Municipal Budgeting 101
Understanding the Budget Process
The District of Saanich updates its Five Year Financial Plan, in accordance with the Community Charter. The Financial Plan includes operating and capital budgets for each year contained in the Plan. As the District embarks on the process to develop the 2013 to 2017 Plan, we have prepared this document to assist the public better understand the municipal budgeting process.

Each year Saanich is faced with the challenge of balancing the budget, as mandated for municipal governments by provincial legislation. While a municipality can incur debt to pay for large capital acquisitions, it cannot incur a deficit to fund day to day operations the same way senior levels of government can. This is a key difference as it means that we must identify revenue sources to cover all anticipated expenditures. In order to balance the budget, a careful analysis must be done regarding the level of services required to meet the expectations of the community balanced against realistic taxation and user fees levels.
SAANICH’S OVERALL PRINCIPLE

Long Term Financial Sustainability

• Ensure Adequate Funding for Services and Infrastructure
• Access Diversified Sources of Revenue
• Manage Expenditures
  – Contain Costs
  – Be Efficient
• Provide for Contingencies
  – Manage Business Risks
  – Operate Prudently
• Maintain Reserves for the Future
• Use Debt Strategically
Municipalities use a variety of revenue sources to pay for a wide range of services that residents and businesses depend on and use regularly. The major revenue sources that are typically used to pay for day to day services include:

- Property tax
- Utility user fees (sewer and water charges)
- Other user fees (e.g. recreation passes/registration fees, connection fees, rezoning application fees)
- Permits and licencing fees (building permits, dog licences, business licences)

Municipalities also have access to other forms of funding which are generally used for capital projects:

- Grants from the Provincial and Federal governments and their agencies
- Proceeds from borrowing
- Reserve funds (funds saved up over time for large projects)

Part of Council’s decision making process each year is to determine what levels of funding for services should come from the various sources of revenue.
Grants from other levels of government are usually targeted to very specific types of projects (predominately capital) that may or may not align with the priorities of the community. The only ongoing, government grant funding that is available to offset the cost of annual operations is the Traffic Fine Revenue Sharing Grant which must be specifically allocated to policing service programs.

Saanich’s 2012 Citizen Survey indicated that the participants feel that revenue sources should come firstly from government grants, then from user fees, property taxes, reserves (savings) and lastly from borrowing. The 2012 Business Survey indicated that the business community believes that the District should rely less on property tax and borrowing and more on user fees and government grants.
Municipalities are service based organizations. Your local government provides a wide variety of services to an extremely varied client base. While not an exhaustive list, our customers include:

- Youth
- Families
- Seniors
- Pet owners
- Farmers
- Philanthropists
- Home owners
- Renters
- Business owners
- Workers/employees
- Pedestrians
- Cyclists
- Wheelchair/Scooter Drivers
- Drivers
- Developers
- Retirees
- Workers
- Sports enthusiasts
- Walkers
- Artists
Our challenge is striving to meet the needs of as many of our “customers” as possible in a fiscally responsible way. The process is further complicated where the needs and wants of our citizens are in conflict with one another.

There is frequently misperception about which services are under the control of the local government and which services are provided by other levels of government. While local governments collect revenues for the Province, BC Transit and the Regional District (among others) along with the annual municipal property tax payment, the funds are simply passed on. The reason for this approach is greater efficiency having one point of collection rather than having each organization bill separately.
Services Saanich provides:
Road maintenance, repair and snow removal
Garbage collection for residents
Policing
Fire protection
Recreation Facilities
Parks/Trails maintenance and development
Sidewalks, curbs and gutters
Drainage systems
Sewer systems
Water systems

Services Saanich contributes to:
Regional sewage treatment
Affordable Housing
Regional parks (eg. Elk-Beaver Lake)
Regional Trails (eg. Galloping Goose)
CREST (911)

Services Saanich doesn’t provide:
Public Transit - BC Transit
Education - Province and School Districts
Health Care - Province
Highways (Island Highway/Pat Bay Highway) - Province
Recycling program - Capital Regional District
Library operations - Greater Victoria Regional Library
When considering if you feel you are getting good value for the services provided, it can be helpful to consider that many of our services are available 24/7. Municipal employees are always on call to deal with a wide variety of emergencies, from fires and accidents to blocked drains and fallen trees that are obstructing roadways.

Some sample costs of running the District of Saanich are:

- The cost to purchase one ladder truck for the fire department
  - $912,000

- The cost of one new police recruit
  (Pay, uniforms, equipment, training and testing)
  - $94,000

- The annual cost to insure the fleet of municipal vehicles
  - $302,000

- The cost of one block of new sidewalk (including curb/gutters and driveway drops)
  - $1,000,000

- The cost to resurface one km of residential road
  - $150,000

- The cost to install traffic signals at one intersection
  - $200,000
Another way to consider value for money is to compare the cost of municipally provided services with other standard services households purchase, such as electricity, heating fuel and cable/internet service.

Typical Monthly Household Costs

- Garbage pickup
- Newspaper
- Sewer Utility
- Water Utility
- Cell Phone
- Natural Gas
- 1-$2 cup coffee/day
- 1 Movie & Popcorn/month (family of 4)
- Electricity
- Phone/Cable/Internet Bundle
- Property Tax
- Gas & insurance for one car
Each year Saanich must take into account “non-discretionary” increases in the cost of providing services. These are increases required to the budget for items Saanich cannot directly control. Some of these are similar to what we experience in our own homes – the cost of electricity, gas and phone/internet connections.

Saanich continues to build new infrastructure such as sidewalks, trails, bikeways, facilities and streetscaping. This infrastructure must be properly maintained and there is an additional ongoing cost to accomplish this.

In addition, Saanich is committed to increasing capital spending to sustainable levels to ensure the long term viability of our infrastructure. This will ensure that our extensive investment in infrastructure assets is sufficiently protected and that our transportation, parks, water, sewer, drainage and facilities will be appropriately maintained and replaced to support the current community and future generations.

Municipal tax increases are frequently compared with the increase in the Consumer Price Index (CPI). As we know, the CPI measures the change in the price of a “basket of goods” frequently purchased by consumers. However, municipal governments have their own spending patterns that are different than those of other sectors. The CPI calculates household spending patterns that focus on food, shelter, transportation, health/personal care, clothing/footware and recreation; none of which are purchases typical of local governments.
Budget meetings are held from February through April each year. These are open meetings held in “Committee of the Whole” style. This means that at the beginning of each meeting an opportunity is available for the public to contribute their thoughts and suggestions or ask questions. The first budget meetings focus on departmental operations.

At the meetings, each department presents their budget in turn and highlights any particular pressures or opportunities they are facing in the current year.

Councillors will ask questions or seek clarification from staff. Meetings are also held to focus on budgets submitted from other organizations requiring Council approval (e.g. Greater Victoria Public Library) and a separate meeting is held to hear presentations from organizations seeking Social Service and Community Grants.

The full suite of capital projects planned for the inclusion in the 5 Year Financial Plan will also be presented on a separate night. Additional budget meetings are scheduled as required.

Meeting schedules are available on the website at: www.saanich.ca/agendas
Saanich conducts regularly scheduled citizen and business surveys. These are comprehensive surveys designed to garner public input that can be used to inform the budget process. The surveys are a key method for public participation. Both surveys were conducted in 2012 and the following key points have been factored into decision making about budget priorities:

2012 Citizen Survey

SERVICE DELIVERY

Municipal parks and trails received the highest satisfaction rating of all municipal services offered followed by garbage collection, fire fighting, libraries and the quality of drinking water.

The services highlighted as most important are the quality of drinking water, residential recycling, garbage collection and trails.

Residents reported that the municipal services they used most as visiting a Saanich park or trail, using the Galloping Goose or Lochside Trail, using Saanich recreation centres and visiting public libraries.

LOCAL GOVERNMENT

Survey participants feel revenue sources should come firstly from government grants, then from user fees, property taxes, reserves or savings and lastly from borrowing.

62% of survey respondents want Saanich Council to maintain the current levels of property taxation while offering the same or reduced levels of municipal services.

Residents ranked the three highest capital project priorities as roads and traffic control, parks and trails and recreation facilities.

The Citizen Survey & Business Survey are available at www.saanich.ca/citizensurvey
2012 Business Survey

VISION AND VALUES
The most important concerns and priorities of the business community are: transportation concerns; the economy; a desire for low taxes and the desire to be involved in how Saanich addresses business concerns.

SERVICE DELIVERY
Satisfaction with services provided by Saanich is high.

Business owners would like easier access to services, an improvement in how Saanich involves business owners in governance decisions, and improved transportation systems for customers and staff.

PAYING FOR SERVICES
Transportation, sanitary sewer system and environmental protection capital projects should be a focus for Saanich.

The level of services should be maintained, with either the same amount of taxes or a decrease in taxes.

Government should rely less on property tax and borrowing, more on user fees and government grants.

The Citizen Survey & Business Survey are available at www.saanich.ca/businesssurvey
Audit and Personnel Committee approves Budget Guidelines to set the tone for departments as they develop their budgets in the fall.

The key guidelines for the 2013 budget are:

- Preliminary 2013 departmental net budget totals will be limited to a 0% increase over the 2012 adopted net budget totals, exclusive of existing personnel costs, capital expenditures and non-recurring expenditures.
- Capital expenditures funded from current revenue must not exceed the 2012 core capital.
- A planned maximum 0.10% tax increase for operating costs from new infrastructure inventory approved in the previous year.
- Requests for additional operating budgets, new tax funded personnel or capital funds will not be considered.

A Departmental Budget Submission is the detailed action plan that supports the department’s plans for the year. It is the “engine” to implement departmental strategy, and it:

- provides a narrative description of budget challenges and key accomplishments for the previous year.
- communicates how departments will achieve their objectives.
- shows how departments plan to allocate resources to achieve priority departmental initiatives for the coming year.
- describes core services and the resources dedicated to those services.
Given the current economic uncertainty, the following significant factors continue to influence and challenge progress being made toward achieving an overall goal of long-term financial sustainability.

**INFRASTRUCTURE DEFICIT**
Replacement of aging infrastructure originally constructed with senior levels of government support requires significantly increased annual funding to reach sustainable replacement levels. Major facility replacement cost estimates are currently under review.

**NEW INFRASTRUCTURE DEMAND**
Increasing demand for new infrastructure such as sidewalks comes at the same time that assets built during the last boom are reaching an age where their maintenance is becoming critical and more costly and infrastructure replacement funding is a priority.

**PUBLIC SAFETY COSTS**
The cost to provide police and fire services in a more complex and demanding public safety environment continues to increase.

**AGING POPULATION** As the number of older residents increase, the demand for age-sensitive services and infrastructure also grows.

**GROWING RANGE OF RESPONSIBILITIES**
The breadth of social and environmental issues that municipalities are expected to address continues to increase. Regional Transportation and Sewage Treatment also continue to be key cost drivers.
LINKS

FINANCE DOCUMENTS

2013-2017 Draft Financial Plan
www.saanich.ca/budget

Departmental Fact Sheets
www.saanich.ca/budget

GENERAL DOCUMENTS

Strategic Plan
www.saanich.ca/strategicplan

Official Community Plan
www.saanich.ca/officialcommunityplan

Business Survey
www.saanich.ca/businesssurvey

Citizen Survey
www.saanich.ca/citizensurvey