
TOWN OF SIDNEY
COMMITTEE OF THE WHOLE MEETING
Monday, February 5, 2018
Council Chambers
6:00 p.m.

*** This meeting will be videotaped and posted on the Town's website. ***

A G E N D A

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **PRESENTATIONS**
4. **ADMINISTRATION & FINANCE**
 - a. **2018-2022 Financial Plan – Preliminary Discussions**
 - i. **Special Public Participation Period**
 - ii. **Preliminary Discussions**
- presentation by Andrew Hicik, Director of Corporate Services.
*** Additional Budget Notes**
Report dated January 30, 2018.
 - iii. **Special Public Participation Period**
5. **PARKS & INFRASTRUCTURE**
6. **PROTECTIVE SERVICES**
7. **DEVELOPMENT & PLANNING**
8. **OTHER BUSINESS**
9. **NEW BUSINESS**
10. **MOTION TO GO “IN-CAMERA” (closed meeting) - Not required.**
11. **ADJOURNMENT**



TOWN OF SIDNEY

REPORT TO COMMITTEE

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TO: Committee of the Whole

FROM: Andrew Hicik, Director of Corporate Services

DATE: January 30, 2018 **FILE NO.:** 1700-20-2018

SUBJECT: ADDITIONAL BUDGET NOTES

PURPOSE:

To provide additional information to support 2018-2022 Financial Plan deliberations.

BACKGROUND:

Council received a presentation on the draft financial plan, as well as a binder of information to support the budget. The budget document provides a discussion of the major factors that impacted the creation of this budget; this will not be repeated here, but should be reviewed prior to the next budget meeting. What will be included in this report is additional information that has not yet been specifically highlighted, or warrants repeating. This information is meant to enhance Council's understanding of what is or is not included in the budget, and also to provide more details on specific issues and items.

DISCUSSION:

The draft financial plan was developed to maintain or enhance existing levels of service to taxpayers, and to support Council's strategic goals. In addition, the draft budget also includes funding for new programs, initiatives and external requests. This year, internal and external demands have led to a higher starting point than Council may be used to. In the previous two budget years, staff had been able to take advantage of new funding sources to minimize the tax impact; now that those sources have been fully committed, a modest tax increase is proposed in order to fund required and requested services.

The tax increase proposed in the draft financial plan was 4.1%. However, this projection is a starting point for budget deliberations only. Over the course of the budget process, Council may choose to add or remove certain projects and initiatives; this will have an impact on the ultimate tax change for the year.

Since the original presentation, one Supplemental request has been withdrawn, one additional funding request has been received, and one new funding source has been identified. The net reduction associated with these three items is \$22,500; this reduces the starting tax increase to 3.9%.

Please see below for details, as well as a discussion of some of the major factors that have impacted the development of the financial plan, and some additional information to complement what has been previously provided on specific budget segments.

CHANGES FROM ORIGINAL DRAFT BUDGET

There are three items that have changed since the original draft budget was presented:

1. A \$20,000 Supplemental request from Island Health, for the creation of a Community Health Network for the Peninsula, has been withdrawn. The organization is not yet ready to proceed with this request, but will likely be bringing something forward to Council later this year.
2. Another Supplemental item – Canora Road Alignment Design – was adjusted to reflect 50% (\$7,500) funding that is to come from the District of North Saanich. Any significant improvements to the road must involve both communities, due to its location on the border.
3. A request for funding assistance from the group organizing the World Coastal Rowing Championships was received in early January. If approved, this would add \$5,000 to the tax impact, unless Council wished to consider funding from the Economic Development Fund; in the latter case, the tax impact would be further reduced to 3.85%.

SUPPLEMENTAL REQUESTS

Although the number of Supplementals included in this budget is fairly long, many of the items are either relatively minor in cost, or have been covered in sufficient detail in the budget document (pages 17-26). As such, no additional details are deemed necessary. If Council has any questions on any of the Supplemental items, staff will address them at the meeting.

CAPITAL

While the majority of capital projects are described in the budget documentation, additional comments on certain projects may assist in their consideration. These may be found below, along with some general comments about the capital program.

Tax Funded Capital

- In the draft budget, the level of tax funding for capital projects has increased by \$88,500 from last year. In the previous two budget years, staff had been able to reduce the amount of tax funding for capital due to the expanded use of Gas Tax funds. As the vast majority of Gas Tax funds has been committed for the next three years, tax funding for capital has increased to the pre-2016 level. An amount equivalent to approximately 3% of annual taxes is deemed to be the “normal” level for tax funding of capital; this is still much lower than it was 7-8 years ago, due to the increasing reliance on reserve funding and external sources.
- Any deferral of tax funded projects would bring down the 2018 tax increase requirement; however, deferral would just move the funding requirement to a future year. Only outright cancellation of a tax funded project would eliminate the ultimate tax impact.
- The funding for all projects is clearly identified. Deferring or cancelling a project that has non-tax funding will not affect the tax increase, unless the funding is eligible for redirection to tax funded projects. Capital funding sources are clearly outlined on pages 64 through 70 of the budget binder.
- To assist Council in deliberations around tax funded capital projects, the following table provides a full listing, and clearly identifies which of them are new projects:

2018 Tax Funded Projects	
Annual Workspace Efficiency Upgrades	5,000
Computer Equipment Fund	500
Engineering Equipment	4,500
Fire Department Small Equipment	26,745
Parks Equipment	6,000
Underground Wiring	2,750
Public Works Equipment	3,000
Decorative Street Lighting	30,000
Annual/Recurring Programs	78,495
Public Works Compound Extension and Fencing	50,000
Continuing Projects	50,000
Council Chamber Upgrades	10,000
Town Hall Fitness Room Flooring	2,500
RCMP Sidewalk Extension	3,357
RCMP General Duty Section Reorganization	7,672
RCMP Garage Door Replacement	3,117
RCMP Staff Entry Door	2,398
Totem Park Shelter and Trees	20,000
Skate Park Sidewalk	15,000
McDonald Park Rd Pave Van Kam Shoulders	3,000
Resthaven Curb Returns - Allbay Rd & Harbour Rd	20,000
Galaran Sidewalk	30,000
Bevan Sidewalk replacement	30,000
Ocean Avenue Curb Realignment	30,000
New Projects	177,044
Total Property Tax Funded Capital	305,539

Staff suggest that the majority of discussion be around the new projects identified above (third section). It should be noted that the numbers reflect tax funding only; the projects themselves may be larger in scope, with the inclusion of additional funding sources. An example of this would be the Galaran Sidewalk project, which totals \$350,000; the additional \$320,000 is funded from the remaining balance of the General Capital Reserve. A full listing of 2018 capital, with all funding sources, may be found on pages 64 through 66. For the Water and Sewer funds, the amount indicated in the first funding column is actually User Fees, not taxes.

Community Safety Building

This project and its challenges with cost escalation have been well documented over the past several months. It is now expected to cost approximately \$15 million, but will be a post-disaster solution that will serve the community for the next two generations. \$11M is included in the 2018 budget; this amount may be adjusted once the final 2017 costs have been confirmed.

The Town portion of borrowing is now anticipated to be at or near the top of the established range of \$5M to \$8M; \$8M has been used to determine the estimated borrowing cost impacts over the next 5 years. This amount represents our best estimate at this time; the proceeds from the sale of the existing fire hall and adjacent parking lot sites will likely reduce the amount to be borrowed. This information will not be available prior to the adoption of the financial plan, but will be clearly communicated as it becomes available. There is no further impact on 2018 taxes from any change in the borrowing amount; this would be reflected in future budget years.

Employee Parking Lot

The downtown employee parking lot is targeted for leased lands adjacent to the Mary Winspear Centre; \$1.2M is included in the capital budget over 2018 and 2019. Funding is to come from Gas Tax funds, on the basis that the additional parking will benefit the Community Centre, and potentially assist with economic development. Detailed design for the project is underway; the initial phase of the parking lot is expected to begin construction in late spring, with the final phase to be undertaken following completion of the CSB.

Canora Road

The Canora Road improvement project is once again included in this budget. However, a great deal of planning, consultation, and coordination with North Saanich will have to go into the preparations for this project. Staff will be bringing forward an approach report on this project, anticipated for later this year, to get Council's perspective and direction. There is a cost-shared Supplemental item for consideration that will help inform staff's report.

"Visioning" Projects

The Town undertook several studies over the past two years, relating to visions for the West Sidney Industrial/Residential area, the Downtown Waterfront, and the Town's Parks network. A fourth study on Downtown Streetscape Design Standards has just been completed.

While these types of visioning exercises are an invaluable method to develop long-range plans through community consultation, they are often conducted in a "vacuum". Community members are asked to provide opinions on what future improvements they would like to see; but often these questions are posed without the context of definitive costs. In the absence of proper costing of the various options, it is uncertain how realistic some of the choices may be. These studies should be considered a starting point for more detailed planning; however, they tend to create, instead, an expectation that the vision of the community will be acted upon fairly quickly following completion of the visioning exercise. This is not realistic, as the Town simply does not have millions of dollars just waiting to be used. In order to achieve the full vision (or all three visions in this case) funding – in the form of grants, borrowing, and developer contributions – must be identified in order to reduce the tax impact. The various projects may then be fully considered, and a long-term, prioritized list developed.

Although several projects have already been included in the financial plan, (see summary below) staff will be carrying out additional planning and analysis on the visioning studies, and bringing forward a longer list of potential projects.

Waterfront Vision:

- 4 separate surveys to provide crucial information required to develop replacement options for Beacon Wharf.

West Side LAP:

- Galaran Sidewalk
- Boulder Park
- Bike Path West Side of Highway
- West Sider LAP Village Master Plan.

Parks Master Plan:

- A number of park improvement projects have been included in the financial plan. As the Parks Master Plan was only just completed, staff will be reviewing the recommendations and re-prioritizing the proposed park improvements for Council consideration.

The largest of the above projects, the Galaran Sidewalk, is estimated at \$350,000. The Town does not have funding in place for additions to our sidewalk network; the Sidewalk portion of the Infrastructure Replacement Plan is meant for just that: replacement. In order to fund the Galaran project, staff had to “borrow” funding that was earmarked for another capital project: Town Hall Roof and HVAC Replacement. As a result, this latter project had to be deferred to 2020.

Town Hall/Civic Facility Major Mtce

In addition to the aforementioned Town Hall Roof project, there are several other capital projects related to the Town Hall and other civic facilities. Many of our buildings are aging, and some major repairs and maintenance need to be considered. Some additional analysis will be required to determine whether or not these major repairs are worth the investment, or if we should be looking at creative ways to replace some of our civic facilities. This will likely require some form of community engagement.

RCMP Building Capital

The RCMP building, housing the Sidney/North Saanich Detachment, is now 20 years old and in need of some repairs. The capital plan includes three years of projects related to this building, including the replacement of a portion of the roof. Through cost-sharing arrangements with North Saanich and the Province (for Provincial/Federal officers and staff housed in the facility), the Town’s share of these projects is approximately 50%. Nevertheless, these costs do add up, and have an impact over the next three years.

Ferry Terminal Projects / Ferry Reserve Contributions

The capital plan includes several projects related to the Sidney/Anacortes Ferry Terminal. Some of these are for improvements to the land-based assets, and the remainder are for marine assets. The Town’s long-term lease with Washington State Ferries (WSF) requires that the Town undertake these projects. The projects are funded from the Ferry Reserve, which has (to date) been built up through annual lease payments from WSF. Although a capital replacement plan was wisely established in collaboration with WSF at the beginning of the lease term, construction costs, in particular related to marine infrastructure, have escalated tremendously. This is a reality that cannot be ignored in our estimating of future projects.

It should be noted that the project titled Ferry Building Improvements was mainly earmarked for improvements to the US Customs building that will be required as part of an upcoming Border Preclearance Agreement between the two federal governments. Since development of the draft budget, we have learned that the Preclearance Agreement has once again been delayed, and the project will not proceed in 2018. Some of the funds may be used, however, for deferred upgrades to the building used by Canadian Customs.

In the Operating budget, there is a Supplemental item for Town contributions to the Ferry Reserve. This phased-in transfer has been deferred for several years, but must begin soon to enable the Town to fulfil its obligations under the lease agreement.

Reay Creek Dam

Staff have been working with the airport, the local community and the federal government on remediation to Reay Creek. One large project that may arise from this remediation is the replacement of the dam; \$500,000 has been identified for this in the 2019 capital program. Staff will engage a consultant in 2018 to flesh out the proposed replacement plan and costing; a more accurate number will be available for consideration later this year. It is important to note that the

Town does not have funds in place to pay for this large project. Short-term borrowing is the proposed funding source included in the 2019 budget. The community will have to approve this borrowing; consultation will be undertaken once the more detailed plans and costs are in place.

OTHER / MISC.

Community Support

The Town's support to community organizations has grown steadily over the past five years, and additional demands are part of the overall budget impact for 2018. The total budget impact for 2018 is \$145,000 (reduced from \$165,000 since budget introduction); some of this has previously been approved, but most of it remains to be considered through the budget process. The single largest recipient of annual Town funding is the Mary Winspear Centre, who had been receiving 2.5% of annual tax revenues to support their operations. This has now increased to 3% to account for the use of their lands for the Town's Downtown Employee Parking Lot.

The largest unapproved request is from the Shaw Centre for the Salish Sea. They require \$60,000 in 2018 to assist them in carrying out professional assessments of their financial, strategic and equipment replacement plans, as well as their market impacts. This request was supported in more detail through a letter on the January 22nd Council agenda.

Years 2-5

The 5-year financial plan includes the best available information on years 2 to 5. Any known or suspected impacts in future years are incorporated. Aside from itemized Supplemental requests, and tax funding for capital projects, there are not a lot of expected changes. There are no staff additions included for future years, nor any proposal to increase the number of RCMP officers. Any such impacts, should they arise, would be clearly identified in future financial plan considerations. Most budget areas for years 2-5 are currently projected to increase by an inflation factor of 2% overall. This is our best guess at the overall impacts for the next 4 years. However, when 2019 becomes the first year of the next financial plan, any such across the board increase will be removed, and increases will only be included where required.

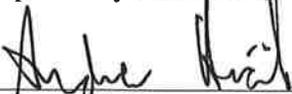
The major impacts for 2019 and 2020 are the projected debt payments associated with the borrowing for the Community Safety Building, as well as a high level of tax funding for capital projects. The former has been discussed above, and previously; these could be partially offset through additional proceeds for the sale of the fire hall/parking lot sites, as well as higher than anticipated tax revenue growth over the next two years. The latter impact will require careful consideration of capital projects over the course of the next two budget years.

The projected tax increases for years 2-5 in the draft financial plan are subject to change as the 2018 budget is approved. A lower increase in 2018 will mean a higher impact for 2019, as the second year begins with a lower "base" level of taxes. As always, these are only projections; each successive financial plan will be an opportunity to update these projections based on new information and priorities.

RECOMMENDATION:

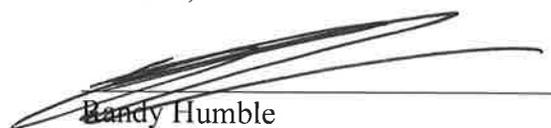
That the Committee receive this report for information.

Respectfully submitted,



Andrew Hicik
Director of Corporate Services

I concur,



Bandy Humble
Chief Administrative Officer