

AGENDA

FINANCE AND GOVERNANCE STANDING COMMITTEE Monday, July 18, 2022 10:00 to 11:30 AM COUNCIL CHAMBERS

- 1. MINUTES FOR ADOPTION (attachment)**
 - April 11, 2022
- 2. 1st TRIMESTER REPORT – January 1, 2022 to April 30, 2022 (attached)**
 - For receipt by Committee and forward to Council
- 3. COVID – REVENUE IMPACT SUMMARY**
 - Report of the Director of Finance dated June 30, 2022 (attached)
 - For Committee information
- 4. LONG TERM FINANCIAL PLAN RECOMMENDATIONS AND IMPLEMENTATION**
 - Report of the Director of Finance dated June 30, 2022 (attached)
 - Memo of the Manager of Legislative Services dated March 16, 2022 (attached)
- 5. ROLE OF ADVISORY COMMITTEES IN THE TOPIC OF CODE OF CONDUCT COMPLAINTS**
 - Verbal report from Councillor Brice and the Director of Corporate Services
 - Memo of the Manager of Legislative Services dated March 16, 2022 (attached)
 - For Committee information
- 6. UBCM REPORT – ENSURING LOCAL GOVERNMENT FINANCIAL RESILIENCY AUGUST 2021 (Standing Item)**
 - Seek Committee direction

... ADJOURNMENT ...

**MINUTES OF THE
FINANCE AND GOVERNANCE STANDING COMMITTEE
COUNCIL CHAMBERS
SAANICH MUNICIPAL HALL, 770 VERNON AVENUE
MONDAY, APRIL 11, 2022 AT 10:00 AM**

Present: Chair: Councillor Susan Brice
Members: Mayor Haynes, Councillors Mersereau and deVries
Staff Members: Brent Reems, Chief Administrative Officer; Harley Machielse, Director of Engineering; Laura Ciarniello, Director of Corporate Services; Paul Arslan, Senior Manager, Financial Services; Jaqueline Weston, Asset Management Program Manager; Angel Chen, Manager of Financial Planning; Jennifer Downie, Administrative Assistant.

MEETING BY ELECTRONIC PARTICIPATION

Due to COVID-19 measures, the Saanich Municipal Hall is currently open to the public however, residents were strongly encouraged to participate via the electronic format provided.

Members of the public were provided with information on how to access and listen to the proceedings.

MINUTES FOR ADOPTION

MOVED by Councillor deVries and seconded by Mayor Haynes: “That the minutes of the Finance and Governance Standing Committee meeting of March 7, 2022 be adopted as circulated.”

CARRIED

3rd TRIMESTER REPORT – January 1, 2021 to December 31, 2021 (attached)

The Senior Manager, Financial Services presented the 3rd Trimester Report – January 1, 2021 to December 31, 2021 and provided responses to questions from the Committee.

In response to Mayor Haynes, the Senior Manager, Financial Services advised that property tax revenue can be broken down into three categories: residential, commercial and other. However, noted that the Planning Department may be able to identify how many square feet of commercial space were located in Saanich.

Mayor Haynes noted that in the Official Community Plan (OCP), the idea exists that Saanich could shift the pressure off the residential tax base by expanding the opportunity for businesses in Saanich. In response to Mayor Haynes, the Senior Manager, Financial Services noted that data is included in the annual report which shows the top ten taxpayers in Saanich; commercial centres being the largest. As the commercial tax base grows it does help overall.

Chair Brice requested the Director of Finance prepare a report outlining the differences between residential and commercial properties; identifying what the shifts are; what opportunities are available; and noting redevelopments where there is additional square footage and the associated taxation amount increase. This item to be presented at a future Finance and Governance meeting.

In response to Councillor Mersereau, the Senior Manager, Financial Services advised that Capital Programs as noted on page 3 (Capital Program Results) utilize core funding, reserves, and borrowing. Projects noted on page 2 (Operational Results) utilize core funding only.

In response to Councillor Brice, the Senior Manager, Financial Services noted that unspent Covid-19 Restart Grant funds from 2021 are used in the 2022 budget. In the 2022 budget, the unspent funds are budgeted for recreation and investment income. If there is money left over from 2022, the funds would be budgeted for 2023. The Province expects the District to use these funds for Covid related items (ie. loss of revenue, additional expenditure, etc.). There is no expectation of returning unused funds to the Province, however, the District is required to report out on how the funds were used in its financial statement.

The Senior Manager, Financial Services noted that the breakdown of the building categories that make up the miscellaneous type under Building Permit Statistics (page 7) include:

- Renovations
- Additions
- Accessory buildings
- Pools
- Secondary suites
- Decks
- And any other permits not specific to the other permit categories.

MOVED by Councillor deVries and seconded by Councillor Mersereau: “That the Finance and Governance Standing Committee receive the 3rd Trimester Report for information.”

CARRIED

ASSET MANAGEMENT PROGRAM – Verbal Update

Jacqueline Weston, Asset Management Program Manager provided a PowerPoint presentation. PowerPoint slides will form part of the minutes.

Asset Management is defined as an integrated, lifecycle approach to effective stewardship of assets to maximize benefits, manage risk and provide satisfactory Levels of Service to the public in a sustainable manner. Saanich’s Asset Management Program will be a formalized planning approach that will help deliver services in a more systematic, coordinated and effective manner across the organization.

The Province and UBCM provide support to local governments to develop and improve their asset management practices in a variety of ways.

Councillor deVries noted that Saanich has reached sustainable funding for a lot of its work; reaching the target that was set for 2019. This presentation confirms that funding is going to need to increase to ensure that Saanich is sustainably managing its assets, but the question is how much. In response to Councillor deVries, the Asset Management Program Manager confirmed that this process would uncover how much funding is required to do that.

In response to Councillor deVries, the Asset Management Program Manager noted that the intent would be that when we update the calculation of the replacement value we would be taking the current state of all the assets that we own now. In terms of looking at future assets that might be built, these will be discussed further when the asset management plan is developed. Details will be provided at the next update.

In response to Councillor deVries, the Senior Manager, Financial Services noted that certain assets serve certain groups. Water and sewer would be specific groups and this is reflected in fees versus taxation. Everything else is reflected through taxation. Right now we do not have the ability to discern in minute detail as to which part of road infrastructure should be charged more or less and to what area.

In response to Councillor deVries, the Senior Manager, Financial Services noted that when it comes to adding new assets, Saanich has Development Cost Charges (DCC) which takes into account items such as pipes, surfaces, infrastructure, sidewalks, etc. Community amenities are also considered. Once the infrastructure is added, the replacement does tend to be through property taxes based on commercial rates versus single family homes or townhouses.

The Director of Engineering noted that the approach for different housing types maybe having a different cost or asset base is not a model that is being explored at this point through this strategy but staff would look at this is if Council gives direction. It is too early to provide a comment around what that the model could look like or even to do prep work around providing something back to Council. But there could be an opportunity in the future for staff to consider that but it would be a significant departure from where Saanich is now in how we collect tax base funds to support Saanich assets.

In response to Mayor Haynes, the Director of Engineering noted that we do not have a model that can provide information on revenue potential from density increases or new assets. When new assets come on stream, whether it's the District building active transportation work or developers building more, these get put forward in the financial plan process as a non-discretionary increase to increase maintenance levels and capital replacement levels to support those assets. These are incorporated into the process today and will be looking to continue that into the future.

In response to Mayor Haynes, the Senior Manager, Financial Services noted that the Gas Tax Agreement expires in 2024. No updates or details have been received from the Federal government or UBCM on the program following the expiration.

Mayor Haynes thanked staff for their work on the budget.

UBCM REPORT – ENSURING LOCAL GOVERNMENT FINANCIAL RESILIENCY AUGUST 2021 (Standing Item)

The UBCM Report “Ensuring Local Government Financial Resiliency” is a standing agenda item for this committee

#4 - “BC local governments, with the support of the Province and UBCM, continue to develop and implement asset management best practices in order to deliver service, and manage infrastructure, in a sustainable, cost-effective way.”

This item was tied into the presentation on asset management presented by the Asset Management Program Manager and was accepted by the committee as background.

MILL RATES

In response to Councillor deVries, Chair Brice will approach the Director of Finance to discuss reviewing mill rates. This item to appear on a future Finance and Governance agenda.

ADJOURNMENT

On the motion from Councillor Brice the meeting adjourned at 10:54 am.

Chair

I hereby certify these Minutes are accurate.

Committee Secretary

DRAFT

District of Saanich

1st Trimester Results Report

January 1, 2022 to April 30, 2022

Results reporting is prepared on a trimester basis by the District of Saanich as a means of providing the community, council and the organization with regular information on the strategic and financial performance of the municipality.

The Trimester Results Report provides information on:

1. Operational Results
2. Capital Program Results
3. Investment Analysis
 - Diversity
 - Liquidity
 - Return
4. Procurement Results
 - % of procurement processes with more than one bidder
 - Procurement
5. Building Permit Statistics



Operational Results

District of Saanich - 2022 1st Trimester Performance Report Operating Budget Results - January 1 to April 30

(Represents 1/3 or 33% of the year)

Overall results for the period are encouraging, with most revenues reaching budgeted targets and investments exceeding budget due to higher interest rates. Expenditures are in line with expectations, however, vacancies and absences due to illness have impacted service delivery and subsequently operational expenditure.

Revenues:	2021 Actual	2022 Actual	Annual Budget 2022	2022 Budget Remaining	% Revenue Collected	
Property Taxation	6,000	0	(149,930,000)	(149,930,000)	0%	1
Utility Tax and Other	(10,300)	(32,000)	(1,775,000)	(1,743,000)	2%	1
Water Utility Revenue	(5,832,800)	(6,426,300)	(25,519,600)	(19,093,300)	25%	2
Sewer Utility Revenue	(8,522,800)	(9,206,000)	(28,056,900)	(18,850,900)	33%	
Solid Waste Revenue	(2,423,500)	(2,551,800)	(7,761,500)	(5,209,700)	33%	
Business License & Inspection Revenues	(2,336,820)	(1,386,000)	(3,657,200)	(2,271,200)	38%	
Recreation Revenues	(2,604,800)	(4,172,050)	(12,930,800)	(8,758,750)	32%	
Grants In Lieu	-	-	(3,115,800)	(3,115,800)	0%	1
Provincial Grants	0	-	(1,500,000)	(1,500,000)	0%	1
Interest and Penalties	(359,990)	(569,100)	(1,785,800)	(1,216,700)	32%	
Surplus Appropriations	-	-	(400,000)	(400,000)	0%	3
Other Revenues	(6,903)	(1,100)	(339,200)	(338,100)	0%	
COVID-19 Restart Grant	-	-	(1,479,400)	(1,479,400)	0%	3
Total Revenue	(22,091,913)	(24,344,350)	(238,251,200)	(213,906,850)	10%	

Expenditures:	2021 Actual	2022 Actual	Annual Budget 2022	2022 Budget Remaining	% Expenditure Spent	
Administration	835,300	850,100	2,858,700	2,008,600	30%	
Finance - Departmental	1,446,800	1,371,400	4,510,500	3,139,100	30%	
Finance - Corporate	138,800	751,600	2,061,400	1,309,800	36%	
Fiscal Services	3,573,300	3,429,200	8,054,800	4,625,600	43%	1
Corporate Services	3,801,100	3,635,000	9,381,000	5,746,000	39%	
Building, Bylaw, Licensing & Legal	2,421,420	2,206,300	5,526,000	3,319,700	40%	2
Police Protection	15,483,100	13,558,400	40,306,000	26,747,600	34%	
Fire Protection	6,587,500	8,480,900	22,300,800	13,819,900	38%	
Emergency Program	170,700	171,900	456,100	284,200	38%	
Planning	1,313,400	1,181,900	4,494,600	3,312,700	26%	3
Engineering	6,574,300	6,091,700	22,817,000	16,725,300	27%	4
Parks	2,429,600	2,575,800	9,096,800	6,521,000	28%	
Recreation and Community Services	6,015,800	6,776,200	25,335,300	18,559,100	27%	5
Library, Grants & Economic Development	2,892,900	2,871,500	7,752,300	4,880,800	37%	
Water Utility Expenditure	4,493,631	4,363,200	16,934,600	12,571,400	26%	6
Sewer Utility Expenditure	1,561,300	1,798,200	21,855,900	20,057,700	8%	7
Capital Program (tax and fee funded only)	395,100	939,200	34,509,400	33,570,200	3%	8
Total Expenditures	60,134,051	61,052,500	238,251,200	177,198,700	26%	
Revenues minus Expenditures	38,042,138	36,708,150	-	(36,708,150)		

Explanatory notes for variances over 5%

REVENUES:

- 1 *Property Taxation / Utility Tax / Grants In Lieu / Provincial Grants (0% collected)* – All taxation and grants from various government entities are recorded or received in the second trimester.
- 2 *Water Utility Revenue (25% collected)* - Revenue percentage in line with last year's actual. Revenues increase during the summer months.
- 3 *Surplus Appropriations / COVID-19 Restart Grant (0% applied)* - As and when needed to offset revenue reductions or COVID expenditure.

EXPENSES:

- 1 *Fiscal Services (43% spent)* - Debt payments in line with last year and occur in April and October.
- 2 *Building, Bylaw, Licensing & Legal (40% spent)* - Expenditure in line with last year; Insurance premiums are paid in 1st trimester.
- 3 *Planning (26% spent)* - Staff vacancies in subdivision, sustainability and housing sections.
- 4 *Engineering (27% spent)* - Maintenance and operational programs impacted by staff vacancies and absences due to illness.
- 5 *Recreation & Community Services (27% spent)* - Programs impacted by current staff vacancies and absences due to illness and COVID restrictions at the beginning of the year.
- 6 *Water Utility Expenditure (26% spent)* - Operating costs in line with last year. Some maintenance programs are lagging due to staff shortages
- 7 *Sewer Utility Expenditure (8% spent)* - Operating costs in line with last year. Payment to CRD constitutes 71% of budget and occurs in August
- 8 *Capital Program (3% spent)* - Transfer of funds for capital infrastructure funding occurs in second trimester after budget approval.

Capital Program Results

District of Saanich - 2022 1st Trimester Performance Report Capital Program Results up to April 30, 2022

Projects budgeted over \$1,000,000

Capital Project	Fund	Duration	Original 2022 Budget	Budget Transfers	Revised 2022 Budget	Actual	Percent Spent	Schedule Status	Budget Status	
Arena Rd, 340 Ker Ave to Dysart Rd	Sewer	One time	1,037,000		1,037,000	-	0%			1
Madock Ave	Sewer	One time	1,105,000		1,105,000	-	0%			2
Torquay Dr, San Juan Ave to Ash Rd	Water	One time	1,106,000		1,106,000	-	0%			2
Rutledge Playground Replacement & Splash Parks		One time	1,119,900		1,119,900	-	0%			
Sanitary Sewer CIPP Lining	Sewer	Annual	1,215,327		1,215,327	597,382	49%			
Detailed Design - Sewer	Sewer	Annual	1,275,666		1,275,666	534,431	42%			
Detailed Design - Water	Water	Annual	1,285,537		1,285,537	257,737	20%			
Lift Station Replacement	Sewer	One time	1,485,000		1,485,000	65,973	4%			2
Portage Pump Station Construction	Sewer	One time	1,495,000		1,495,000	1,191,798	80%			3
Cordova Bay Road (Walema to Rambler)	Transportation	One time	1,500,000		1,500,000	-	0%			
Mann Ave. Vanalman Ave. & Parkridge	Water	One time	1,510,500		1,510,500	-	0%			2
Storm Drain - Detailed Design	Drainage	Annual	1,516,630		1,516,630	827,733	55%			
Gorge-Albina Sewer Sinkhole	Sewer	Multiyear	1,574,470		1,574,470	1,169,872	74%			
Bridge Rehabilitation	Transportation	Multiyear	1,577,200		1,577,200	105,673	7%			
Wilkinson Road (Greenlea to Quick's Bottom)	Transportation	One time	1,646,300		1,646,300	-	0%			
Vanalman	Sewer	One time	1,650,000		1,650,000	7,600	0%			2
Tattersal (Quadra to Salsbury)	Various	One time	1,724,000		1,724,000	-	0%			
Meter Replacements	Water	One time	1,735,007		1,735,007	60,867	4%			
Vanalman (Commerce Circle to Mann)	Drainage	One time	1,802,000		1,802,000	1,988	0%			2
Saanich Operation Centre Redevelopment	Facilities	Multiyear	1,870,703		1,870,703	122,846	7%			
Short Term Solutions to Advance Active Transportation	Transportation	One time	1,900,000		1,900,000	-	0%			
Cycling Infrastructure Program	Transportation	Annual	2,280,302		2,280,302	2,593	0%			
CHRC - Furnace Replacement	Facilities	Multiyear	3,043,400		3,043,400	-	0%			
Gorge Drainage Improvements Phases 1&2	Drainage	Multiyear	3,521,700		3,521,700	11,024	0%			
Pavement Renewal Program	Transportation	Annual	3,685,912		3,685,912	67,344	2%			
Fire Hall #2 - Project Redevelopment	Facilities	Multiyear	4,368,803		4,368,803	906,096	21%			
West Saanich/Prospect Lk/Sparton Rd	Transportation	One time	4,834,250		4,834,250	475,672	10%			
Sinclair Rd, Finnerty Rd to Cadboro Bay	Various	One time	5,493,000		5,493,000	5,777	0%			
SCP - Mechanical Upgrades	Facilities	Multiyear	6,306,918		6,306,918	1,350,161	21%			
Sidewalk Installation Program	Transportation	Annual	10,027,827		10,027,827	4,222,197	42%			
Shelbourne Street Improvement Project	Various	Multiyear	28,727,887		28,727,887	10,479,395	36%			

1 Delayed in schedule to await possible grant funding

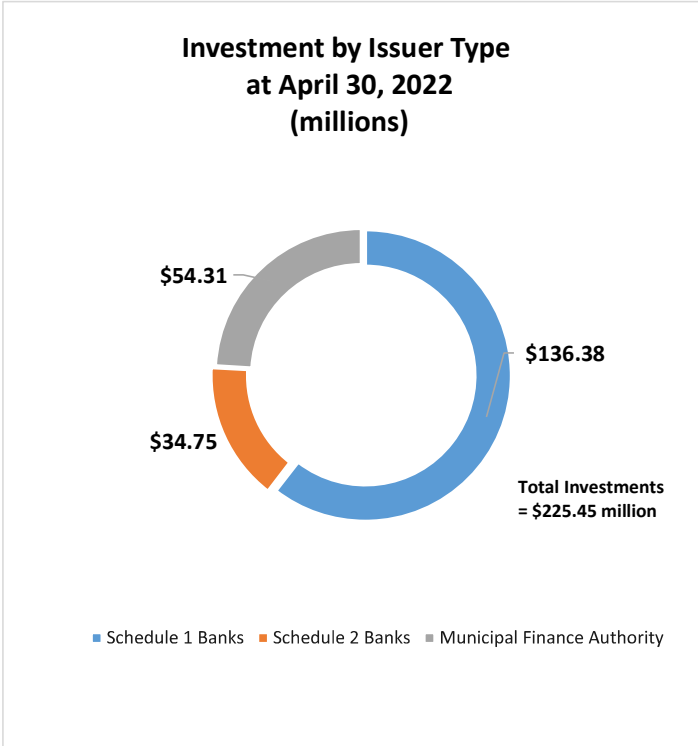
2 Project start date was delayed due to internal and contracted resources

3 Project delays and possible budget increase due to unknown site conditions discovered during construction

	On target
	Caution
	Delayed

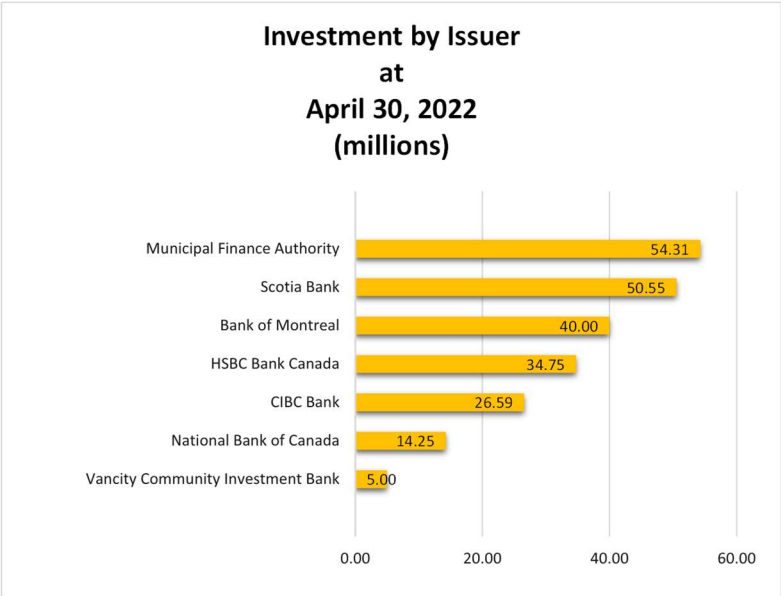
Investment Analysis

The District of Saanich invests public funds in a prudent manner in accordance with the Council Investment Policy. The investment portfolio is currently valued at \$225.45 million. Most of these funds are either held for specific capital programs or are invested until needed to pay current operating expenses.



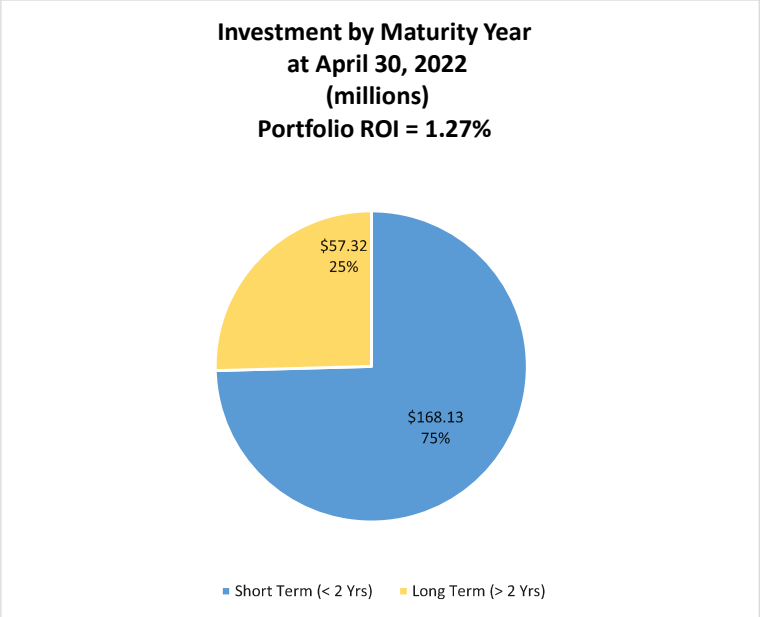
Diversification

In order to reduce overall portfolio risk, Saanich diversifies its investment holdings across a range of security types and financial institutions.



Liquidity

Saanich ensures that the investment portfolio remains sufficiently liquid in order to meet all reasonably anticipated operating and capital cash flow requirements. The majority of the MFA Pooled Funds are held for longer terms as they include various capital reserve funds.



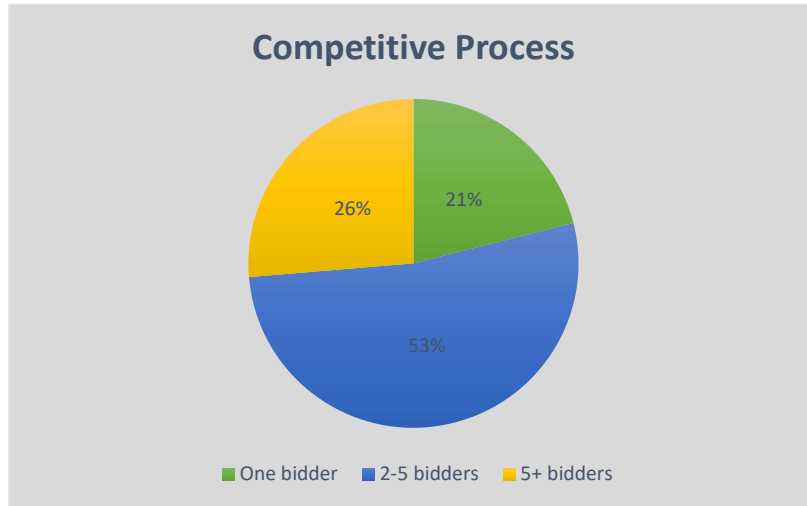
Return on Investment

Saanich’s investment portfolio is currently earning a rate of 1.27% (0.71% in 2021) while maintaining the investment security established in the Investment Policy. The market investment rates for 2022 continues to increase with the Bank of Canada planning on further increases to the prime rate for the rest of this year. These increases will continue to drive the market investment rates higher.

Procurement Results

Competitive Process

79% of procurement processes in the trimester had more than one bidder.



Procurement

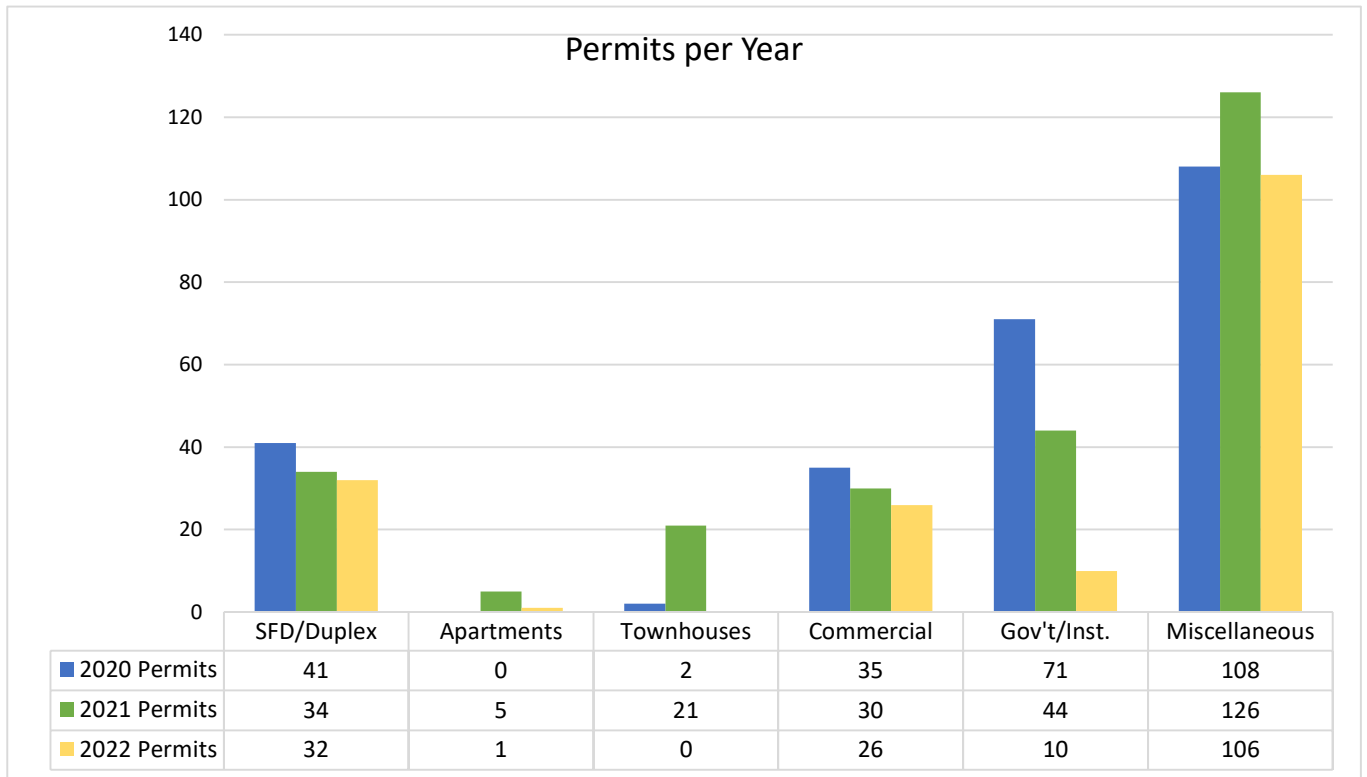
Value \$200,000+				
Procurement Description	Value	Years	Supplier	# Bids
Vanalman Avenue Upgrades	\$6,238,975.00	One Time	Don Mann Excavating Ltd.	2
Fire Vehicles	\$3,503,703.22	One Time	Safetek	Cooperative
West Saanich - Propsect Lake/Sparton	\$3,218,412.84	One Time	Hazelwood Construction Services	6
Crew Trailers	\$2,094,240.00	One Time	Intercontinental Truck Body	1
Urban Forest Strategy Review and Update	\$1,645,818.46	1.83	Diamond Head Consulting	1
Golf Course Management	\$625,000.00	5	Lakeland Golf Management	6
Caliper Trees Potted Trees	\$500,000.00	4	Novus Plants Ltd / Kimoff Wholesale Nursery / Specimen trees Wholesale Nurse	4
Engineering Consulting Services for Water Facilities Design	\$408,957.00	One Time	McElhanney Ltd.	3
Supply and Delivery of Ammunition	\$237,400.00	5	Gravel Agency Inc / Lloyd Libke Law Enforcement SA / Rampart International Corporation	4
GHRC Slab Replacement	\$218,682.00	One Time	Cascadia West Contracting Ltd.	3
Vehicles - Ford Utility Police Interceptors	\$214,100.00	One Time	Metro Motors Ltd.	3
Fire Hall 1 Barracks Refresh	\$203,500.00	One Time	Aral Construction (2014) LTD	4
Janitorial Paper Products	\$200,799.70	5	Staples	7

Value \$75,000 to \$200,000				
Procurement Description	Value	Years	Supplier	# Bids
Supply and Delivery of Ductile Iron Pipe	\$187,880.00	One Time	EMCO Corporation	2
Hartland Avenue Bridge & Loenholm Road Bridge Repair Design and Construction Services	\$179,372.00	One Time	ISL Engineering & Land Service	5
Supply and Delivery of PVC Fittings	\$160,859.37	One Time	Andrew Sheret Ltd.	4
Modular EMS Unit	\$154,706.00	One Time	Profire (Safetek)	
People, Pets and Parks: A District Wide Strategy for Sharing Saanich's Parks	\$152,215.00	One Time	E. Lees & Associates Consulting	1
Supply and Delivery of C900 DR18 Pressure Pipe	\$135,834.31	One Time	Andrew Sheret Ltd.	4
Gordon Head Recreation Centre - Feltham Room Renovation	\$119,490.00	One Time	Cascadia West Contracting Ltd.	1
Fire Hall 1 & 3 - Exhaust Extraction upgrade - SOS	\$110,595.14	One Time	Nederman	Sole
SDR 35/28 Sewer Pipe for Capital and Maintenance Projects	\$107,775.91	One Time	Iconix Waterworks LP	3
Lift Station Arc Flash Assessment and Electrical Inventory	\$82,850.00	One Time	AES Engineering Ltd	10
State of Biodiversity Report - Resilient Saanich	\$79,955.00	One Time	Diamond Head Consulting	1
Redeveloping the Existing District Works Yard	\$75,000.00	One Time	Patrician Ventures Ltd.	Single

In addition, there were 18 procurement processes with value less than \$75,000

Building Permit Statistics

Permit Type	Year to Date		No. of Permits		Dwelling Units		Construction Value (millions)	
	2021	2022	2021	2022	2021	2022	2021	2022
SFD/Duplex	34	32	51	42	24.8	19.1		
Apartments	5	1	190	76	88.6	10.6		
Townhouses	21	0	17	0	6.6	0.0		
Commercial	30	26	0	0	19.8	5.8		
Gov't/Inst.	44	10	0	0	7.7	3.1		
Miscellaneous	126	106	11	10	10.7	10.7		
Totals	260	175	269	128	\$ 158.1	\$ 49.3		





The Corporation of the District of Saanich

Report

To: Finance and Governance Committee
From: Valla Tinney, Director of Finance
Date: June 30, 2022
Subject: COVID Revenue Impact Summary

RECOMMENDATION

- That the Committee receive the report for information.

PURPOSE

To present the Committee with the historical impact of COVID-19 on District's revenue and convey current year status and future years projections for that revenue.

BACKGROUND

COVID-19 impact on District's finances began March 2020 due to Public Health orders for a complete shutdown of recreation programs and most non-essential business activities. Over the next couple years and into early 2022 these Public Health orders varied from complete shutdown to partial shutdowns or capacity restrictions of programs and drop in.

These restrictions did not impact revenues from property, utility and grant-in-Lieu of taxes as residential, business, and senior governments were able to continue to make those payments. Business License and Inspection revenues continued to increase due higher construction costs and individuals spending of unused vacation budgets on upgrades and other property improvements. Finally, utilities such as Solid Waste services and Sewer were not impacted as solid waste services to residents were not impacted by business closures and sewer revenue is based on the lowest of the last three water usage readings.

The only impact to Utility Tax and Other revenue category was to MRD Tax (Hotel Tax) revenues; however, the full revenue collected on this tax is passed on to Destination Victoria and therefore no net impact to Saanich's bottom line. Below is the chart of the revenues from those categories over the past four years:

	Actuals				Budget
	2018	2019	2020	2021	2022
Property Taxation	(120,641,800)	(125,099,800)	(131,685,200)	(140,067,400)	(149,930,000)
Utility Tax and Other	(1,680,200)	(1,938,800)	(1,644,600)	(1,733,800)	(1,775,000)
Grants In Lieu	(2,572,100)	(2,747,200)	(2,753,000)	(3,034,900)	(3,115,800)
Business License & Inspection Revenues	(3,309,500)	(3,447,300)	(3,748,100)	(4,255,300)	(3,657,200)
Solid Waste Revenue	(6,376,300)	(6,673,300)	(6,941,800)	(7,304,200)	(7,761,500)
Sewer Utility Revenue	(21,392,900)	(24,058,500)	(25,259,800)	(26,928,800)	(28,056,900)
Total	(155,972,800)	(163,964,900)	(172,032,500)	(183,324,400)	(194,296,400)

While the Public Health orders did impact some corporate operations by increasing janitorial costs and the purchase and construction of fixtures and software to help with social distancing, most of the impact was to recreation fees from programs revenues and drop in, water usage fees and interest and penalties revenues.

Recreation operations were impacted the most by the closure orders and later capacity restrictions on classes and drop-in programs. Since recreation program user fees offset the tax funded costs incurred from programming, administration and maintenance, the loss of those fees had a net negative impact on district finances. Any expenditure savings incurred from not running a program or a drop-in activity was more than offset by the loss in revenue generation. To offset this decline in net revenue the district utilized \$1,236,100 of the COVID-19 Restart Grant provided late in 2020 by senior governments. This was again the case in 2021 (\$698,400) and is also budgeted for in 2022.

Water usage was also impacted by Public Health orders. Unlike Sewer, water revenue is based on actual consumption/readings for the year. For 2020 water consumption declined due to COVID related closures by institutional organizations, such as schools and universities, and commercial properties with average consumption reduction of 31% compared to the prior year. To ensure that this temporary reduction in water consumption does not create a spike in rates, only to reduce again once consumption returns to normal, \$883,700 COVID-19 Safe Restart Grant was utilized in 2020. Without the addition of the grant revenue of \$720,000 in 2021 the average homeowner would have had to pay an additional \$15 (3% increase in levy) over the previous year.

Finally, interest and penalties revenues were impacted by COVID as Bank of Canada reduced interest rates to ensure business access to low-cost borrowing to help keep the economy going and people employed. The reduction of interest rates impacted our investment income and reduced the revenue by \$198,170 in 2020 and \$324,200 in 2021. Tax penalties were also impacted in 2020 with Council's implementation of an alternative tax scheme that provided a grace period of one month until the late payment penalty applied to classes 1 and 9 and staged the penalty for all classes to further mitigate the impact on those who are not able to pay on time. The impact of this delay in penalty application contributed to revenue reduction of \$222,430.

Below is a summary of the revenues impacted by COVID and the resulting application of the Restart Grant to offset the impact on both budgets and surplus for the years.

	Actuals				Budget
	2018	2019	2020	2021	2022
Water Utility Revenue	(21,736,900)	(21,814,800)	(22,194,000)	(23,977,400)	(25,519,600)
COVID-19 Restart Grant - Water			(883,700)	(720,000)	-
Recreation Revenues	(13,526,500)	(14,390,800)	(7,217,900)	(8,935,100)	(12,930,800)
COVID-19 Restart Grant - Recreation			(1,236,100)	(698,400)	(839,700)
Interest and Penalties	(2,449,900)	(3,076,600)	(1,809,400)	(1,808,400)	(1,785,800)
COVID-19 Restart Grant - Interest & Penalty			(420,600)	(324,200)	(369,700)
Total	(37,713,300)	(39,282,200)	(33,761,700)	(36,463,500)	(41,445,600)

DISCUSSION

The current and future states of the revenues impacted by COVID are as follows:


Recreation revenues were budgeted conservatively in 2022 due to the onset of partial restrictions at the end of 2021 and into the early days of 2022 with the emergence of the Omicron variant. \$839,700 of the COVID-19 Restart Grant was budgeted in 2022 to ensure that funding is available should further restrictions on classes and drop-in programs come into effect. Based on the 1st trimester results revenues as of end of April are at 32% of total annual budget and \$1.5M higher than April of 2021. Assuming no further closures or disruption to operations from new COVID resurgence or employee absences due to related illnesses we anticipate that there will be reduced reliance on the Grant for this and future years.

Water Usage Revenue was budgeted for 2022 with no reliance on the Restart Grant. Most business are operational and at full capacity. Any reduction in water usage is once again based on weather conditions in the spring and summer months. With a very wet spring water usage will most likely be affected, however, the full extent of any usage or revenue reduction will not be known until the end of the year. Barring new Public Health orders of complete shut down there is no impact of COVID on this utility for 2022 and beyond.

Investments revenue have been budgeted to use Restart Grant funding for 2022. At the time that the Council was deliberating the budget, Bank of Canada and other monetary entities were projecting inflationary pressures to be short term in nature, however, with the invasion of Ukraine and the sanctions imposed on Russia inflationary pressures have increased and are now expected to be longer lasting. As such the Bank of Canada along with the Federal Reserve and other monetary bodies have begun to increase their lending rates by large increments thus reducing capital investment from borrowed funds which in turn will reduce demand for goods and services and bring inflationary pressures down. With the increase in interest rates, we are expecting that Investment revenues will go back to pre-COVID levels this year and then achieve higher returns in future years until interest rates are reduced once again.

Overall, the District has weathered the impacts of COVID-19 quite well in the past couple of years with the assistance of the Restart Grant. Barring any severe impacts of new COVID variants, the District's operations and related revenues are expected to continue to rebound this year and then achieve annual growth in future years.

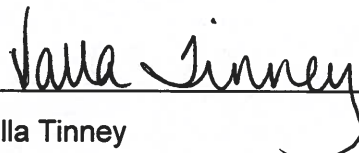
Prepared by



Paul Arslan

Senior Manager of Financial Services

Approved by



Valla Tinney

Director of Finance

ADMINISTRATOR'S COMMENTS:

I endorse the recommendation of the Director of Finance.



Brent Reems, Chief Administrative Officer



The Corporation of the District of Saanich

Report

To: Finance and Governance Committee
From: Valla Tinney, Director of Finance
Date: June 30, 2022
Subject: Long Term Financial Plan Recommendations and Implementation

RECOMMENDATION

That the Committee direct staff to:

1. Review and report annually on the financial principles metrics recommended in the KPMG Long Term Financial Plan.
2. Prepare a draft policy on development of financial implications for major plans and strategies.

PURPOSE

To present the recommendations from KPMG's Long Term Financial Plan Development and outline the Finance Department work plan for implementation.

BACKGROUND

Council's strategic plan includes the initiative "conduct a long term financial planning process".

The first phase of the Long Term Financial Plan project included:

1. Environmental scan, principles and policy review
2. Sustainability Framework
3. Benchmarking and policy framework

This work was complete in early 2022 and KPMG presented their final report to Council on March 14, 2022. Council passed the following motion:

"That Council direct staff to report on the Mayor's Standing Committee on Finance & Governance on the Finance Department's work plan resulting from the recommended action in the report."

The recommendations from the project outlined in the Gap Analysis were presented in four categories. Further analysis of the actions required to implement the recommendations are provided in the Discussion section of this report.

1. Financial Principles
 - a. Adopt a Financial Principles document to guide financial decision-making.

2. Financial Policies

- a. Update the Debt Management Policy to incorporate Provincial requirements.
- b. Establish minimum and optimal reserve balances and update the Reserves and Surplus Policy accordingly. Schedule review of these reserve balances annually during the budget season with recommendations to increase levels sent to Council for approval.

3. Financial Plan

- a. Adopt a policy which requires all master plans to contain financial projections for Council and the Finance department
- b. Quantify expenditures for all master plans and incorporate them into the Long Term Financial Plan and model
- c. Further refine and mature Asset Management Plan expenditures for inclusion in the District's Long –Term Financial Plan

4. Financial Model

- a. Consolidate all the capital worksheets across the organization into one financial model (to be used as a single source of truth)

DISCUSSION

1. **Financial Principles**

- a. Adopt a Financial Principles document to guide financial decision-making. (KPMG provided a draft set of principles as a starting point)

The financial principles drafted by KPMG include a variety of metrics that would be monitored over time to bring to light any potential negative trends in financial results. An annual review of the metrics are recommended to be completed by staff and brought to the Finance and Governance Committee for discussion each July on a go forward basis.

2. **Financial Policies**

- a. Update the Debt Management Policy to incorporate Provincial requirements.

Council has considered a previous staff report on debt management that indicated a need to increase the policy limit in anticipation of significant borrowing requirements for the Saanich Operations Centre. Work on Asset Management and updating the Infrastructure Replacement Funding Strategy may also impact whether Saanich continues to utilize a lower debt limit than that established by the Province. It is recommended that the update to the policy limit be pursued when this additional information has been developed.

- b. Establish minimum and optimal reserve balances and update the Reserves and Surplus Policy accordingly. Schedule review of these reserve balances annually

during the budget season with recommendations to increase levels sent to Council for approval.

Establishing capital reserve fund targets will also benefit from the additional information being developed through advancements in Asset Management at Saanich. It is also recommended that this work be pursued once the appropriate information has been compiled through the Asset Management Program.

3. Financial Plan

- a. Adopt a policy which requires all master plans to contain financial projections for Council and the Finance department
- b. Quantify expenditures for all master plans and incorporate them into the Long Term Financial Plan and model

Historically, master plans and strategies have included financial estimates for implementation but recommendations to Council have generally been to endorse or adopt the plan and the financial commitment has come later during budget deliberations. The benefit of this approach is that Council has the ability to assess all financial impacts in a consolidated way during the Financial Plan meetings. The downside is that while plans may have received endorsement from Council creating expectation within the community for a body of work to be completed in a specified timeframe, decisions during the financial plan process may not align. The best current example of this is the Older Adult Strategy.

Under direction of the CAO, the Finance Department has recently started to require detailed financial implications and implementation options for major plans and studies and recommendations to Council to confirm inclusion of funding in the financial plan. The benefit has been clarity for Council, staff and the community that funding will be provided and that endorsed plans will be implemented. The downside is that as these strategies are brought to Council throughout the year and Council "pre-approves" funding, the accumulation may prove to be problematic when setting the property tax requirements for the upcoming year. Potentially, Council may have made different decisions on implementation timelines if the cumulative impact was clearer.

Adding to the challenge is that Council is often seeking immediate action on plans and strategies. Delaying funding decisions to the next available budget cycle would impact the ability to move quickly on implementation.

A policy requiring this work could be beneficial. It is recommended that development of this policy be referred to staff. A draft policy for discussion would be brought back to the Finance and Governance Committee.

- c. Further refine and mature Asset Management Plan expenditures for inclusion in the District's Long -Term Financial Plan

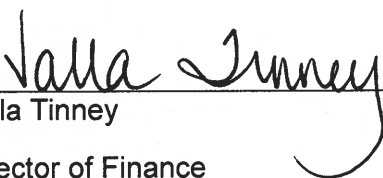
This work is already underway through Saanich's Asset Management Program.

4. Financial Model

- a. Consolidate all the capital worksheets across the organization into one financial model (to be used as a single source of truth).

The implementation of the recently selected Budget Software Solution provides the functionality for Saanich to capture all capital budget information within the application and will eliminate the complexity and confusion that can come from utilizing multiple spreadsheets created in different formats. It also provides the ability to standardize what information is captured and how it is presented. The implementation of the Capital Module is scheduled for 2023 and the new reporting format should be available for the 2024 budget deliberations.

Prepared by



Valla Tinney
Director of Finance

Attachment: KPMG Long-Term Financial Plan Development – Final Report Financial Principles and Sustainability Framework: Gap Analysis

ADMINISTRATOR'S COMMENTS:

I endorse the recommendation of the Director of Finance.



Brent Reems, Chief Administrative Officer






Appendix A: Proposed Financial Principles

District of Saanich
Long-Term Financial Plan Development
Final Report

Sustainability Framework Financial Principles: An Overview

As described earlier, financial indicators are a tool to assess the District's financial performance against its long-term financial plan. In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. This guidance recommended that three (3) elements, at a minimum, need to be considered:

#	Element of Financial Condition	Definition
1.	 Sustainability	The degree to which the Municipality can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates
2.	 Flexibility	The Municipality's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs
3.	 Vulnerability	The extent to which the Municipality is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control

Each financial principle in the following slides is aligned to the elements of Financial Condition. Where the financial principle is a metric that can be reliably measured, the District can begin to measure financial sustainability, flexibility and vulnerability – and communicate these results to Council. Where the financial principle is a practice, the District will enhance sustainability and flexibility, and decrease vulnerability by embedding the practice within an existing financial process.

Sustainability Framework Financial Principles

The District of Saanich should consider adopting the following financial principles as part of its sustainability framework. Each principle has a corresponding target (metric) which can be monitored to assess the District's financial sustainability, flexibility and vulnerability. These financial indicators are leading practices according to the Public Sector Accounting Board and KPMG's experience with other governments.

#	Financial Principle	PSAB Classification	Indicator and Description	Implementation Recommendation
1	Financial Solvency	Sustainability	Ratio of assets to liabilities - low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses.	Minimum of 2:1
2	Reserve Position	Sustainability	Total reserves & reserve funds per household - low levels of reserve are indicative of limited capacity to deal with cost increases or revenue losses, requiring the District to revert to taxation or user fee increases or the issuance of debt, for example, inflation leading to increase capital expenditures.	Determine and monitor a 5-year rolling average to determine any negative trends that may need to be addressed
3	Operating Expenses Control	Sustainability	Total operating expenses as a percentage of taxable assessment - provides an assessment of the District's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the District can fund any increases in operating costs without raising taxation rates.	Determine and monitor a 5-year rolling average to determine any negative trends that may need to be addressed
4	Taxation Growth	Flexibility	Residential taxation as a percentage of household income – provides an indication of potential affordability concerns by calculating the percentage of total household income used to pay municipal property taxes.	Determine and monitor a 5-year rolling average to determine any negative trends that may need to be addressed

Sustainability Framework Financial Principles

The District of Saanich should consider adopting the following financial principles as part of its sustainability framework. Each principle has a corresponding target (metric) which can be monitored to assess the District's financial sustainability, flexibility and vulnerability. These financial indicators are leading practices according to the Public Sector Accounting Board and KPMG's experience with other governments.

#	Financial Principle	PSAB Classification	Indicator and Description	Implementation Recommendation
5	Taxation Growth	Flexibility	Total taxation as a percentage of total assessment - provides an indication of potential affordability concerns by calculating the District's overall rate of taxation. Relatively high tax rate percentages may limit the District's ability to general incremental revenues in the future.	Determine and monitor a 5-year rolling average to determine any negative trends that may need to be addressed
6	User fees based on Cost Recovery Beneficiary Pay principle	Flexibility	Maximize use of cost-recovery from consumers of identifiable services.	N/A
7	User Fees employ Full Cost Recovery Based on Activity Costing	Flexibility	All direct and indirect costs including overhead are recovered from the consumers of the activity.	N/A
8	Debt Management	Flexibility	Debt per household – provides an assessment of the District's ability to incur additional debt.	Current: \$889 per household Target: \$1,000 per household

Sustainability Framework

Financial Principles

The District of Saanich should consider adopting the following financial principles as part of its sustainability framework. Each principle has a corresponding target (metric) which can be monitored to assess the District's financial sustainability, flexibility and vulnerability. These financial indicators are leading practices according to the Public Sector Accounting Board and KPMG's experience with other governments.

#	Financial Principle	PSAB Classification	Indicator and Description	Implementation Recommendation
9	Debt Management	Sustainability	Debt Charges to gross current expenditures not to exceed 15%. This sets maximum annual debt charges in relation to total current operating expenditures.	15%
10	Debt Management	Flexibility	Maximum Debt Load of 25% of annual debt repayments from general taxpayers. Calculated annual debt interest and principle payments funded from general levy in relation to total debt charges.	25%
11	Debt Management	Sustainability	Annual Debt Repayment set at maximum of 10% of net own source revenues. This financial indicator provides an indication as to the District's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The District's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.	10%
12	Debt Management	Vulnerability	Debt Financing is a last resort tool for one time projects where insufficient life-cycle costing funds are available.	N/A
13	Establishment of a Capital Levy adjusted annually by Construction Price Index	Vulnerability	The capital levy is applied to projects that are typically not funded by long-term financing. The annual construction price index as determined by Stats Canada is used to determine the annual inflationary impacts on ongoing capital maintenance projects.	N/A

Sustainability Framework Financial Principles

The District of Saanich should consider adopting the following financial principles as part of its sustainability framework. Each principle has a corresponding target (metric) which can be monitored to assess the District's financial sustainability, flexibility and vulnerability. These financial indicators are leading practices according to the Public Sector Accounting Board and KPMG's experience with other governments.

#	Financial Principle	PSAB Classification	Indicator and Description	Implementation Recommendation
14	Operational Financial Independence	Vulnerability	Operating grants as a percentage of total revenues - provides an indication as to the District's degree of reliance on senior government grants for the purposes of funding operating expenses. The level of operating grants as a percentage of total revenues is directly proportionate with the severity of the impact of a decrease in operating grants.	Determine and monitor a 5-year rolling average to determine any negative trends that may need to be addressed
15	Capital Financial Independence	Vulnerability	Capital grants as a percentage of total capital expenditures - provides an indication as to the District's degree of reliance on senior government grants for the purposes of funding capital expenditures. The level of capital grants as a percentage of total capital expenditures is directly proportionate with the severity of the impact of a decrease in capital grants.	Determine and monitor a 5-year rolling average to determine any negative trends that may need to be addressed
16	Life-Cycle Asset Management	Sustainability	Completed asset management plan using life-cycle costing tied to the long term financial plan	AMP for core assets completed by September, 2024
17	Asset Management Progress	Sustainability	Total asset classes for which an Asset Management Plan exists divided by the total number of asset classes – provides an indication of the District's ability to manage its infrastructure gap in the near future.	100%

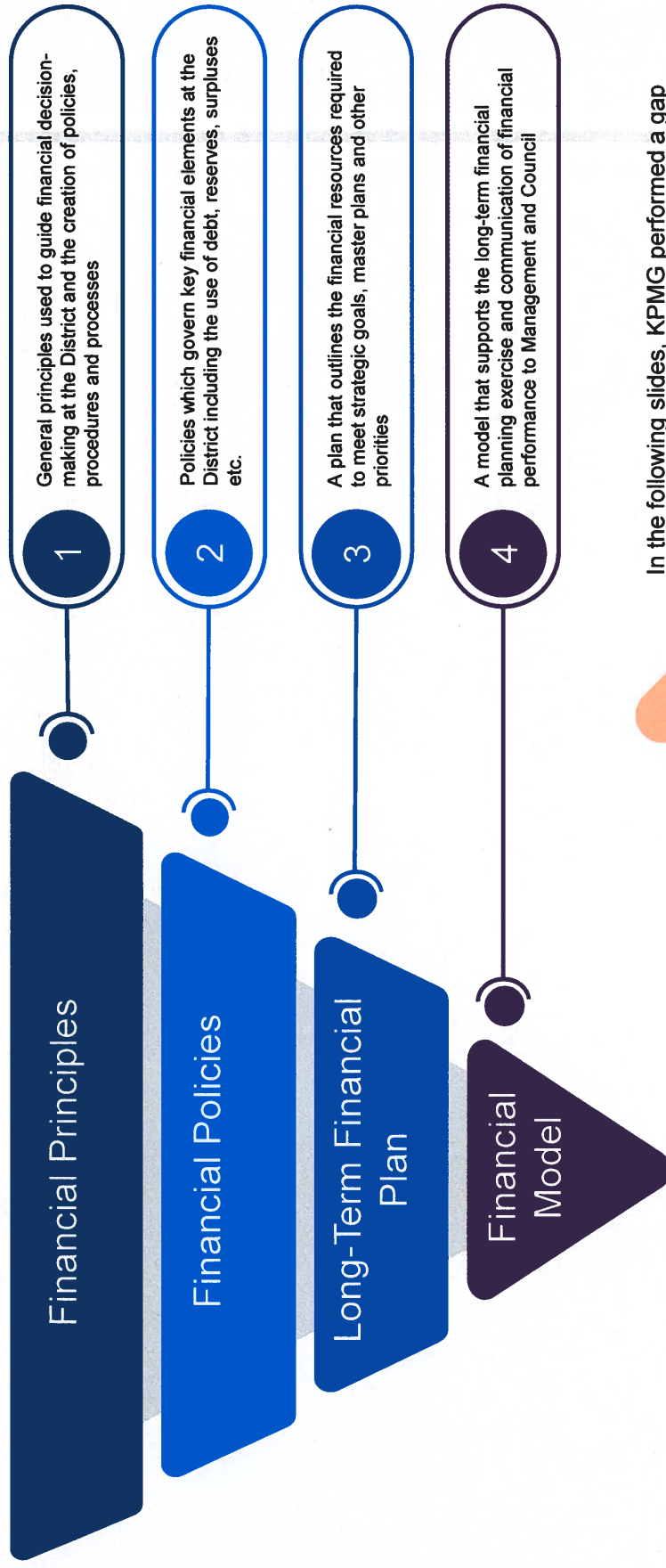


Appendix B: Sustainability Framework & Gap Analysis

District of Saanich
Long-Term Financial Plan Development
Final Report

Sustainability Framework & Gap Analysis Elements of the Sustainability Framework

KPMG suggests the following four (4) elements to create a robust financial framework for the District. It is important to note that the District has already implemented most of these elements to varying degrees. Recommendations for improvements are noted in the following slides.





In the following slides, KPMG performed a gap analysis between this sustainability framework and the District's current policies and practices. The gap analysis is supported with recommendations to fully develop the sustainability framework.

Sustainability Framework & Gap Analysis

Sustainability Framework: Gap Analysis


KPMG performed a gap analysis to identify opportunities that will enhance the District's sustainability framework. The gap analysis was performed by evaluating the District's existing policies, plans and models against the four (4) elements of the proposed sustainability framework.

	Existing Elements Present at the District of Saanich	Observation / Gap	Recommendation
 <p>1. Financial Principles</p>	<p>1. N/A</p>	<p>1. The District does not have a formal Financial Principles document that Council has approved</p>	<p>1. Adopt a Financial Principles document to guide financial decision-making. A draft set of Financial Principles are presented in Appendix A</p>
 <p>2. Financial Policies</p>	<p>1. Existing Policies</p> <ul style="list-style-type: none"> I. Asset Management II. Debt Management III. Reserves & Surplus IV. Investments 	<p>1. The Debt Management Policy does not incorporate municipal liability servicing limits according to Provincial requirements</p> <p>2. The Reserves & Surplus Policy stipulates that the District will establish minimum and optimal reserve balances and a review of optimal balances will be undertaken annually and approved by Finance, Audit and Personnel Committee. Based on information gathered, these balances have yet to be established and reviewed.</p>	<p>1. Update the Debt Management Policy to incorporate Provincial requirements, i.e. liability servicing limits</p> <p>2. Establish minimum and optimal reserve balances and update the Reserves & Surplus Policy accordingly. Schedule review of these reserve balances annually during the budget season with recommendations to increase levels sent to Council for approval.</p>

Sustainability Framework & Gap Analysis

Sustainability Framework: Gap Analysis


KPMG performed a gap analysis to identify recommendations that will enhance the District's sustainability framework. The gap analysis was performed by evaluating the District's existing policies, plans and models against the four (4) elements of the proposed sustainability framework.

	Existing Elements Present at the District of Saanich	Observation / Gap	Recommendation
 <p>3. Financial Plan</p>	<ol style="list-style-type: none"> 2021-2025 Financial Plan (approved by Council) 	<ol style="list-style-type: none"> There is no District policy requiring master plans to include financial projections before obtaining approval from Council. As a result, many master plans at the District have received approval without fully understanding their implications on the District's Financial Plan. The Financial Plan incorporates budgeted expenditures for some, but not all, master plans, e.g. Recreation Master Plan, Housing Strategy, Facilities Master Plan etc. 	<ol style="list-style-type: none"> Adopt a policy which requires all master plans to contain financial projections for Council and the Finance department. Quantify expenditures for all master plans and incorporate them into the Long-Term Financial Plan and model Further refine and mature Asset Management Plan expenditures for inclusion in the District's Long-Term Financial Plan

Sustainability Framework & Gap Analysis

Sustainability Framework: Gap Analysis

KPMG performed a gap analysis to identify recommendations that will enhance the District's sustainability framework. The gap analysis was performed by evaluating the District's existing policies, plans and models against the four (4) elements of the proposed sustainability framework.

	Existing Elements Present at the District of Saanich	Observation / Gap	Recommendation
 <p>4. Financial Model</p>	<ol style="list-style-type: none"> 1. Spreadsheets and workbooks supporting the Long-Term Financial Plan 	<ol style="list-style-type: none"> 1. There is no financial model that is a single source of financial truth for the District. 2. Each department has their own financial perspective on long-term capital expenditures and master plans. 	<ol style="list-style-type: none"> 1. Consolidate all the capital worksheets across the organization into one financial model (to be used as a single source of truth) 2. Use the KPMG model as a basis for reporting financial performance against the Long-Term Financial Plan

Memo

File: 1420-30 MSCFG

To: Mayors Standing Committee on Finance & Governance
From: Angila Bains, Manager, Legislative Services
Date: March 16, 2022
Subject: Long Term Financial Plan Development

At the meeting held March 14, 2022, Council discussed the Long Term Financial Plan Development, which included the Report of the Director of Finance dated March 4, 2022. The following motions were made:

“That Council receive the Long Term Financial Plan Development - Final Report for information.”

“That Council direct staff to report to Finance & Governance Standing Committee on the Finance Department's work plan resulting from recommended actions in the report.”

The minutes and further information will be available on www.saanich.ca/agendas.



Angila Bains, B.A., GMC
Manager, Legislative Services/Municipal Clerk

/mm

cc: Jennifer Downie, Administrative Assistant



Memo

File: 1420-30 MSCFG

To: Mayors Standing Committee on Finance & Governance

From: Angila Bains, Manager, Legislative Services

Date: March 16, 2022

Subject: Role of Advisory Committees in the topic of Code of Conduct complaints

At the In Camera Council meeting held March 14, 2022, Council endorsed the following motion:

"That Council direct the Finance and Governance Standing Committee to review the role of Advisory Committees in the topic of Code of Conduct complaints."

Sincerely,

A handwritten signature in black ink, appearing to read "Angila Bains".

Angila Bains, B.A., CMC
Manager, Legislative Services/Municipal Clerk

/mm

cc: Jennifer Downie, Administrative Assistant