
SUBJECT

2013/14 Budget and Taxation Approval

PURPOSE

This report provides the 2013/14 Budget and Taxation Regulation 34-2013 to the Commission for **APPROVAL**.

BACKGROUND

At the December 4, 2012 Commission meeting, a new fare structure effective April 1, 2013 was unanimously approved by the Commission. This decision was well supported by the public, who voted most favourably for Fare Option 3, providing a single cash fare of \$2.50, with discounts available on ticket products and passes. Estimated additional revenue from this new fare structure is \$500,000 a year. This fare structure has the lowest estimated impact on ridership and incorporates the public's input on balancing funding between property taxes and fares.

Also at this meeting, Service Expansion Option 3 was endorsed by the Commission. This option provides an approximate 2.7 per cent increase in service levels over three years, starting with an annualized 7,250 hour expansion in 2013/14 including two conventional and one handyDART vehicle. Total service hours for 2013/14 with expansion starting September 2013 will be 927,000 hours.

The fare strategy and service expansion decisions, plus several other key budget drivers provide the basis for changes to the 2013/14 budget and the required taxation for funding the Victoria Regional Transit System in the next fiscal year. The core assumptions used to generate the base expenditures and expansion costs presented at the December 4, 2012 meeting have not changed.

DISCUSSION

Key Budget Drivers

Key items impacting the 2013/14 budget are as follows:

- Collective bargaining is substantially complete with CAW and COPE members. The projected increases in labour costs are included in the 2013/14 budget.
- 2013/14 service expansion of 5,000 conventional (full year) and 1,300 handyDART hours (September to April) are factored into the 2013/14 budget. This expansion is budgeted at \$542,000 annually.
- Preliminary property tax assessments and occurrences received in January 2013 show that assessment values have decreased by 2 per cent, while occurrences have increased by 1 per cent.

2013/14 Budget Comparison

With the aforementioned key budget drivers in mind, an updated 2013/14 budget is shown below and compared to the budget presented at the December 4, 2012 meeting:

Table 1: 2013/14 Budget Comparison to Previously Presented Budget

(figures in thousands)	Dec 2012 Budget 2013/14	Feb 2013 Budget 2013/14	Increase / (Decrease)	Explanation
Revenues				
Passenger & Advert Revenue	\$37,147	\$37,786	\$639	Fare strategy approved by Commission
Provincial Operating Contribution	32,857	33,689	831	Provincial cost share
Fuel Tax Revenue	11,850	11,850	-	No change
Local Contribution	27,907	28,977	1,070	Labour contracts, fare strategy and service expansion
Total	\$109,761	\$112,301	\$2,540	
Expenses				
Operating Expenses	\$95,111	\$97,639	\$2,528	Labour contracts and service expansion
Lease Fees (local share)	\$14,650	\$14,662	\$12	Custom service expansion
Total	\$109,761	\$112,301	\$2,540	
Service Hours	920	927	7	
Est. Property Tax per Household	\$132.50	\$130.50	(\$2.00)	
Transit Fund Balance	\$5,001	\$4,449	(\$552)	

As indicated in the table above, the core drivers of the increase in operating expenditures of \$2.5M are labour contract settlements and expansion of service. These expenditures are offset by increases in revenue (from the new fare structure and service expansion), an increase in provincial operating contributions and an increase in local contribution through an average increase in property taxes of \$10.00 per residential household, as part of the funding strategy endorsed by the Commission at its December 4th meeting.

Transit-related Property Taxes

The *BC Transit Act* requires that the Commission approve a taxation regulation each year to fund the local share of expenditures. The average residential property tax rate has been held at \$120.50 for the past two years. In addition, the multiplier for businesses was reduced from 5.00 to 4.85 in 2012 due to an increase in business assessment values. Preliminary assessments for 2013 show a decrease of 2 per cent, while occurrences are up 1 per cent.

Consistent with the fare strategy approval received at the December meeting, an average of \$10.00 per residential household including service expansion has been applied to the budget for 2013/14.

RECOMMENDATION

IT IS RECOMMENDED THAT THE VICTORIA REGIONAL TRANSIT COMMISSION:

APPROVE THE TOTAL 2013/14 EXPENDITURE BUDGET OF \$112,301,000 AND **ENACT** THE ATTACHED REGULATION NO. 34-2013.

Respectfully,

A handwritten signature in black ink, appearing to read 'M. Achadinha', written in a cursive style.

Manuel Achadinha
President and CEO

Attachment: 2013/14 Budget and Taxation Report



2013/14 Budget and Taxation Approval

February 19, 2013

Purpose

- Provide 2013/14 Budget for Approval
- Provide Taxation Regulation for Approval



Approval Process

September 11, 2012

- Background material
- Present fare options
- Prepare for public consultation



December 4, 2012

- Present recommended fares for approval
- Select strategy for budget development



April 2013

- Implement new fares
- September 2013**
- Implement approved service plan

November 13, 2012

- Hold a public hearing
- Present interim results of public consultation



February 19, 2013

- Budget approval
- Taxation approval
- Service plan approval



3 Year Base Budget Projections

as presented to Commission on December 4, 2012

<i>(figures in thousands)</i>	Base Budget 12/13	Projection 13/14	Projection 14/15	Projection 15/16
Expenses				
Operating Costs	\$91,434	\$95,111	\$97,944	\$101,128
Lease Fees (local share)	14,144	14,650	15,780	16,330
Total	\$105,578	\$109,761	\$113,724	\$117,458
Total % Increase (budget to budget)		4.0%	3.6%	3.3%
Op Cost % Increase (budget to budget)		4.0%	3.0%	3.3%
Local Contribution (Commission share)	\$25,325	\$27,907	\$30,904	\$33,545
Service Hours	920	920	920	920
Estimated Property Tax per Household <i>(based on maintaining transit fund at 5 million)</i>	\$120.50	\$132.50	\$150.00	\$163.25
Incremental Increase		\$12.00	\$17.50	\$13.25
% Increase		10.0%	13.2%	8.8%



Recall: Option 1 or Option 3

Without a Fare Change		
Est. Property Tax Increase per Household		
Base	\$ Increase from 2012/13	% Increase from 2012/13
2013/14	\$12.00	10%

- \$7


- \$2


Fare Option 1		
Est. Property Tax Increase per Household		
Base	\$ Increase from 2012/13	% Increase from 2012/13
2013/14	\$5.00	4%

Fare Option 3		
Est. Property Tax Increase per Household		
Base	\$ Increase from 2012/13	% Increase from 2012/13
2013/14	\$10.00	8%

All property tax figures use base budgets without expansion and are estimates only



Key Budget Developments

2013/14 updated budget reflects no changes to expenditures and revenues from previous budgets presented to the Commission other than the items discussed below:

1. Approved fare strategy and 2013/14 service expansion included (7,250 annualized service hours)
2. Labour Contracts:
 - No increases in previous 2 years
 - CAW and COPE substantially complete
 - Retroactive to April 1, 2012
 - Expires March 31, 2014
3. Preliminary 2013 property assessments:
 - Average property assessment values down 2%
 - Occurrences up 1%



2013/14 Budget

Comparison to Previous Budget Presented

	Dec 2012 Budget 2013/14	Feb 2013 Budget 2013/14	Increase / (Decrease)	Explanation
<i>(figures in thousands)</i>				
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February 2013 Budget is consistent with the fare and funding strategy presented at the December 2012 meeting.



Transit-Related Property Taxes

Background:

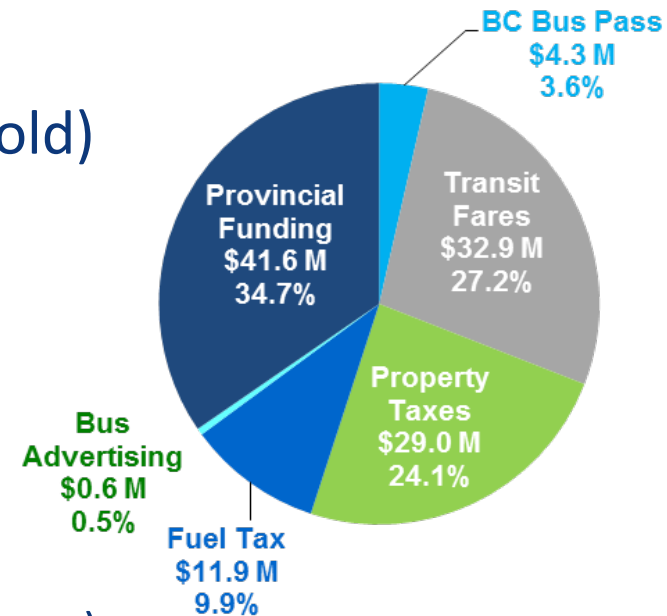
- Property tax per household (average \$120.50) held flat at same rate last 2 years
- Business multiplier reduced from 5.00 to 4.85 in 2012 due to increase in business assessments in 2012
- Preliminary 2013 tax assessments show:
 - » Average property values down 2%
 - » Number of occurrences up 1%



2013/14 Funding Strategy

Local funding sources discussed at the December 4, 2012 Commission meeting:

- Fare Increase (\$500,000)
- Property Taxes (\$10 per residential household)
- Recognizes:
 - Assessment values are down
 - No increase in tax rates last year (held flat for 2 years)
 - Reduction in business multiplier
- Funding Provides:
 - » Protection of base transit service (inflationary costs)
 - » Coverage of labour contract settlements
 - » Expansion of service



Recommendation

- It is recommended that the Commission approve:
 - » 1) Total 2013/14 expenditure budget of \$112.3M and
 - » 2) Taxation regulation attached as Appendix A detailing the taxation rates into 2013/14.

