

To: Mayor and Council
From: Paul Gipps, CAO

Meeting Date: November 5, 2024
Meeting Type: Regular Council Meeting

Prepared by: Trevor James, CFO, Director of Finance & Administration
Department: Finance & Administration

Title: 2025-2029 Financial Plan Preview
Description: Preview of the 2025-2029 Financial Plan including process and public engagement plan

PURPOSE

To provide an initial high level preview of the 2025-2029 Financial Plan. Staff works on the budget process throughout the year, with the formal process beginning in July. The detailed budget package is provided to Council ahead of the December 3, 2024 Council meeting for potential first reading. This is a preview for Council to provide direction and input if they so choose but is primarily for information only at this point in the process.

EXECUTIVE SUMMARY

Staff are preparing the draft 2025 – 2029 Financial Plan to present to Council on December 3, 2024 for first reading. The District continues to face cost pressures in areas such as policing, transit and road maintenance contracts, construction prices (and as a result pressure on capital reserves), materials & supplies, and also remaining competitive with staff wages & benefits. While inflationary pressures are not as extreme as in the preceding 2-3 years, we are still facing rising costs and trying to catch up to the cost increases we have already experienced. While we are facing the previously mentioned rising costs, staff are extremely conscious of the larger than usual tax increases in recent years and as such are looking to find a reasonable balance between meeting the District's financial needs but also not applying too much pressure on the taxpayers while remaining in alignment with Council vision. We will be aiming to achieve relatively smooth and stable tax increases in the upcoming years to achieve this with targeted increases on the municipal portion of taxes (municipal, policing and fire) of **5.5% - 6.5%** for the next several years.

DISCUSSION/ANALYSIS

RCMP

The current authorized strength of our RCMP is 20. In order to move to the target of 24, and take on the budgeted RCMP operating increases per the contract over the next 5 years, there are almost \$2m in annual additional costs by 2029. The majority of this is frontloaded (in line with the plan previously presented in prior budget years) to reflect adding the additional members in the first 3 of the 5 years, as such matching the increase to the corresponding year would result in larger tax increases in the first 3 years. To stabilize the tax rate, staff will propose smoothing those amounts over the course of 5 years.

The shift to an over 15,000 Population Municipality where the District is now responsible for 90% of RCMP costs (70% prior to crossing over 15,000 mark in the 2021 Census) combined with adding required additional members on top of rising costs has resulted in policing costs more than doubling between 2020 and 2025. It should be noted however that the average cost per capita for municipalities with populations over 15,000 was \$284 in 2022 ([B.C. Police Resources 2022](#)) meaning the District's costs are now closer in line to average in this regard.

	2020	2021	2022	2023	2024	2025	2026
Per Capita	\$ 140	\$ 164	\$ 173	\$ 238	\$ 261	\$ 293	\$ 310
Per Household	\$ 371	\$ 436	\$ 456	\$ 626	\$ 684	\$ 763	\$ 799
Percentage of tax bill	17%	19%	18%	21%	21%	21%	21%

Inflation

Inflation is considered in many aspects of the Financial Plan. It should be noted however that staff does not “blanket” apply inflation to accounts, staff goes line by line through the budget and attempts to project actual costs based on its best information at the time, inflation just being one of the factors considered. The Consumer Price Index (CPI) is a widely used measure of general inflation in the economy and CPI forecasts can provide an indication of general inflation trends. However, CPI is based on a normal consumer basket of goods and the District’s purchases are much different than that of a regular consumer. As such, the District also considers other cost trends and forecasts.

BC CPI has far exceeded the Bank of Canada’s targeted rate of 1-3% in the years since the pandemic with CPI coming in between 3-7% for much of that time. Regular CPI has returned closer to regular levels, with the latest 12-month average index in BC coming in at 2.8% in September ([Consumer Price Index](#)). However, inflation in certain areas still sits higher (shelter related costs sit at 6.4% and service prices at 4.7%).

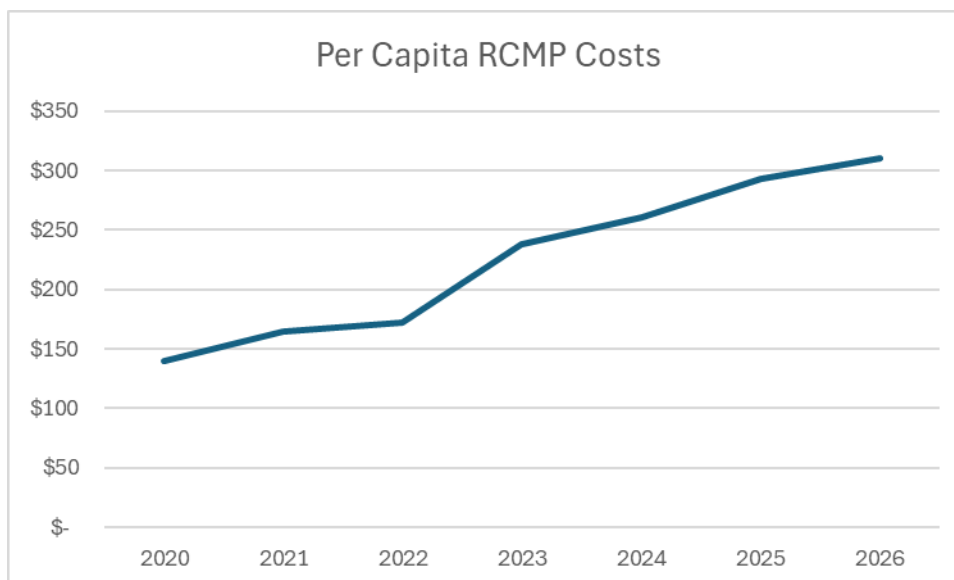
([B.C. Economic Briefing for September 20: MLS®, Housing Starts, CPI, Manufacturing Sales, Retail Sales - Central 1 Credit Union](#))

Salaries and benefits make up a large component of the District’s operating budget and are driven by collective agreement patterns regionally and nationally in addition to certain compensation-related items such as increases to WorkSafe BC costs, employer health tax and extended health and dental benefits.

Infrastructure Funding

The Residential Building Construction Price index has increased 61.9% and the Non-Residential Building Construction Price Index has increased 35.0% between the beginning of 2020 to mid 2024.

	2020	2021	2022	2023
Residential Building Construction Price Index	6.4%	21.9%	15.4%	6.0%
Non-Residential Building Construction Index	1.2%	11.4%	11.1%	5.4%



The District continues to feel the impact of the significantly higher costs of construction when it comes to all our infrastructure projects. A portion of this year's tax increase will be to address infrastructure funding.

Additional Staffing

Some additional staff positions will be proposed in the budget. However, the majority of the costs of these additional positions will be funded from a mix of existing budgets, additional grant/capital revenue and expected savings and efficiencies.

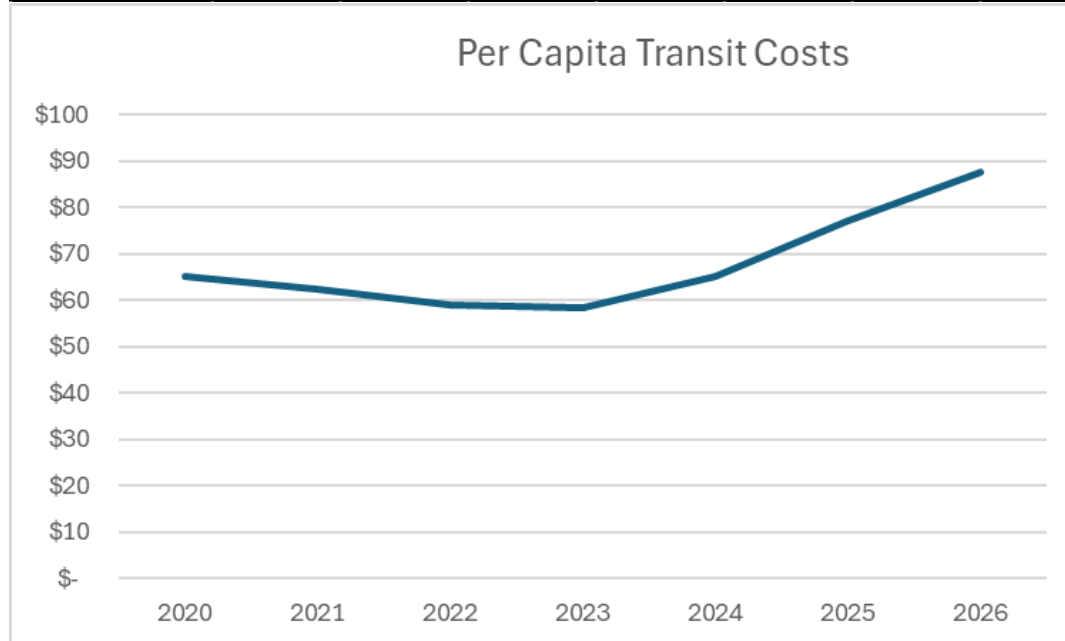
25-Year Fire Department Asset Management Plan

A 25-Year Fire Department Asset Management Plan was adopted by Council in 2023 in order to address certain funding gaps in the Fire Department's capital assets and equipment. The funding strategy chosen by Council was to phase in the cost impacts which a portion of this will be seen in the 2025 budget.

Transit

Our Transit contract continues to experience significant cost pressures both regarding operating costs as well as planning for major capital projects.

	2020	2021	2022	2023	2024	2025	2026
Per Capita	\$ 65	\$ 62	\$ 59	\$ 58	\$ 65	\$ 77	\$ 88
Per Household	\$ 172	\$ 165	\$ 156	\$ 153	\$ 170	\$ 201	\$ 226



Non-Market Change/Growth

The Non-Market Change/Growth is the additional taxes the District will receive from new construction and subdivisions which will help offset some of the tax increase. BC Assessment will provide an estimate for 2025 Non-Market Change later in November which will be included in the detailed budget package at 1st reading. At this point the amount of taxes that can be offset from growth is not yet known.

Summary

Given the significant cost pressures the District is facing as outlined above, staff plans on bringing forward some options and strategies for smoothing cost increases over the next several years to avoid large peaks and valleys in tax increases, hoping to provide more stable increases to help taxpayers plan. For example, if staff were expecting a more significant cost increase in year 1 than year 2, it would be staff's preference to smooth in back to back increases of 6% in two consecutive years rather than 8% in year 1 and 4% in year 2. As such, staff will present strategies in the draft 5-year financial plan with projected municipal (municipal, policing and fire) increases of 5.5% - 6.5% over a multi-year period.

2025-2029 Capital Budget

In addition to the operating budget, the 2025-2029 Capital Budget will be presented with detailed background sheets providing information on the projects, cost and funding sources. The majority of capital projects come from existing long term master plans and funding sources are made up of existing reserves, grant funding, developer contributions and Development Cost Charges (DCCs). On the following page are the Reserve and DCC balances as at December 31, 2023. A more accurate projection of December 31, 2024 balances (opening 2025 balances) will be included in the Draft Financial Plan supporting documentation. These Reserves all have a defined purpose in Reserve Fund Policy 195, 2022 ([reserve-fund-policy-0](#)) and many relate to long term master plans. It is worth mentioning that the significant Growing Communities Fund Reserve, which was \$6,778,000 in grant money received from the Province in March 2023 has not yet been allocated (other than the 2023 interest amount was allocated to the Fire Facilities and Equipment Reserve Fund) and has a requirement to be spent within 5 years of receipt from the Province.

For the year ended December 31, 2023	Balances, End of Year
Surplus and Non-Statutory Reserves	
General fund surplus	\$ 3,214,133
Water fund surplus	1,266,977
Sewer fund surplus	485,804
General capital reserve	3,375,827
Water capital reserve	4,079,942
Sewer capital reserve	683,025
Climate action reserve	2,581,311
Community works gas tax reserve	1,034,505
Equipment acquisition and replacement reserve	624,575
Facilities reserve	1,468,720
Financial stabilization reserve	657,186
Fire facilities and equipment reserve	681,876
Future servicing works reserve	1,412,692
Future capital expenditures reserve	157,766
Information technology reserve	706,841
Road maintenance services reserve	102,423
Policing reserve	1,509,207
Solid waste reserve	964,405
Transportation infrastructure reserve	3,426,967
Transit Reserve	187,917
Septic facilities reserves	493,266
Growing communities fund reserve	6,947,746
	<u>36,063,111</u>

For the year ended December 31, 2023	Balances, End of Year
Statutory Reserves	
Access to body of water reserve	2,157
Land sale reserve	591,721
Parkland acquisition reserve	204,457
	<u>798,335</u>

	2023
Roads DCC	\$ 411,792
Drainage DCC	911,962
Park DCC	1,193,970
Water DCC	1,950,192
Sewer DCC	(1,256,811)
Parkland acquisition	82,050
	<u>\$ 3,293,155</u>

Timeline

Date	Item
November 5, 2024	2025-2029 Financial Plan Preview
November 28, 2024	Public release of Draft 2025-2029 Financial Plan
December 3, 2024	Draft 2025-2029 Financial Plan 1 st Reading
December 2024 (date TBD)	Public Engagement Open House #1
December 17, 2024	Early Approval of Certain 2025 Capital and Staffing Requests
January 2025 (date TBD)	Public Engagement Open House #2
February 2025 (date TBD)	Draft 2025-2029 Financial Plan 2 nd & 3 rd Readings
March 2025 (date TBD)	Adoption of 2025-2029 Financial Plan

FINANCIAL IMPLICATIONS

☐ None ☐ Budget Previously Approved ☒ Other (see below)

Budget will go through several months of public engagement and Council discussions prior to adoption in March 2025.

COMMUNICATION

In addition to two separate Public Engagement Open Houses to be held in December 2024 and January 2025, the District will once again be using its “Let’s Talk” Platform which will house all communications on the budget process, and provide the public to ask questions regarding the budget where District staff’s responses will be available for the public to see.

Respectfully Submitted.

Trevor James, CFO, Director of Finance & Administration

Report Approval Details

Document Title:	2025-2029 Financial Plan Preview.docx
Attachments:	
Final Approval Date:	Oct 30, 2024

This report and all of its attachments were approved and signed as outlined below:

Reyna Seabrook, Director of Corporate Services - Oct 29, 2024 - 1:21 PM

Paul Gipps, Chief Administrative Officer - Oct 30, 2024 - 8:58 AM