investments proposed in the 2021 Draft Budget:

- Replace and upgrade aging water main pipes, underground infrastructure and sanitary sewer pipe rehabilitation. The work includes replacing some of the City's oldest pipes that were installed in 1891 to ensure clean water and environmental protection for the harbour and City natural areas.
- Provide a capital investment of \$6.3 million to improve City streets, make concrete repairs to sidewalks and curb ramps, and install new sidewalks.
- Invest \$510,000 in capital to create five new signed crosswalks, upgrade 10 existing crosswalks and add a second marked crosswalk at Douglas Street and Pembroke Avenue. An additional \$250,000 will be invested in traffic calming measures such as speed humps, curb extensions or medians to enhance pedestrian crossings and safety.
- Replace the artificial turf field at Topaz Park by investing \$4.25 million in capital to initiate and complete construction. Another \$600,000 in capital funding will replace the playground equipment at the Stadacona Park.
- Invest \$270,000 in capital to remove the roadway between Mile Zero and Beacon Hill Park to create a continuous green space.
- Allocate \$424,300 to support economic development and recovery to implement the *Victoria 3.0 Recovery Reinvention Resilience Economic Action Plan*, work with stakeholders to create an Oceans Future Hub and continue to make it easier for new and existing businesses to do business in Victoria.

- Implement the City's new Zero Waste Strategy.
- Deliver climate action initiatives in Victoria's Climate Leadership Plan to reduce emissions by 80% and transition to 100% renewable energy by 2050. Climate action will include initiating the Fleet Master Plan to continue the transition to electric vehicles, continuing development of the Climate Lens Framework and implementing the City's Sustainability Framework. A capital investment of \$100,000 is allocated for EV infrastructure support.
- Focus on implementing the Victoria Housing Strategy and increasing housing choice for renters and owners.
- Continue to focus on public safety with \$60.68 million for police services, \$17.89 million for fire services and \$2.68 million in bylaw and licensing services.
- Invest \$4 million in community-driven initiatives and economic activity with the City's suite of grant programs that include Direct Award Grants, Strategic Plan Grants, Festival Investment Grants, Community Garden Volunteer Grants and Great Neighbourhood Grants.
- Invest \$700,000 to provide free bus passes to youth living in the municipality of Victoria.
- The Office of Equity, Diversity and Inclusion will continue to champion these values as goals for the City of Victoria, as well as continue implementation of the City's TNB2S+ Inclusion Plan and Accessibility Framework and update the City's Equity Framework.
- Allocate approximately \$49.1 million for reserves and capital investment including transfers to the affordable housing reserve, building and infrastructure reserve, gas tax reserve and debt reduction.

Property Tax Impacts:

Together with the mitigation strategies, the proposed 2021 budget would result in an overall tax increase of no more than inflation plus one percent (1.75%). The property tax impact would be \$44 for an average household and \$124 for a typical business.

Proposed Property Tax Breakdown

City Operations: 1.21%

Police Operations: 0.52%

Greater Victoria Public Library: 0.02%

Proposed Overall Tax Increase: 1.75%

Your City Budget: How does it work?

The City of Victoria is growing and changing. With these changes come added pressures on City services and infrastructure. The City's 2021 Draft budget looks to adapt to change and balance competing priorities while continuing to provide the high-quality services our citizens have come to expect. Doing so within available financial resources, and the ability of the taxpayer to pay, is top priority.

What is a city budget?

Council's Strategic Plan guides City priorities and identifies the actions to achieve these over four years. The budget allocates funding for the priorities set out by Council in the Strategic Plan.

Like your own personal budget, the City's budget is divided into two types of expenses – operating and capital.

The operating budget includes daily or regular expenses to keep things running smoothly. In your household, these would be things such as gas for your vehicle or groceries for your family. For the City, this includes garbage collection, clean water, and the maintenance of facilities like Crystal Pool and community centres, to name a few.

Capital expenses are one-time purchases or upgrades as an investment for the future – things like renovations for your home or new appliances. For the City, capital expenses include things like road improvements, park upgrades or equipment needed to maintain roads or respond to emergencies.

How is the operating budget determined?

The operating budget is the largest portion of the City's budget, at \$255.9 million for 2021. It is determined based on what it will cost to continue existing City services and programs at service levels set by Council. The City's operating and utility budgets include capital funding and reserve savings that provide annual funding to ensure the city's infrastructure is maintained for residents today, and the future.

How is the capital budget determined?

The capital budget for the City is \$52.9 million for 2021. A number of factors are taken into consideration when creating each year's capital budget including master plans such as the Parks and Open Spaces Master Plan, transportation plans, and the City's Strategic Plan. Other factors include:

- safety considerations (traffic calming and crosswalks as an example)
- replacement costs
- age and condition of current City assets
- maintenance history
- risk assessment (what are the possible risks if this asset were to fail?)
- coordination with other capital projects (a stormwater main replacement might trigger updated curbs and sidewalks, so that a road is only dug up once)
- future capacity needs

When creating new assets, staff and Council will also consider what the annual operating and maintenance costs will be.

What happens when a capital project is not completed in a given budget year?

If a capital project that is underway is not completed in a given year, it is automatically rolled over into the work plan for the following year.

Strategic Priorities

Council has established the following eight Strategic Priorities for the City from 2019 to 2022:

1. Good Governance and Civic Engagement
2. Reconciliation and Indigenous Relations
3. Affordable Housing
4. Prosperity and Economic Inclusion
5. Health, Well-Being and a Welcoming City
6. Climate Leadership and Environmental Stewardship
7. Sustainable Transportation
8. Strong, Liveable Neighbourhoods

Highlights of City Services

The City Maintains:

- 137 parks
- 208 hectares of parkland
- 91 hectares of natural area
- 278 kilometres of roadway
- 259 stormwater mains
- 4 stormwater rehabilitation units
- 94.3 kilometres of bike lanes
- 244 marked cross walks
- 465 kilometres of sidewalks
- 270 parking pay stations

In 2020 City Services included:

- 118,661 Delegate days at the Victoria Conference Centre

- Approximately 105,000 transactions and inquires at the Public Service Centre
- 30,000 people served each year at the Development Centre
- Bylaw and Licencing received 5,017 calls for service
- 4,348 tonnes of waste collected from 14,000 households
- 512 businesses assisted at the Business Hub
- 131 free City organized arts and culture programs and events
- Approximately 325,000 Crystal Pool and Fitness Centre visits annually
- Over 3,000 individuals assisted by City Archives
- 6,703 building, plumbing and electrical inspections performed
- 2,059 Zoning Regulation Bylaw Plan checks
- Victoria Emergency Management hosted 90 training sessions for City staff and volunteers
- 424 total fires attended (structure, exterior and vehicle) by Victoria Fire Department

Revenues

Similar to most Canadian municipalities, taxation is the largest source of revenue, financing the majority of the services provided by the City. Every property owner in British Columbia must pay property taxes based on the value of their property, unless the property is specifically exempted by provincial statute.

The City's revenue is generated mainly from taxation at \$156.1 million. User fees form the next significant portion of revenue collected by the City at \$46.2 million. In accordance with the Community Charter, municipal governments set fees and charges by bylaw to cover the costs of providing that service to the public. The fees charged must be for the services delivered and designed not to generate a surplus and are supported by bylaws.

The remaining revenue consists of parking fees and fines revenue that provide the City with \$15.0 million in revenue, followed by cost recoveries of \$14.3 million, which includes recovery from Esquimalt for our amalgamated Police Department; other income at \$11.6 million, which includes revenue from the conference centre, real estate, investment interest, and revenue from property taxes for stormwater utility; grants at \$11.6 million and funding from reserves at \$1.1 million.

Consolidated Revenue by Type

2021 Budget Funding Sources is \$255.9 million

The breakdown of funding sources are:

- Taxation 61%
- User fees and charges: 18%
- Parking fines and fees: 6%

- Cost recovery: 6%
- Other income: 5%
- Grants: 4%
- Reserves greater than 1%

Taxation

Property taxes represent the most significant funding source within taxation at \$146.9 million. Grants in lieu of taxes at \$6.5 million form the next significant portion of taxation, followed by parcel taxes at \$1.4 million and special assessments at \$1.3 million.

Taxation Revenue by Type

2021 Budget Funding Sources is \$156.1 million

The breakdown of funding sources are:

- Property value taxes: 94%
- Grants in lieu of taxes: 4%
- Parcel taxes: 1%
- Special assessments: 1%

User Fees and Charges

The second largest source of revenue is user fees and charges that are charged for the use of city services. The City operates the water distribution systems for both the City of Victoria and the Township of Esquimalt. Water utility fees and charges represent \$22.2 million out of the total \$46.2 million. Sewer utility fees and charges are the second largest source of user fees at \$7.3 million, followed by stormwater utility fees and charges at \$5.7 million, permits and licenses at \$5.0 million, solid waste and recycling at \$3.4 million, recreation fees at \$1.4 million and other user fees and charges at \$1.2 million. Other user fees and charges include fees for rezoning, records, plan searches, fire prevention and sale of hanging baskets.

User Fees and Charges Revenue by Type

2021 Budget funding sources is \$46.2 million

The breakdown of funding sources are:

- Water Utility fees and charges: 48%
- Sewer Utility fees and charges: 16%
- Stormwater Utility fees and charges: 12%

- Permits and licences: 11%
- Solid Waste and recycling: 7%
- Recreation: 3%
- Other user fees and charges: 3%

Parking Fees and Fines

The City of Victoria operates five parkades, three surface lots and has nearly 2,000 on-street parking spaces downtown that are budgeted to generate approximately \$15.0 million in revenue for 2021. The budget includes revenue from on street and surface lots at \$8.4 million, which is the largest parking revenue source. This is followed by parkade parking at \$3.4 million and parking violations at \$3.2 million.

Parking Fees and Fines Revenues by Type

2021 Budget Funding Sources are \$15 million

The breakdown of funding sources are:

- On street and surface lots: 56%
- Parkades: 22%
- Parking violations: 22%

Other Income

Other income is comprised of a variety of revenue sources. The Victoria Conference Centre's revenue of \$3.0 million is primarily comprised of event cost recovery paid by event organizers of \$1.6 million, as well as revenue generated from parking and room rentals. Miscellaneous revenue is \$2.4 million and includes revenue from tax certificates, tax penalties, bus shelter advertising, food and beverage and revenue from Save-On-Foods Memorial Centre. Investment income is at \$2.8 million. The revenue from the City's real estate leases amount to approximately \$1.5 million and the transfer from property taxes to Stormwater Utility is \$1.3 million. The City receives \$552,000 for cost sharing income received by other Police forces and from Burnside/Gorge for annual capital contribution.

Other Income Revenue by Type

2021 Budget Funding Sources: \$11.6 million

The breakdown of funding sources are:

- Victoria Conference Centre: 26%
- Investment income: 24%
- Miscellaneous: 21%

- Commercial lease: 13%
- Transfer from property taxes – stormwater: 11%
- Cost sharing: 5%

Cost Recovery

The City's cost recovery budget is at \$14.3 million in 2021, with the majority of the recovery at about \$8.7 million for Esquimalt's share of policing costs for our amalgamated Police Department. Internal recoveries at \$3.9 million include costs related to self-funded utilities such as water, sewer and stormwater. The City also recovers costs from outside external agencies in the amount of \$1.7 million.

Cost Recovery Revenue by Type

2021 Budget Funding Sources: \$14.3 million

Breakdown of funding sources are:

- Esquimalt recovery: 61%
- Internal recovery: 27%
- Other external recovery: 12%

Grants

This year, the City's budget includes the funding from the Province's Restart Grant in addition to the annual funding from the Federal Government's gas tax program which is approximately \$3.8 million and the Provincial Traffic Fine Revenue at about \$1.9 million.

Grants Revenues by Type

2021 Budget Funding Sources: \$11.6 million

Breakdown of funding sources are:

- Other grants: 51%
- Gas tax: 33%
- Traffic fine revenue: 16%

Reserves

The purpose of setting aside funding in reserves is to provide funding for various future expenditures, to ensure sufficient future funds are available and to smooth the annual tax increase. For 2021, funding from the Financial Stability Reserve, which holds carry forward funding from prior year

unspent budgets, is at \$560,000 for continuing City initiatives including the second year of a two-year position in Bylaw, emergency management, training for reconciliation and indigenous relations and Citizen's Assembly. The Art in Public Place reserve provides \$150,000 for art in public spaces and expands opportunities for artists and the public to participate in the process. Climate Action Reserve funding is \$322,000 for climate mitigation and adaptation strategies that target energy and GHG reductions. The Tree Replacement Reserve funding is at \$82,000 for additional tree planting and Police Reserves provides funding of \$32,000 for equipment replacement.

Reserves Funding by Type

2021 Budget Funding Sources: \$1.1 million

Breakdown of funding sources are:

- Financial Stability Reserve: 49%
- Climate Action Reserve: 28%
- Art in Public Place: 13%
- Tree Replacement Reserve: 7%
- Police: 3%

Operating Budget

The City of Victoria provides services to the community by incurring operating costs and capital costs. With each service, the capital costs of any equipment, infrastructure or facility needed to deliver the service must be considered in addition to the ongoing operational and labour cost of providing that service.

Like most municipalities, the City is faced with balancing rising costs, limited resources and providing more and higher level of services to its citizens. To achieve this balance through the budget process, departments undertake re-analysis of budget needs, endeavour to find economies and efficiencies that are expected of a prudent budgeting process. Staff are to explore opportunities to increase efficiencies throughout the City's operations focusing on providing better service to the community and reducing expenditures.

Operating Expenditures by Type

2021 Budget Expenditures: \$255.9 million

The breakdown by type of expenditure are:

- Salaries and benefits: 53%
- Transfers to Reserve and Capital: 19%
- Fiscal: 8%
- Materials and supplies: 7%

- Contracted services: 6%
- Equipment: 3%
- Grants: 1%
- Debt principal payments: 1%
- Other personnel costs: 1%
- Transfer to Stormwater Utility: 1%

Operation Expenditures by Function

2021 Budgeted Function Expenditures: \$255.9 million

The breakdown by function of expenditure are:

- Victoria Police Department: 23%
- Transfers to General Reserves, Capital and Utility: 11%
- Parks, Recreation and Facilities: 9%
- Water Utility: 9%
- General Government: 8%
- Engineering and Public Works: 7%
- Victoria Fire Department: 7%
- Parking Services: 4%
- Corporate: 4%
- Debt: 3%
- Sewer Utility: 3%
- Business and Community Relations: 3%
- Stormwater Utility: 3%
- Sustainable Planning and Community Development: 2%
- Public Library: 2%
- Solid Waste and Recycling: 1%
- Bylaw Services: 1%

Operating Expenditures by Function, Budget Trends 2020 to 2021

Victoria Police Department \$59,795,810 in 2020 and \$60,676,130 in 2021

Corporate \$12,450,884 in 2020 and \$9,805,040 in 2021

Transfers to General Reserves, Capital and Utility \$26,725,484 in 2020 and \$26,018,190 in 2021

Parks, Recreation and Facilities \$24,383,141 in 2020 and \$23,767,310 in 2021

Water Utility \$22,197,705 in 2020 and \$22,197,710 in 2021

Engineering and Public Works \$19,766,644 in 2020 and \$18,306,340 in 2021

Victoria Fire Department (Includes VEMA) \$17,816,836 in 2020 and \$17,886,250 in 2021

Parking Services \$10,636,713 in 2020 and \$10,089,910 in 2021

Sewer Utility \$8,138,432 in 2020 and \$8,138,430 in 2021

Debt Principal, Interest and Reserve Transfer \$8,167,942 in 2020 and \$8,167,950 in 2021

Stormwater Utility \$6,996,856 in 2020 and \$6,996,860 in 2021

Finance \$4,471,074 in 2020 and \$4,476,340 in 2021

Information Technology \$4,662,260 in 2020 and \$4,575,410 in 2021

Sustainable Planning and Community Development \$6,916,812 in 2020 and \$6,062,000 in 2021

Greater Victoria Public Library \$5,542,404 in 2020 and \$5,566,000 in 2021

Legislative Services \$2,060,908 in 2020 and \$1,621,420 in 2021

VCC Event Costs Paid by Clients \$3,460,000 in 2020 and \$1,557,000 in 2021

Bylaw Services \$2,532,336 in 2020 and \$2,683,530 in 2021

Solid Waste & Recycling \$3,333,827 in 2020 and \$3,350,940 in 2021

Engagement \$1,556,424 in 2020 and \$1,412,210 in 2021

Human Resources \$2,443,165 in 2020 and \$2,418,140 in 2021

Real Estate \$1,913,613 in 2020 and \$1,553,100 in 2021

Legal Services \$878,921 in 2020 and \$796,610 in 2021

Council \$823,732 in 2020 and \$863,710 in 2021

Corporate Initiatives \$547,930 in 2020 and \$663,010 in 2021

City Manager's Office \$984,243 in 2020 and \$971,420 in 2021

Business and Community Relations

Arts, Culture and Events \$1,954,272 in 2020 and \$1,810,190 in 2021

Economic Development \$644,290 in 2020 and \$424,290 in 2021

Neighbourhoods \$467,990 in 2020 and \$496,960 in 2021

Victoria Conference Centre (VCC) \$3,120,016 in 2020 and \$2,515,100 in 2021

Capital Budget

The City's 20-year capital budget is a plan that identifies required projects, related funding and timelines including the impact of multi-year and multi-department projects. Capital requirements are driven by the need to maintain, upgrade or replace existing aging infrastructure, meet industry standards, population growth and invest in new capital in alignment with the Strategic Plan and community input.

The capital budget for 2021 totals \$52.9 million. The annual capital investment needs are determined through asset master plans and condition assessments. Asset master plans outline the level of funding that is considered sustainable to maintain current service levels and the priorities of infrastructure investment.

For 2021, the Capital budget has been grouped into 14 categories which are listed by total expenditures:

- Stormwater: 15.4%
- Active Transportation: 14.7%
- Sanitary Sewers: 12.5%
- Waterworks: 11.1%
- Complete Streets: 11%
- Parks: 10.9%
- Equipment: 8.9%
- Street Infrastructure: 5.3%
- Police: 2.9%
- Facilities: 2.6%
- Safety: 2.4%
- Structures: 1.5%
- Contingency: 0.7%
- Neighbourhoods: 0.1%

Capital Budget by Category in Dollars

2021 Budgeted Category Expenditures \$52.9 million

- Neighbourhoods: \$45,000
- Contingency: \$350,000
- Structures: \$800,000
- Safety \$ 1,294,000
- Facilities: \$1,397,000
- Police: \$1,546,000
- Street Infrastructure: \$2,787,000
- Equipment: \$4,702,000
- Parks: \$5,775,000
- Complete Streets \$5,797,000
- Waterworks: \$5,884,000
- Sanitary Sewers: \$6,588,000
- Active Transportation: \$7,757,000
- Stormwater: \$8,151,000
- **Total for 2021: \$52,873,000**

Your City Budget. Have Your Say.

We need your input on the 2021 Draft Financial Plan. Read the plan or Budget Summary at <https://engage.victoria.ca/>

Fill out the **2021 Draft Budget Survey by January 10** to tell us your priorities for investment to help inform Council's decision making.

Ask budget questions in real time or share in advance and tune in to our **Virtual Budget Town Hall on Wednesday, January 13, 2021 at 6:30 p.m.** for the answers.

Find out more at <https://engage.victoria.ca/>