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TOWN OF SIDNEY

SPECIAL COUNCIL (BUDGET) MEETING

Tuesday, February 26, 2019

Council Chambers

**6:00 p.m.**

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

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## AGENDA

1. CALL TO ORDER
2. PUBLIC PARTICIPATION PERIOD *(regarding 2019-2023 Financial Plan)*
3. APPROVAL OF AGENDA
4. **FINANCIAL PLAN 2019 - 2023 – Presentation and Budget Deliberations**  
Report dated February 20, 2019.  
- presentation by A. Hicik, Director of Corporate Services.
5. **ADJOURNMENT**

*If the Budget is not concluded this evening, the meeting will re-convene at 6:00 p.m. on  
Wednesday, February 27, 2019.*



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Sandi Nelson, Corporate Officer

Notice issued: Thursday, February 21, 2019 at 4:00 p.m.



# TOWN OF SIDNEY

## REPORT TO COUNCIL

4.

**TO:** Mayor & Council

**FROM:** Andrew Hicik, Director of Corporate Services

**DATE:** February 20, 2019 **FILE NO.:** 1700-20-2019

**SUBJECT:** POTENTIAL BUDGET REDUCTIONS

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### **PURPOSE:**

To provide additional information and potential options for budget reduction to support 2019-2023 Financial Plan deliberations.

### **BACKGROUND:**

The tax increase proposed in the draft financial plan was 5.95%. This projection, which was a starting point for budget deliberations only, resulted from internal and external funding pressures. At initial budget deliberations on February 4<sup>th</sup>, several options for reducing the tax increase in the draft financial plan were identified. However, no decisions were made at that time, in order to allow staff to further investigate options and report back to Council. Several options are presented here, based on the Council comments and questions from the initial deliberations.

### **DISCUSSION:**

In looking at reductions to the draft budget, Council focused on certain unapproved and somewhat discretionary areas: supplemental requests and tax-funded capital projects. On the supplementals side, there are several external funding requests included in the budget that have not yet been approved. Should the funding of these requests not be approved, or not approved in their entirety, reductions of the tax impact would be achieved. A possible exception to this would be the items that overlap with the Economic Development Fund. Council may choose to reject some of the funding requests, but still maintain the established level of ED funding in the budget. This aspect was covered in the previous staff report, and in the presentation on the 4<sup>th</sup>.

#### Tax (and Gas Tax) Funded Capital

As previously indicated, the level of tax funding for capital projects has increased by \$236,000 from last year in the draft budget. In the previous three 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. However, not all Gas Tax funded projects are set in stone. Some that may be considered non-essential may be cancelled or deferred. This would free up Gas Tax funds for other eligible projects that are currently tax funded, reducing the overall impact.

In developing the budget, staff try to respond to Council and taxpayer concerns and requests, in addition to incorporating their own knowledge of the needs of the organization. Frivolous projects typically are not advanced for budget consideration. It is important to note, though, that

what may be considered non-essential to one person may be critical to another; staff do their best to navigate this variety of needs and wants.

Some of the sidewalk projects brought forward over recent years – in response to the expanded project eligibility for Gas Tax funds – have focused on providing “infill” linkages to the sidewalk networks. In the longer term, an infill plan should be brought forward to Council for prioritization.

Council asked a number of questions related to specific projects. These are discussed below:

- Library Sidewalks and Lighting – staff were asked to confirm North Saanich funding for a share of this joint facility. Given that the Town’s cost-sharing agreement with North Saanich on the joint library is coming to an end in 2020, they are not willing to provide funding. (This will be taken into consideration during negotiations on a potential extension of the agreement with North Saanich, as they continue to pursue their own branch).

The proposed project may be deferred a year or two, but should not be cancelled altogether, due to the state of the sidewalks on site. Staff recommend that these upgrades be completed in conjunction with the reopening of the library in June/July; this would minimize future disruption to a site that has been closed for renovation since September.

- Shop Hoist – this has been confirmed by staff as a fairly critical item for safety and capacity purposes. We are recommending approval.
- Painting of RCMP Cells – this small item is preferred, but not essential; it may be deferred for a couple of years, but should be completed within 3 to 5 years as part of a responsible repair and maintenance program for the building.
- Street Lighting Program – this has been confirmed by staff as a positive safety initiative, and we are recommending approval of the entire annual amount of \$30,000 for this annual program.
- Event Tent & Chairs – this is considered a “nice to have” in order to support the ever-increasing number of Town events; however, it may be deferred.
- Eastview Park Seating Improvements – this may also be deferred; some maintenance work may be completed within Parks operating budgets to enhance visibility for security purposes.
- First Street Sidewalk (west side) – this is a sidewalk infill project, a final link in the First Street corridor, that should be completed at some point in the near future, due to its location connecting the ferry terminal to downtown. However, it does not necessarily need to happen in 2019.

Deferral of the last three projects listed above would generate a reduction to the tax impact of \$86,000, bringing the projected increase down to 5.48%.

As previously mentioned, certain Gas Tax projects may also be deferred. In order for these deferrals to have a positive impact in reducing the tax increase, the funding would have to be reallocated to other eligible capital projects that are currently tax funded.

Three Gas Tax projects that may possibly be deferred are as follows:

- Orchard Avenue Sidewalk – Second Street to Third Street (\$14,000)
- First Street Sidewalk – First Street to Second Street (\$42,000)
- Malaview Sidewalk – Third Street to Fifth Street (\$40,000).

A total of \$96,000 would then be available for reallocation to tax-funded projects. However, identifying eligible tax-funded projects is somewhat challenging. What must ultimately be done to reduce taxes through these reallocations is to also identify reserve-funded projects that are eligible for Gas Tax funding; we then take the less restricted reserve funding, and use it to fund projects that would not be eligible for Gas Tax. An example of this would be the Galaran Sidewalk project, which is currently funded mostly from the General Capital Reserve. We can redirect some Gas Tax funding from the 3 projects listed above to the Galaran project, to replace some of the current funding source; then, in turn, the freed-up General Capital funding would be redirected to any tax-funded project we choose.

Should Council wish to reallocate the \$96,000 in Capital funding identified above, staff would recommend that it be used to fund the Library Sidewalks project, with the remainder going to the Galaran Sidewalk project. The General Capital Reserve funding from Galaran would then be used for a number of the smaller, tax-funded Capital projects to reduce the tax impact.

The \$96,000 of redirected funding identified above, combined with the \$86,000 in deferred projects, would lower the proposed tax increase to 4.35%, just from changes to the Capital budget.

There are also two Gas Tax-funded Supplemental items for which deferral should be considered:

As essential as an Active Transportation Plan may be, staff believe that a better outcome would be achieved by completing this plan following the substantial completion of the OCP. The same is true for Flood Hazard Guidelines. A near-complete OCP would help to inform and focus these latter plans. The temporary shortage in Engineering capacity will also impact the ability to complete, or even properly initiate, these items in 2019.

Rather than using these deferrals to lower the tax impact even more, staff would recommend keeping the Gas Tax funds in reserve. This would be done partly to address the projected shortfall in the Gas Tax reserve balance in 2020, but also to recognize that additional costs are likely when the Galaran Sidewalk project is redesigned.

**SUMMARY:**

If approved by Council, the proposed changes discussed in this report would reduce the tax increase in the draft financial plan from 5.95% to 4.35%. In addition, more savings may be possible if one or more of the Supplemental requests are not approved in their entirety. These and other potential reductions may be discussed during final budget deliberations on the 26<sup>th</sup>.

Funding for projects approved in this financial plan may always be modified in future, should circumstances change. Deferred projects may also be advanced at the next consideration of the budget, should new funding become available.

**WATER RATE INCREASE**

The draft financial plan is recommending an increase of \$0.23 in the Water User Rate. This would be the first increase in rates since 2011. Staff were asked to quantify the impact of this increase on the average residential user.

While it is difficult to identify an “average” user in our consumption-based system, a typical household would consume 6,000 gallons per quarter. At this consumption level, a \$0.23 increase per 1,000 gallons would result in a water bill increase of \$1.38 per quarterly billing, or \$5.52 per year. This number may be extrapolated for users who consume a greater volume of water per

quarter. For a very light user of water, such as a senior living alone in a strata unit, there may be no impact at all, as the minimum quarterly charge is not changing.

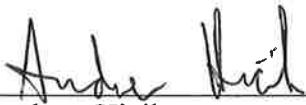
An annual increase of \$5.52 is not overly significant to the average user, but the additional revenue generated when the rate increase is applied to all users will help balance our Water Operating fund.

**RECOMMENDATION:**

That Council receive this report for information, and consider some of the tax reduction options discussed in the report.

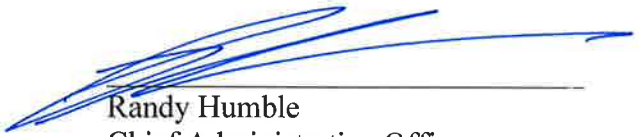
Respectfully submitted,

I concur,



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Andrew Hicik  
Director of Corporate Services



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Randy Humble  
Chief Administrative Officer