

To: Mayor and Council
From: Paul Gipps, CAO

Meeting Date: December 3, 2024
Meeting Type: Regular Council Meeting

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

Title: 2025-2029 Draft Financial Plan
Description: Draft Financial Plan for Council's consideration for potential 1st reading.

RECOMMENDATION

THAT the 2025-2029 Financial Plan Bylaw 1255, 2025 be read a first time.

EXECUTIVE SUMMARY

A 1% tax increase translates to approximately \$223,000 in additional revenue for the District and costs the typical (median) single-family homeowner (home assessed at approximately \$955,000) in Lake Country approximately \$26 annually in municipal, fire, and policing taxes.

*Note that in the past, staff has typically shown these figures on an average home, a \$1,000,000 home and a \$750,000 home to provide different perspectives. However, after further consideration median is a better statistical representation of typical home as it is the value separating the higher half from the lower half of a data sample. As there are a number of significantly higher priced homes on the upper end of the spectrum in the District, using average is skewed upwards and average is not the best metric for a "typical" house. Using median is also consistent with BC Assessment for what they consider typical single family homes when they provide their reports on the state of housing. For comparison sake the 2024 average single family home was \$1,085,000, a 1% tax increase translates to approximately \$30 for municipal, fire, and policing taxes. In this year's reporting the District has shown the impact on average (\$1,085,000), median (\$955,000) and \$750,000.

The 2025 Financial Plan is focused on addressing the following:

- **Tax Rate Stability** – There are significant costs particularly in policing and transit which if entirely taken on in the initial year(s) would result in significant tax rate increases in the next 1-2 years with much less significant tax increases in years 3-5 when combined with the fact that while growth is only 1.0 – 1.5% in 2025 compared to staff expecting much higher growth in future years given larger developments in process or on the horizon. A conscious effort is therefore being undertaken to use existing reserves to smooth in the impacts of these increases and stabilize tax rate increases.
- **Long-term infrastructure and asset management** – Ensuring long term sustainability and improvement of District assets and infrastructure through adequate reserve funding.
- **Keeping up with rising costs of delivering services** – While inflation is settling back down to Bank of Canada target levels, we are still trying to catch up to the impact of costs of providing services and construction which have been much higher than even the elevated consumer inflation numbers.

The draft 2025-2029 Financial Plan is being proposed with a 6.45% tax increase on municipal, policing and fire rates, which translates to approximately \$170 annually or \$14 monthly on the typical single-family home. Please note that this is only relating to the municipal controlled areas of property taxes. Property taxes collected on behalf of other governments (regional District, hospital, library, school etc.) represent approximately 35-40% of each property's total tax bill.

Note that the recently purchased 8.44 acre lot with two buildings at 9718 Bottom Wood Lake Road purchased for \$9.1 million was entirely funded with grant funds (Growing Communities Fund) and reserve funds and has had no impact on the 2025 proposed tax increase.

Proposed Timeline:

December 3, 2024	5 Year Financial Plan 1 st Reading, detailed review of the 2025 Budget and 2025 Capital Plan
December 17, 2024	Early Approval Requests
January & February 2025	Open House sessions for the community to attend, ask questions and provide comments.
December 2024 – February 2025	Public Input Opportunities
February 18, 2025	Summary of Public Input for Council’s consideration and 2 nd & 3 rd Readings of 5 Year Financial Plan as amended
March 2025	Adoption of the 5 Year Financial Plan

DISCUSSION/ANALYSIS

Included in the Draft Financial Plan is \$1.676 million in changes from 2024 to 2025 in general taxation, partially offset by \$223,000 in anticipated growth for a total potential required property tax increase of \$1,453,000 or 6.45%. This is made up of the following:

Base Increase to Account for Inflationary, Contractual, and Wage Rate Increases - \$594,000

The base increase is as a result of inflationary, contractual and wage rate increases. The latest 12-month average % change for B.C. CPI is 2.7% (source: Statistics Canada) which impacts numerous accounts such as materials & supplies, insurance, utilities etc. The District has a Collective Agreement in place with set increases for its unionized staff and makes cost of living adjustments for its exempt staff based on a number of factors to ensure competitiveness in recruitment and staff retention. Included in this amount is also \$20,000 related to the RCMP shared services agreement with the City of Kelowna. Please see individual department breakdowns for additional details on these increases.

Later in the report, in the Capital Budget section, each Capital Budget Request sheet has a section titled “Annual Costs” where, if applicable, a breakdown of the future additional labour, contracted services, materials & supplies, and renewal costs are outlined. While some of these costs don’t materialize as a one for one into the following budget (for example labour costs might be \$20,000 annual but if that represents ¼ of an FTE we wouldn’t directly hire an FTE for that but it would be considered with other factors and projects when it comes time to potentially add an FTE), in many cases the additional contracted services or materials & supplies that come with adding a new capital asset or project are added to the operating budget in the year after those projects are completed. These costs would be captured within this base increase.

Infrastructure Funding - \$160,000

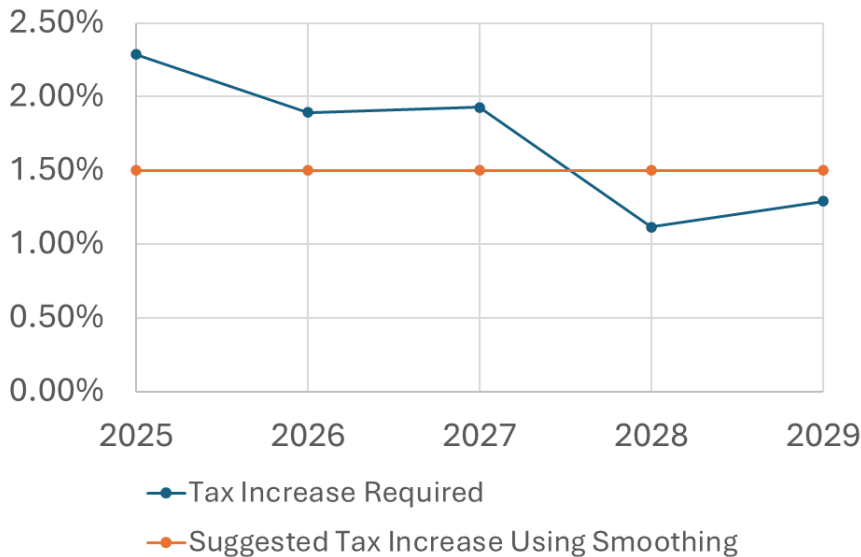
The District continues to feel the impact of increasing costs when it comes to construction, labour, materials, infrastructure etc. Statistics Canada has shown that Residential Building Construction Price Index has increased 61.9% from the beginning of 2020 to mid 2024 and Non-Residential Building Construction Price Index has increased 35.0% during that same period. This infrastructure funding increase represents attempting to keep pace with some of the rising costs felt in our long term master plans. This includes \$65,000 of additional road reserve funding to support the Mobility Improvement Program.

Increase to Support RCMP - \$330,000

The District continues to face significant cost increases in its RCMP contract both from additional members as well as increasing contractual costs. Latest projections from cost escalations as well as the move from 20 to 24

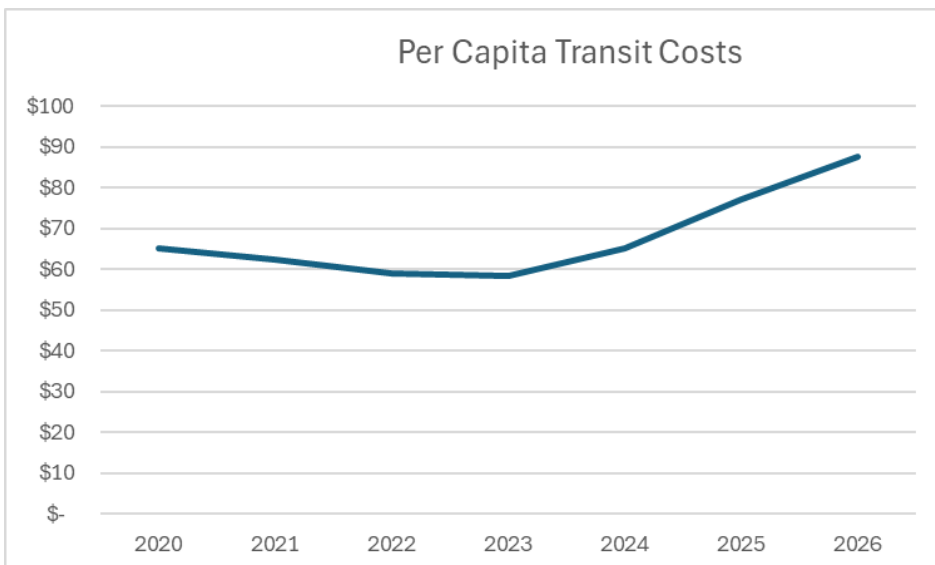
authorized members shows almost \$2 million of additional annual costs by 2029. Given that Council’s most recent member authorization plan has the strength going from 20 to 24 by 2027, the bulk of the cost increase would be felt in the first 2-3 years. As such staff is proposing smoothing the impact over the 5 year plan, building 1.5% tax increases in annually rather than 2+% increases in the first 3 years and under 1.5% increases in the last 2. While doing so would result in less tax revenue given the impact of foregoing the stacking effect of higher increases earlier, the established policing reserve is being proposed to be used to offset this impact.

RCMP Contract Related Tax Increases



Transit Increase - \$202,000

The cost of transit services have increased significantly in the last few years primarily due to wage increases, fuel increases and large increases in capital renewal. In prior years have managed to smooth in the increases using COVID grant money during years where revenues were lost and have built a transit reserve to handle fluctuations in costs. The reserve is currently projected to be at approximately \$163,000 at the end of 2024, with a maximum recommended balance of \$100,000 per the reserve policy as such \$50,000 has been built into this draft budget to smooth in cost increase. Below is the per capita transit costs from 2020 to 2026:



Increase to Fire Equipment Reserve - \$110,000

During 2023 Council adopted the 25-Year Fire Department Asset Management Plan. This plan identified significant long term savings through changes in fleet composition, however even with the revised plan there was a funding deficit given the significant cost increases in firefighting equipment and vehicles. The nature of Fire Department spending is that there can be several years of minimal spending but with large spikes when it comes to major items such as ladder trucks. To avoid large spikes in taxation (raising taxes in one year to fund a ladder truck for example but then dropping down the following year), the funding plan is spread out over 25 years. Due to the timing it is fully expected that there would be periods where the reserve would dip into a negative balance, to be borrowing internally from the District's other reserves.

In 2024 deliberations, Council settled on funding the plan as follows:

- \$75,000 annual increase in 2024 + using interest earned during 2023 from the Growing Communities Fund to fund a portion of 2024 fire capital projects
- 0.5% annual increase in 2025
- Inflationary/cost adjustment increases going forward

As such built into this draft budget is a \$110,000 annual increase to the fire facilities & equipment reserve representing approximately 0.5%.

Taxation Portion of Additional Full Time Equivalent (FTE) Employees - \$280,000

During 2024 a comprehensive review of all departments was undertaken looking for operational efficiencies, how to improve processes and how to set the District up for success in the future. There was a focus on eliminating the planning & development file backlog, setting the organization up to efficiently handle files, and to shift so that strategic work could be done in all departments to be forward looking while also being able to handle the day to day operations and most of all provide the best value for taxpayer money. Certain positions were identified which while they have a taxpayer component, in a lot of cases create more opportunity for grant funding for the organization, more efficient project delivery, and the ability to remove bottlenecks in processes which means capitalizing on potential fee revenue.

Included in the draft budget are 7 FTEs. A significant portion of the new wages are being funded from a combination of existing budgets, capital funding (including DCCs), grant funding and efficiencies. The remaining tax funded amount is \$280,000.

Short of significant service level changes, staff believes that the organization is well positioned with these additional positions to set the District up well over the next 5 years to achieve its goals and deliver on Council's strategic priorities with only minor potential adjustments needed related to growth.

Non-Market Change (Growth) - \$223,000

There are additional taxes received from new assessment growth in the community, also called non-market change. Non-market change is the term applied to all change in assessment in the District that is not related to market increases. Almost all the non-market change in the District is related to new inventory being added to the roll including new properties (as a result of subdivisions) and the construction of new homes and commercial buildings (a result of building permits issued).

The latest estimation from BC assessment is 1.49% of non-market change or growth for the 2025 roll. This typically drops by a fraction of a percentage after all appeals are included on the revised roll. Additionally, a supplemental from BC Assessment mid year in 2024 resulted in our 2024 Non-Market Change being overstated by approximately 0.45%. As such only 1.00% growth has been included to partially offset the additional tax revenue requirements. There is a lagging effect between when projects start and when they are reflected in the growth amount, given the scale of some of the projects that are expected in upcoming years and some that are in stream, staff expects higher growth figures in coming years.

These funds have been used for the last few years to offset the costs of maintaining and providing new services related to growth and the recommendation is the same in 2024.

Overall Property Tax Increase

- Total Property Tax Increase - \$1,676,000
- Tax Increase Annual Approximate Impact on Typical Single-Family Home: \$170
- Tax Increase Monthly Approximate Impact on Typical Single-Family Home: \$14
- % Tax Increase – 6.45%

2025 Capital Plan

Council has been provided with a 5 Year Capital Plan contained in the 2025 Financial Plan document. There are 38 projects and equipment requests identified for 2025 totaling \$15,266,000 (note that draft bylaw shows capital expenditures of \$13,756,000, difference is due to certain projects included in capital budget would be considered operating projects and not capital expenditures such as the Official Community Plan update, Lake Country Business Park Area Structure Plan etc.). Detailed capital project sheets have been included for all the capital projects included in the 2025 Capital Plan. Council can debate the projects being proposed and approve, remove, or change the year of any of the projects. It is important to note that capital funding is “one time” funding and cannot be used to offset any “ongoing” requirements such as tax increases.

One change from prior year Financial Plan Bylaws to note, previously, capital projects for years 2-5 of the plan were included in the 5 Year Capital Plan but not actually added to the years 2-5 columns of the Financial Plan bylaw. This was due to the fact that typically these years have some major projects with a lot of uncertainty, whether they are grant dependent, would rely on debt financing which is uncertain without electoral approval, developer contributions etc. This however made comparing the capital expenditures line and the corresponding reserve transfers and DCC transfers difficult. As such, capital expenditures and their related funding sources have been included in this year’s 5 Year Financial Plan bylaw, with the caveat that large projects which are grant, debt, unfunded etc. have been excluded to not skew the comparatives. As such the totals at the bottom of the 5 year Capital Plan compared to what is in the actual draft bylaw are as follows:

	2025	2026	2027	2028	2029
Per Capital Plan	\$15,266,000	\$24,963,000	\$97,416,000	\$55,088,281	\$65,399,000
Removed (unfunded, relies on debt, uncertain grant dependent etc.)	-	(\$3,000,000)	(\$83,600,000)	(\$38,240,431)	(\$50,000,000)
Capital Expenditures Per Draft 2025-2029 Financial Plan Bylaw	\$15,266,000	\$21,963,000	\$13,816,000	\$16,847,850	\$15,399,000

If Council chooses to remove a capital project, a resolution is required to reallocate the funding.

APPLICABLE LEGISLATION, BYLAWS AND POLICY

The 2025-2029 Financial Plan incorporates all relevant District policies. These policies include the Reserve Fund Policy, Council Remuneration & Expenses Policy as well as other policies relating to expenses.

Section 165 of the Community Charter sets out the requirements for a financial plan and section 166 states that public consultation must occur prior to the adoption of the financial plan. Adoption of the financial plan must occur prior to the adoption of the tax rates bylaw and prior to May 15 each year.

The legislative requirements of producing a financial plan bylaw include identifying the proportion of total revenue associated with each revenue source type, the distribution of taxes amongst the property classes, use of permissive tax exemptions and separating transfers from revenues and expenses.

Local governments are required to produce a balanced budget annually that ensures no deficit or surplus is created. Section 165 (5) of the Community Charter states:

(5) The total of the proposed expenditures and transfers to other funds for a year must not exceed the total of the proposed funding sources and transfers from other funds for the year.

In order to balance the budget for each of the five years of the plan, adjustments are made to the transfers to or from reserves.

Draft Bylaw 1255, 2025 (Attached) contains all the information required in a financial plan bylaw as per legislation.

FINANCIAL IMPLICATIONS

None Budget Previously Approved Other (see below)

The Financial Plan establishes all financial activity for the District for the full year.

COMMUNICATION

2025 Budget Communication and Engagement Plan:

With the implementation of all municipal budgets, the need for community engagement and input is a vital part of the process. Council must be provided with opportunities for meaningful dialogue with constituents prior to finalizing the budget.

The following is a framework of how the 2025 budget will be delivered to the community:

Date	Topic	Communication Channel	Platform
December 2024	2025 Budget and Five-Year Financial Plan <ul style="list-style-type: none"> Information on budget process as it evolves Documents, links and timelines related to the budget Space to leave a comment or ask questions and have it responded to by staff	Let's Talk- Lake Country	Website
November 29, 2024 Date corresponds with publication of the agenda.	Let's Talk-Lake Country 2025 Draft Budget	Online engagement platform	Let's Talk – Lake Country Website
December 3, 2024	Council meeting for 1 st Reading	In person & video	Live via Teams Recording available for future viewing Shaw TV
December 4, 2024	Outcomes of the December 19th Council meeting to review the draft budget	Article	Website Email subscribers Let's Talk – Lake Country

December 2024, January 2025	Submit questions & comments about the budget	Lake Country Calendar	Local weekly newspaper
January & February 2025	Open House sessions for the public to provide questions & comments in person about the budget	In person	In person

ALTERNATE RECOMMENDATION(S)

- A. THAT the 2025-2029 Financial Plan Bylaw 1255, 2025 be read a first time. (Recommendation)
- B. THAT the 2025-2029 Financial Plan Bylaw 1255, 2025 be amended as outlined by Council;
AND THAT the 2025-2029 Financial Plan Bylaw 1255, 2025 be read a first time as amended;
- C. THAT the 2025-2029 Financial Plan Bylaw 1255, 2025 be referred back to staff.

Respectfully Submitted.

Trevor James, CFO, Director of Finance & Administration

Report Approval Details

Document Title:	2025-2029 Draft Financial Plan.docx
Attachments:	- 2025-2029 Financial Plan Bylaw 1255, 2025 1st Reading.docx - 2025-2029 Draft Financial Plan - 1st Reading.pdf
Final Approval Date:	Nov 29, 2024

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

Reyna Seabrook, Director of Corporate Services - Nov 29, 2024 - 10:23 AM

Paul Gipps, Chief Administrative Officer - Nov 29, 2024 - 10:54 AM