

# Financial Sustainability Policy

The financial sustainability policy guides the City's financial planning to meet financial obligations while providing high quality services.

## Primary Objective

The policies shall be designed and structured to develop principles that guide, support and respect the direction of the community so that tax payers can look forward to stable, equitable and affordable property taxation.

## Highlights:

### Property tax increases

- Cover cost increases of existing services at existing service levels first

### Growth in property tax base

- To address infrastructure upgrade demands as a result of new developments or re-developments, any non-market change assessment revenue will be transferred to infrastructure reserves

### New services/enhancements to existing services funded by:

- Reduction in cost of existing services
- Increase in non-tax revenues
- Further increase in property taxes

### Efficiencies, demand management and service level changes

- Demand management strategies and options for service level changes and alternative service delivery models will be identified

### Access alternative revenues and external funding

- Only apply for grant funding for items already in the 5-year Financial Plan and 20-year Capital Plan

### Fees and charges

- Fees will be reviewed annually and adjusted where appropriate

### Self financed programs

- User fees will fully fund costs of self financed programs (Water, Sewer, Solid Waste, Victoria Conference Centre)

### Surplus

- Only used for one-time expenditures or transferred to infrastructure reserves and/or financial stability reserves

### Debt management

- Debt should only be incurred for one-time capital expenditures and not for ongoing programs
- Debt servicing charges to be kept at current budget level. New debt is only added in the years when other debt issues are retired to avoid tax increases as a result of new debt

### Infrastructure

- Infrastructure maintenance/replacement program will be established using best practices and a sustainable funding strategy will be developed
- An annual property tax increase of 1.5% will be levied to increase capital budget funding

### Capital projects and programs

- Should include full initial cost as well as future costs, including operating and upgrade/replacement costs

### Large scale capital projects

- Phased in: first phase planning and design, second phase implementation/build

# Budget Principles

Council has applied the following principles to the budget process:

1. Share budget cuts:
  1. Consider existing assets before adding new
  2. Tax increase for capital 1.25% (reduced from 1.5%)
  3. Tax increase for operating 2%
  4. City's share of Police and Library budgets capped at 2% for 2013, 2014, and 2015.
2. New revenue will be implemented with realistic estimates and timelines
3. Annual salary increases for all employees will be kept at affordable level.
4. Staff will recommend changes to service delivery that have the least impact on the community. The following will be considered, in the order of:
  - A) changes to service delivery methods
  - B) reduced service levels
  - C) elimination of services

# Changes to Mayor and Council Remuneration

## No Increase to Council Salaries for 2013

Potential savings for 2013: **\$9,000**

The Mayor and Councillor receive an annual salary of:

Mayor	\$100,028
Councillors	\$40,026

The remuneration bylaw provides for an annual increase to City Council salaries equal to the consumer price index (CPI). Council has decided to cap the increase at 2011 rates, with no increase in 2013 which results in a cost savings of \$9,000 for the 2013 budget. This is the second year Council has 0% increase.

Council adopted a budget principle that all annual compensation budgets for all employees will be capped at an affordable level.

## Change to Taxable Remuneration for Mayor and Councillors

Potential annual savings: **\$56,000**

In 2008, an independent citizen committee was struck to review the compensation received by City of Victoria Mayor and Councillors. At that time, Council had received compensation that included a one-third tax free benefit.

One of the recommendations at the time was to change the way Council salaries were reported to be more transparent. It was noted by the citizen committee that fully taxable earnings were a more transparent way to report salaries, as opposed to partially taxable and partially tax free.

The changes recommended by this committee were accepted by Council, and the Council Remuneration Bylaw was adopted. As of January 1, 2009, Council's entire remuneration was moved from partial taxable and partial non-taxable to fully taxable. To ensure that the after tax income was not impacted by this implementation, Mayor and Council salaries were increased to offset the amount of additional income tax to be deducted and remitted to Canada Revenue Agency.

Most Canadian municipalities still utilize the one-third tax free status for Mayor and Council. Reverting back to a one-third tax free status will allow the City to reduce Mayor and Council salaries and achieve a budget savings of \$56,000.

One of the budget reduction strategies being considered for 2013 is to revert back to a one-third tax free status for Mayor and Council, as well as holding Mayor and Council salaries at 2011 rates.

# 0% Increase to Exempt Employee Salaries

Potential savings in 2013: **\$200,000**

All City employees not represented by a union are considered “exempt” employees. Of the 777 employees at the City of Victoria, 74 are exempt employees and 53 of those are managers. The remainder are support staff in areas excluded from unionized employment due to the nature of their work (e.g. Human Resources).

Annual salary increases for exempt employees are based on a formula linked to collective agreement increases. For 2013, there will be no salary increase. The planned budget increase for 2013 was \$200,000.

It is important to note that over the long term the municipality must remain competitive to attract skilled and experienced staff. A 0% salary increase over the long-term can have implications in terms of staff retention and recruitment.

The remainder of City employees are represented by one of four unions, CUPE 50, International Association of Firefighters (IAFF), United Brotherhood of Carpentry Journeyman (UBCJ), and International Brotherhood of Electrical Workers (IBEW).

Collective bargaining determines rates for unionized employees.

Council adopted a budget principle that annual compensation budgets for all employees will be capped at an affordable level.

## Quick facts:

- Staffing levels at the City have remained stable over the past four years.
- The total number of City employees has increased by three over the past four years.
- The number of exempt employees has decreased by four over four years.
- Exempt employees do not negotiate or influence collective agreements; bargaining is done by the Greater Victoria Labour Relations Association (GVLRA)

# Limit Budget Increases for Library and Police to 2% for 2013, 2014 and 2015

Potential savings: 2013: **\$602,000** 2014: **\$483,000** 2015: **\$484,000**

The City of Victoria is one of two municipalities (the other is Esquimalt) that provide annual funding for the Victoria Police Department. Those funds are collected from Victoria property taxes. With a 2% tax increase in 2013, the City is increasing the Police budget by \$724,000, for a total contribution of \$37 million for policing.

The Victoria Police Department budget is 90% staffing.

The City is also one of 10 funders to the Greater Victoria Library. With a 2% increase in 2013, the City has increased their funding to the library by \$82,000 in 2013, and will contribute \$4.17 million to the library system in 2013.

# Transfer 1.25% of 2013 Tax Increase (\$1.3 Million) to Capital Program

## Potential savings for 2013: **\$275,000**

- Each year, per the financial sustainability policy, 1.5% of a property tax increase is collected to fund capital programs. In 2013, the contribution will be reduced to 1.25% (\$1.3 million).
- The reduction is consistent with the City's financial sustainability policy which outlines that the City will invest in current infrastructure, before creating new infrastructure. The budget reduction can be realized by removing "new" items proposed in the capital budget for 2013.
- This reduction does not reduce funding for planned or existing infrastructure; this reduces funding for "new" infrastructure. For example, Fern Street Playground and Wark Street Playground are existing playgrounds being upgraded in 2013 due to their age and condition. New playgrounds in other areas are not planned for 2013.
- The capital reserve fund has grown over the years. Due to proactive fiscal planning the capital reserve funds have grown. For example, the Building and Infrastructure Reserve fund is now at \$46 million. Over the past 10 years the transfer to this reserve has more than doubled from \$1.5 million annually in 1999 to \$ 4.1 million annually now.
- In 2012, 16% of the annual operating budget was allocated to capital reserves or programs.

# Partial Automation in City Parkades

Potential savings: **\$300,000** annually

The intent of reviewing opportunities to automate some parkades during slow periods is to reduce expenses while ensuring the service level in the parkades is maintained at a high level.

Each parkade will be evaluated to determine what type/ and or level of automation will best serve current and future customers at each location. This change would utilize existing parkade equipment and supplement with new “pay on foot” and “pay in line” machines in the four City parkades that are currently staffed. This automation could affect five fulltime staff, nine regular part time staff and 13 auxiliary staff.

The City of Victoria operates five parkades downtown. The Johnson Street parkade has been automated since 2002.

#### Five City-owned parkades:

- Bastion Square Parkade – 500 Block of Yates Street
- Broughton Street Parkade – 700 Block of Broughton Street
- Centennial Square Parkade – 600 Block of Fisgard Street
- Johnson Street Parkade – 700 Johnson Street
- View Street Parkade – 700 Block of View Street

To minimize any service impact during peak periods of arrival and exit, or special events, staff would be scheduled during peak periods and automation would occur during slow periods. In the past five years, City parkades have undergone a major makeover, including improved lighting, paint, and contracted onsite security 24/7.

There is an initial capital cost of approximately \$500,000 for equipment, which would be funded by the equipment reserve fund. The potential savings is estimated to be \$300,000 annually.

In addition, a parking services review will be completed in 2013.

# Advertising in Parkades and on Parking Machines

Potential revenue: TBD

One revenue opportunity being considered is introducing advertising in parkades, on parking machines, and parking pay stubs. Estimates for potential revenue will be determined as more exploratory work is completed.

# Shift Some Annual Plant Displays to Native and Perennial Plantings

Potential savings: **\$150,000** each year

This strategy proposes changes to plantings in City beds and planters outside of the downtown and Beacon Hill Park. The identified beds would be planted with perennials, mostly non-flowering native plants that would require a lower level of maintenance. The standard for weeding and pruning is considerably less than what these gardens currently require.

All garden beds are currently planted twice per year – once in the spring with the summer planting program and once in the fall for winter colour.

The change in plantings would reduce the need for two gardeners from the eight currently employed. These positions could be eliminated as employees retire or move to other positions.

There would be an upfront capital cost for new perennials in 2013 to implement and realize savings in 2014.

# Reduction in City-led Seasonal Programming in Centennial Square

Potential savings: **\$82,000** each year

During the summer over the past two years, Centennial Square has hosted a lunchtime concert series five days per week. The City had expanded City-led seasonal programming at Christmas time. Reductions in these programs can yield costs savings annually.

The lunch time concert program can be reduced to three days per week from five days per week saving sound operation and musician fees. In addition eliminating the technical support for the Christmas Tree Light Up, and the annual Figgy Pudding carolling program (marketing, artists programming, festival equipment) will yield annual savings.