Islands Trust

Financial Planning Committee
Agenda

Date:	Thursday, February 1, 2024
Time:	2:00 pm - 4:00 pm
Location:	Electronic Zoom Meeting

Pages

1. CALL TO ORDER

2. AGENDA

2.1 Review of the Agenda

Committee to consider late items, new items and re-ordering of the agenda plus consider any need to create an in camera meeting

2.2 Approval of Agenda

3. BUSINESS

3.1 Budget Guidelines - Discussion

3.1.1 Memo from Chair Bernardo to FPC 2 - 4

3.1.2 District of Saanich 2023 Budget Guidelines 5 - 17

4. NEXT MEETING

Wednesday, February 21, 2024 at approximately 10:30 a.m. Start time is after the Audit Committee adjourns which is expected to be at 10:30 a.m.

5. CLOSED MEETING

If desired:

That the meeting be closed to the public in accordance with the Community Charter, Part 4, Division 3, s.90, (quote the pertinent section here, for example, (1)(a) personal information about...) and that the recorder and staff [attend/not attend] the meeting.

6. RISE AND REPORT

If desired.

7. ADJOURNMENT

*Approximate time is provided for the convenience of the public only and is subject to change without notice.

Background

At the August 2023 meeting of the FPC, we discussed the concept of budget guidelines in relation to corporate planning.

Briefly:

- All organizations need a process for allocating resources in accordance with their strategic priorities.
- That's corporate planning: the deliberate exercise of ensuring an organization's financial and staffing decisions are closely aligned with its strategic objectives. It is a process of coordinated decision-making that:
    - defines and prioritizes specific strategic goals;
    - identifies outcomes that will advance those goals;
    - develops work plans to achieve those outcomes that include performance benchmarks, specify completion dates, and identify the total resource commitment required to complete the plan;
    - authorizes and commits resources to plans on the basis of the relative strategic value and cost-effectiveness of their projected outcomes; and
    - recognizes an organization's strategic goals cannot be advanced effectively over the long term unless its annual budgets are efficient in managing resources in the short-term.
- Under corporate planning, the purpose of a budget is not simply to address the next year's operational and capital funding needs. Each year's budget is also developed with an overall goal in mind, namely, ensuring the organization at year end is in a strong financial position to continue advancing its long term strategic objectives.
- This is why corporate planning undertaken by local governments will include reliance on budget guidelines.
    - The purpose of budget guidelines is to specify certain financial outcomes a budget should deliver at year end.
    - The outcomes will be those the local government has identified are necessary to ensure sufficient and stable funding for its operations and projects on an ongoing basis.
    - For local governments, whose only meaningful way to grow revenue is through tax increases, a key consideration is that political reality imposes practical limits on a government's ability to raise taxes.
    - This last point highlights the fact that budget guidelines are <u>policy</u> directives intended to shape the overall direction of a budget's development.
- Accordingly, last August the FPC resolved as follows:

    > That Financial Planning Committee ask Trust Council to consider creating guidelines on the 2024/25 budget early in the budget cycle.

At the Trust Council meeting held in September:

- I explained that a consequence of adopting corporate planning, which Trust Council supports, was that a more strategic approach to budget development that entails the use of budget guidelines would be necessary.
- I also explained that only trustees can formulate budget guidelines.
    - FPC and Trust Council must necessarily rely on staff's professional expertise to ensure our budgets meet statutory requirements and applicable accounting standards.

    - However, the development of budget guidelines is another matter, because it is not appropriate to expect the staff to initiate and recommend what are, in effect, policy choices.
- Examples of guidelines from other local governments were provided, and trustees were invited to engage the issue by proposing potential guidelines for the draft 2024/25 budget.
- Unfortunately, the discussion was cursory and trustees did not propose any guidelines. The vigorous debate I was hoping to encourage about shaping the strategic direction of our budgets did not occur.

<u>Considerations</u>
The fact remains that the Trust's corporate planning initiative requires that our budget development process include the use of budget guidelines.

As mentioned, it necessarily falls to Trust Council to set financial policy. Ideally, when Trust Council was given the opportunity to explore budget guidelines it would have identified the strategic direction the 2024/25 budget should take and directed staff and FPC to prepare the next draft accordingly. That didn't happen, and so another approach is necessary.

The next Trust Council meeting is scheduled for March. At that time FPC must be in a position to present a final draft 2024/25 for approval. Logistically, it will not be possible to separately propose and discuss budget guidelines before the draft is presented. That is why the request for decision below takes the form that it does.

The idea is that tomorrow:

- FPC discusses the merits of the proposed guidelines. In this regard, two points must be emphasized:
    - The guidelines below are <u>not</u> take it or leave it propositions. They are questions. FPC's role is deliberative. If it determines a guideline is unsuitable, it is open to FPC to amend it as the committee sees fit or altogether replace it with an entirely different guideline. FPC may also devise whatever additional guidelines it deems appropriate. The important thing is that FPC reach consensus on budget guidelines it can recommend to Trust Council.
    - Guidelines can and should be revisited at the commencement of each budget cycle, and may be developed to address issues specific to a single budget cycle.
- Staff aids the discussion by advising FPC on the effect that adopting this or that guideline can be expected to have on the Trust's operations.
- FPC approves those budget guidelines it determines are appropriate for the 2024/25 budget.
- Staff applies the guidelines when it prepares the next draft of the 2024/25 budget.
- At the next FPC meeting in February the committee reviews the draft budget.
    - If the draft is satisfactory, FPC approves the budget for recommendation to Trust Council.
    - If not, FPC provides direction to staff regarding any necessary amendments and approves that version of the budget for recommendation to Trust Council.

Resolution

That staff apply the following budget guidelines to the development of the next draft of the 2024/25 budget:

- Resource requests for new operational initiatives, including one-time projects and hiring new personnel, will be considered only if it is established that the expenditure is necessary to address critical capacity issues or will result in material cost savings within two years.
- Provision will made for the operation of offices on Salt Spring and Galiano islands only if in each instance it is established that maintaining the office is a critical operational requirement.
- Increases in departmental budgets will be limited to an aggregate of no more than [x] % over the total amount approved for departmental budgets in the preceding fiscal year, exclusive of non-discretionary increases.
- No tax increase above [x] % will be considered or approved.

2023 Budget Guidelines

August 22, 2023

Budget Guidelines - Process

- Council establishes budget guidelines to provide direction to staff on preparation of the draft budget that will be presented to Council for deliberation in early 2023
- As part of that process, staff provide high level budget projections for the coming year to signal any specific challenges Saanich may be facing
- Staff develop the draft budget from September through February
- Council deliberates and makes final budget decisions from March to May

Cost Drivers

1. Labour
2. Annual Contractual (GVPL, Crest, eComm)
3. Operating non-discretionary
4. Police Board
5. Capital Infrastructure
    - maintain and replace – core capital
    - IT funding program
    - Facilities Reserve Fund reinstatement and major repairs
    - Active Transportation shift to taxation

Revenue

1. Investment revenue – estimated return to "normal"
2. Building permits – moderate increase – monitoring needed
3. Non-market/new construction taxation no significant increase anticipated – potential return to average level

Budget Projections

- 2023 budget projection is a very high level picture of the current known financial impacts
- Includes very broad estimates and projections
- It is not a provisional budget
- Many things will change between now and when the budget proposal is finalized for presentation to Council in 2023
- Does not include any new resource requests for the Long Term Staffing Plan or unfunded Strategic Plan Initiatives

Budget Projections

Saanich 2023 Budget Projection (estimates)		Budget Increase $	Tax Increase %
Operating Increases			
Existing personnel costs - municipal		5,145,841	3.43%
Provincial Employer Health Tax		105,000	0.07%
Federal CPP Enhancement		245,870	0.16%
Worksafe Premiums		427,708	0.29%
Non-discretionary increases		1,250,070	0.83%
Police Board estimated budget		1,813,768	1.21%
Greater Victoria Public Library		180,584	0.12%
Other revenue increases		(570,000)	-0.38%
Tax revenue from new sources	$	(749,650)	-0.50%
Total Status Quo Operating Increase	**$**	**7,849,191**	**5.24%**

Budget Projections

Capital Increases			
Core Capital	$	586,820	0.39%
Corporate IT Program Funding		750,000	0.50%
Facilities Major Repair Funding		250,000	0.17%
Reinstate Facilities Reserve Transfer		327,000	0.22%
Active Transportation Plan shift from debt to taxation		500,000	0.33%
Total Recommended Capital Increase	**$**	**2,413,820**	**1.61%**

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Active Transportation Plan shift from debt to taxation		500,000	0.33%
Total Recommended Capital Increase	**$**	**2,413,820**	**1.61%**
Net Increase to Existing Taxpayers	**$**	**10,263,011**	**6.85%**

Budget Projections

Significant impacts due to inflation on Saanich's major expenditure categories

Labour
Capital

Proposed Guidelines

1. Preliminary 2023 departmental net budget totals will be limited to a 0.0 percent increase over the 2022 adopted net budget totals, exclusive of existing personnel costs, phased in funding for positions approved by Council in the prior year, core capital increases, and non-discretionary increases.
2. Funding for salary and benefits costs arising from the Job Evaluation (JE) changes must be provided within existing budgets with the exception of any impacts resulting from the Exempt Job Evaluation process which will be incorporated into the budget as a standalone item of approximately 33% each year in 2022, 2023 and 2024.

Proposed Guidelines

4. Capital expenditures funded from current taxation revenue (Core Capital) will be increased by a minimum of 4.0%.
5. Provision will be made for an addition of $327,000 to continue reinstating the Facilities Reserve Fund transfer that was reduced in the 2020 budget and $250,000 to support major repair work to Saanich facilities.
6. Provision will be made for Corporate Information Technology replacement with an annual addition of $750,000 to capital and/or operating budgets until such time as annual sustained funding is achieved.
7. Provision will be made to transition $500,000 in funding for the acceleration of the Active Transportation Plan from borrowing to taxation.

Proposed Guidelines

7. Resource requests for additional operating budgets (including one-time projects) and new tax funded personnel will be considered for critical capacity issues, for implementation of the long-term staffing plan or where upfront investment will result in longer term savings.
8. Council will consider resourcing needs for strategic initiatives from the 2019-2023 Strategic Plan.
9. Council will consider resourcing needs to implement the Climate Action Plan.

Questions?