

2022 Draft Budget Summary

The COVID-19 pandemic continues to impact cities worldwide and the City of Victoria is no different. While the 2022 Draft Budget is forecasting improvements in economic recovery, the pandemic continues to impact the City's revenues.

The City's third budget during the COVID-19 pandemic proposes to invest \$264.7 million in operating and \$97.1 million in capital improvements to deliver more than 200 services and programs that the community depends on.

The operating budget is determined based on what it will cost to continue existing City services and programs. These service levels are set by Council, which works to find the right balance between delivering the high-quality services our citizens have come to expect and maintaining taxes at an affordable level.

The capital budget includes large capital projects such as park improvements and the replacement and rehabilitation of underground infrastructure.

The draft base budget proposes a 3.25 per cent tax increase to maintain current service levels. This is within Council's target of limiting the property tax increase to the rate of inflation plus one percentage point.

This follows an overall 2.03 per cent increase in 2021, which Council distributed to residential properties at 5.73 per cent, and to business properties at a decrease of 2.08 per cent. In 2020, there was a zero per cent increase for both residential and commercial properties due to the financial hardship the community was experiencing as a result of the pandemic.

To meet Council's target, City staff are recommending a series of cost-cutting measures to offset projected revenue loss due to the ongoing economic fallout of the pandemic. This includes delaying the posting of vacant positions, reducing travel for conferences and using the remaining federal-provincial Restart Grant to offset revenue shortfalls.

In addition for Budget 2022, Council is also considering investing in new programs and services to advance community priorities including preparing for a changing climate, supporting businesses to help grow the local economy, enhancing public safety, improving housing

affordability and reducing plastic waste, among others. The addition of new services has the potential to add to the proposed property tax increase.

Victoria City Council is looking for input to help inform how best to invest your tax dollars in 2022 to support individual and community well-being as we continue to recover from the COVID-19 pandemic.

Annual Overall Tax Increase from 2018 to 2022

- In 2018 increase was 2.62%. Residential property tax increase was 4% and Business property tax increase was 1.11%.
- In 2019 increase was 2.53% with additional 1.45% for Provincial Health Tax for a total increase of 3.98%
- In 2020 there was no increase
- In 2021 increase was 2.03%. Residential property tax increase was 5.73% and Business property tax decrease was 2.08%.
- Proposed tax increase for 2022 is 3.25%

Budget Highlights:

Here are some of the key highlights of the 2022 Draft Budget, which invest in community well-being and infrastructure upgrades, and Strategic Plan initiatives.

- Allocate \$19.4 million to the rehabilitation of Victoria's underground infrastructure including replacing and upgrading water, storm water and sewer mains. Of this amount, \$4.2 million will be funded by the federal government's Disaster Mitigation and Adaptation Fund.
- Deliver climate action initiatives in Victoria's Climate Leadership Plan to reduce emissions by 80 per cent and transition to 100 per cent renewable energy by 2050. Invest \$5.1 million to deliver initiatives in the Climate Leadership Plan such as the Green Fleet Plan and the Electric Vehicle Strategy.
- Incentivize development of rental housing and look for further opportunities to expedite and simplify development processes for affordable rental housing. Focus on implementing the Victoria Housing Strategy and increasing Missing Middle housing choice for renters and owners.

- Complete a new state-of-the-art, post-seismic Fire Hall and Emergency Operations Centre on Johnson Street to replace the current fire headquarters building on Yates Street. The new public safety building is being built under an agreement reached with local developer Dalmatian Developments Limited Partnership, a Jawl Residential and Nadar Holdings Ltd. venture, as part of a new mixed-use development that also includes 120 new affordable rental units being built above the firehall with funding from BC Housing.
- Continue to focus on public safety with \$53.8 million as the City's share of VicPD's proposed base budget, \$18.6 million for fire services and \$2.7 million for bylaw and licensing services.
- The Office of Equity, Diversity and Inclusion will continue to champion and support the City's goal of embedding equity in the City's policies, programs and services. The EDI Office will lead the implementation of the City's Equity Framework, as well coordinate and support implementation of cross-departmental equity-related plans such as the City's Transgender, Non-Binary, Two Spirit Inclusion Plan, Accessibility Framework, and Welcoming City Strategy.
- Invest \$6.4 million to improve City streets and an additional \$823,000 to install new accessible sidewalks or upgrade existing sidewalks.
- Invest \$520,000 to create new crossings and upgrades at Menzies and Michigan Streets, and crosswalk upgrades at Kingston and Montreal Streets. An additional \$255,000 will be invested in traffic calming measures such as speed humps, curb extensions or medians to enhance pedestrian crossings and safety. As well, \$592,000 will go towards new traffic signal safety upgrades and installation.
- Allocate \$13 million to implement the Bicycle Master Plan, which will include construction of the Fort Street, Government Street, Montreal Street, Superior Street and Gorge Road cycling corridors in 2022. In addition, the design will be developed for the Pandora Avenue East corridor that will be constructed in 2023.
- Invest \$592,000 to install four new drinking fountains and improve infrastructure in City parks, including new park furniture.
- Allocate \$450,000 to develop the Beacon Hill Park Transportation, Circulation and Accessibility Plan, and \$535,000 to restore natural areas in Victoria parks.

- Continue to support the design, production and installation of public art through the City's Artist in Residence program, Indigenous Artist in Residence program, Commute: Bus Shelter Art program, Commercial Alley Outdoor Art Gallery, and Kiosk program, and a Public Art Symposium. In addition, champion the literary arts with the annual City of Victoria Butler Book Prize and Children's Book Prize and support the Poet Laureate and Youth Poet Laureate programs.
- Provide \$4.2 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.
- Allocate \$525,000 to provide free bus passes to Victoria youth and another \$50,000 for transit shelter upgrades.
- Invest \$700,000 in building upgrades to Victoria's neighbourhood community centres in 2022, including accessibility improvements at Fairfield Gonzales Community Centre, and an energy-efficient HVAC upgrade at Oaklands Community Centre.
- Allocate approximately \$50.2 million for reserves and capital investment including transfers to the affordable housing reserve, building and infrastructure reserve, gas tax reserve and debt reduction.

Proposed Property Tax Breakdown

- 1.15% for City Operations
- 2.02% for Police Operations
- 0.08% for Greater Victoria Public Library
- 3.25% is the proposed Property Tax increase

Your City Budget. Have Your Say.

Join the conversation

- Share your priorities for investment in Victoria's 2022 Draft Budget at <https://engage.victoria.ca/>

Online Survey

- Learn what's proposed in the 2022 Draft Budget and share your feedback by completing our online survey by Tuesday, November 23.

2022 Virtual Budget Town Hall

- Wednesday, November 17 at 6:30 p.m. at <https://www.victoria.ca>
- Provide your feedback directly to Council during this live webcast.

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 2022 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?

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.

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.

How is the operating budget determined?

The operating budget is the largest portion of the City's budget, at \$264.7 million for 2022. 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 \$97.1 million for 2022. 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:

- 138 City parks
- 254 hectares of parkland
- 91 hectares of natural area
- 279 kilometres of roadway
- 260 kilometres of stormwater mains
- 4 stormwater rehabilitation units
- 98.4 kilometres of bike lanes
- 30 new or improved crosswalk projects
- 467 kilometres of sidewalks
- 270 parking pay stations
- 15,756 delegate days at the Victoria Conference Centre
- Approximately 105,000 transactions and inquiries by Public Service Centres
- 65,682 social media engagements

- Bylaw and licencing handled 9,886 calls for service
- 5,130 tonnes of waste collected from 14,000 households
- 178 businesses assisted by the Business Hub
- 106 free City organized arts and culture programs and events
- Approximately 89,865 Crystal Pool and Fitness Centre visits annually
- Over 2,155 individuals assisted by City Archives
- 3,259 building, plumbing and electrical inspections performed
- 1,677 zoning regulation bylaw plan checks
- 118 people assisted by Victoria Emergency Management
- 690 total fires attended (structure, exterior and vehicle)

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 revenue budget totals \$264.7 million. The City's revenue is generated mainly from taxation at \$163 million. User fees form the next significant portion of revenue collected by the City at \$48.6 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 \$17 million in revenue, followed by cost recoveries of \$14.2 million, which includes recovery from Esquimalt for our amalgamated Police Department; other income at \$13.1 million, which includes revenue from the conference centre, real estate, investment interest, and revenue from property taxes for stormwater utility; grants at \$5.8 million and funding from reserves at \$3 million.

Consolidated Revenue by Type

2022 Budget Funding Sources (\$264.7 million)

- 62% Taxation
- 18% User Fees and Charges
- 6% Parking Fees and Fines
- 6% Cost Recovery
- 5% Other Income
- 2% Grants
- 1% Reserves

Taxation

Property taxes represent the most significant funding source within taxation at \$153 million. Grants in lieu of taxes at \$7.1 million form the next significant portion of taxation, followed by special assessments at \$2.1 million and parcel taxes at \$616,000.

Taxation Revenue by Type

2022 Budget Funding Sources (\$163 million)

- 94% Property Value Taxes
- 5% Grants in Lieu of Taxes
- 1% Special Assessments
- Less than 1% Parcel Taxes

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 \$22.9 million out of the total user fees and charges budget of \$48.6 million. Sewer utility fees and charges are the second largest source of user fees at \$7.6 million, followed by stormwater utility fees and charges at

\$5.9 million, permits and licenses at \$5.2 million, solid waste and recycling at \$3.4 million, recreation fees at \$2.8 million and other user fees and charges at \$854,000. 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

2022 Budget Funding Sources (\$48.6 million)

- 47% Water Utility Fees and Charges
- 16% Sewer Utility Fees and Charges
- 12% Stormwater Utility Fees and Charges
- 11% Permits and Licences
- 7% Solid Waste and Recycling
- 6% Recreation
- 1% Other User Fees and Charges

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 \$17 million in revenue for 2022. The budget includes revenue from on street and surface lots at \$8.8 million, which is the largest parking revenue source. This is followed by parkade parking at \$4.6 million and parking violations at \$3.6 million.

Parking Fees and Fines Revenues by Type

2022 Budget Funding Sources (\$17 million)

- 52% On Street and Surface Lots
- 27% Parkades
- 21% Parking Violations

Cost Recovery

The City's cost recovery budget is at \$14.2 million in 2022, with the majority of the recovery at about \$8.5 million for Esquimalt's share of policing costs for our amalgamated Police Department. Internal recoveries at \$4 million include costs related to overhead for Police and 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

2022 Budget Funding Sources (\$14.2 million)

- 60% Esquimalt Recovery
- 28% Internal Recovery
- 12% Other External Recovery

Other Income

Other income is comprised of a variety of revenue sources. The Victoria Conference Centre's revenue of \$3.9 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. Investment income is at \$3 million. Miscellaneous revenue is \$2.3 million and includes revenue from tax certificates, tax penalties, bus shelter advertising, and revenue from Save-On-Foods Memorial Centre. The revenue from the City's real estate leases amount to approximately \$1.9 million and the transfer from property taxes to Stormwater Utility is \$1.4 million. The City receives \$621,000 for cost sharing which includes income received by other Police forces and from Burnside/Gorge for annual capital contribution.

Other Income by Revenue by Type

2022 Budget funding sources is \$13.1 million.

- 30% VCC
- 23% Investment Income
- 18% Miscellaneous

- 14% Commercial Lease
- 10% Transfer from Property Taxes – Stormwater
- 5% Cost Sharing

Grants

This year, the City's budget includes 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.

2022 Budget funding sources is \$5.8 million.

Grants Revenues by Type

- 66% Gas Tax
- 32% Traffic Fine Revenue
- 2% Other Grants

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 2022, one of the city's mitigation strategies is to use the remaining funds or \$1.74 million from the Restart Grant received from the Province in 2021 to help offset losses as a result of COVID-19. Police Reserves provide funding for operating projects carried forward into 2022. Funding of \$405,000 from the City's Financial Stability Reserve, which holds carry forward funding from prior year unspent budgets, will continue City initiatives including transportation initiatives and elections. Climate Action Reserve funding is \$170,280 for climate mitigation and adaptation strategies that target energy and GHG reductions. 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 and the Tree Replacement Reserve funding of \$65,000 for continuing the initiative of additional tree planting.

Reserves Revenues by Type

- 2022 Budget Funding Sources (\$3 million)
- 57% Restart Grant
- 17% Police
- 13% Financial Stability Reserve
- 6% Climate Action Reserve
- 5% Art in Public Place
- 2% Tree Replacement Reserve

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 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

2022 Budgeted amount for expenditures is \$264.7 million.

- 52% Salaries and Benefits
- 19% Transfers to Reserve and Capital
- 7% Fiscal
- 7% Contracted Services
- 5% Materials and Supplies

- 3% Equipment
- 2% Grants
- 2% Greater Victoria Public Library
- 1% Debt Principal Payments
- 1% Other Personnel Costs
- 1% Transfer to Stormwater Utility

Operating Expenditures by Function

2022 Budgeted function expenditures is \$264.7 million.

- 24% Victoria Police Department
- 10% Transfers to General Reserves and Capital
- 10% Parks, Recreation and Facilities
- 9% Water Utility
- 8% General Government
- 7% Engineering and Public Works
- 7% Victoria Fire Department
- 4% Parking Services
- 3% Corporate
- 3% Debt
- 3% Sewer Utility
- 3% Business and Community Relations
- 3% Stormwater Utility
- 2% Sustainable Planning and Community Development
- 2% Greater Victoria Public Library
- 1% Solid Waste & Recycling
- 1% Bylaw Services

Operating expenditures by function comparing 2021 budget with 2022 budget amounts

- Victoria Police Department was \$60,891,130 in 2021 and \$64,199,400 for 2022
- Underground Utilities was \$37,333,000 in 2021 and \$38,520,010 for 2022
- Transfers to General Reserves and Capital was \$25,827,560 in 2021 and \$27,283,860 for 2022
- Parks, Recreation, & Facilities was \$24,205,820 in 2021 and \$25,478,860 for 2022
- Engineering and Public Works was \$23,796,080 in 2021 and \$22,229,180 for 2022
- General Government was \$19,665,140 in 2021 and \$19,802,010 for 2022
- Victoria Fire Department was \$18,678,620 in 2021 and \$18,636,980 for 2022
- Parking Services was \$10,116,910 in 2021 and \$9,989,970 for 2022
- Corporate was \$7,859,250 in 2021 and \$6,983,660 for 2022
- Debt was \$8,167,950 in 2021 and \$8,167,950 for 2022
- Planning was \$7,258,450 in 2021 and \$6,304,360 for 2022
- Business and Community Relations was \$5,739,250 in 2021 and \$6,284,490 for 2022
- Greater Victoria Public Library was \$5,566,000 in 2021 and \$5,680,000 for 2022
- Bylaw Services was \$2,767,950 in 2021 and \$2,741,730 for 2022
- VCC Event Costs Paid by Clients was \$1,557,000 in 2021 and \$1,557,000 for 2022
- Council was \$856,140 in 2021 and \$866,950 for 2022

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 2022 totals \$97.1 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 2022, the Capital budget has been grouped into 13 categories by total expenditures.

Capital Expenditures by Category

2022 Budgeted amount for category expenditures is \$97.1 million.

- 39% Facilities
- 14% Active Transportation
- 10% Equipment
- 8% Sanitary Sewers
- 7% Complete Streets
- 6% Waterworks
- 6% Stormwater
- 4% Parks
- 2% Street Infrastructure
- 1% Traffic Safety
- 1% Police
- 1% Structures
- 1% Contingency

Capital Budget by Category in Dollars

2022 Budgeted category expenditures is \$97.1 million.

- Contingency \$350,000
- Structures \$965,000
- Police \$1,340,000

- Traffic Safety \$1,367,000
- Street Infrastructure \$1,653,000
- Parks \$3,639,000
- Waterworks \$5,781,000
- Stormwater \$6,303,000
- Sanitary Sewers \$7,305,000
- Complete Streets \$7,194,000
- Equipment \$9,272,000
- Active Transportation \$14,023,000
- Facilities \$37,983,000