



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 1700-01

From: Director of Financial Services

Date: Nov 26-27, 2025

Subject: 2026-2030 Financial Plan Committee of the Whole Report

PURPOSE:

To seek direction through the Committee of the Whole on the preparation of the 2026 – 2030 Five Year Financial Plan for Council's consideration.

BACKGROUND:

Consideration and approval of a five-year financial plan is an annual requirement under the *Community Charter* and must be adopted prior to May 15. Direction received at the Financial Planning Committee of the Whole meetings will be incorporated into a five-year Financial Plan bylaw for Council's consideration in 2026.

At the February 5th continuation of the January 29th regular council meeting Council passed the following motion giving guidance to staff on the 2026-2030 Financial Plan.

Moved By McCollum

Seconded By Morin

WHEREAS, Council is committed to exploring options to lower annual tax change; and

WHEREAS, Council desires to explore various strategies to achieve this objective, including revenue diversification, capital project prioritization, operational efficiency, and reserve fund management; and

WHEREAS, Council commits to reviewing its own strategic priorities to ensure alignment with community needs and fiscal responsibility;

THEREFORE, BE IT RESOLVED THAT staff be directed to undertake the following actions, in developing the 2026-2030 Financial Plan with the objective of lowering annual tax rates:

- Explore all revenue options.
- Review and prioritize the capital plan.
- Identify operational efficiencies.
- Develop a financial reserves and surplus policy.
- Explore other options.

DISCUSSION:

The preparation of the 2026-2030 Financial Plan is based on the existing 2025-2029 Financial Plan Bylaw as adopted by Council as it provides the big picture framework of spending authorization as well as direction provided by Council during the adoption of the financial plan in 2025. Staff adjusted the 2026-2030 Plan with known cost changes, updated information that continues to align with Council strategic priorities and prior year financial directions. The Financial Plan maintains existing service levels and identifies areas of service level change through growth or resident needs as well as adjustments to be considered in accordance with Council direction in 2025. The attached presentation provides an overview of the background direction, budget drivers, service response which forms the basis of the draft financial plan.

POLICY ANALYSIS:

Section 165 of the *Community Charter* requires a municipality to have a five-year financial plan adopted annually prior to May 15 each year.

FINANCIAL IMPLICATIONS:

Staff is seeking direction from the Committee of the Whole in the following areas that will inform the preparation of the 2026-2030 Financial Plan Bylaw.

Property Taxation

Municipalities must adopt a balanced financial plan. The main source of revenue for municipalities is property taxation as it represents 46% of total revenue in 2026. Utility charges represent 27% of total revenue however staff is not seeking direction on utility rates as Council adopted multi-year rate bylaws in 2025. The 2025-2029 Financial Plan included a 13.4% tax increase in 2026 however through preparation of the 2026-2030 Financial Plan this change has been reduced to 12.0% through various changes to operations and capital plans.

As in prior years, staff have provided tax change scenarios that utilize differing amounts of prior years' surplus to adjust the desired taxation change.

As current year taxation is changed, it has a direct impact on the taxation required to balance the 2027 year of the financial plan unless spending and service levels are changed in the future years. The approach to surplus utilization was considered during the preparation of the 2025-2029 as the City was faced with a growing surplus. To provide surplus guidance the approach to keep 20% of operating and tax funded capital spending in surplus as a safeguard against unforeseen disruptions to future cashflow was taken.

This 20% margin represents about 10.4 weeks or 2.4 months of cash on hand. The estimated balance of the accumulated surplus at the end of 2025 exceeds the 20% threshold by \$1,094,000, thus the basis for the 12.0% tax change scenario. Any utilization of surplus in excess of \$1,094,000 would see the City drop below the 20% cash on hand surplus threshold.

In considering these tax scenarios, Financial services staff have discussed this percentage of cash on hand and surplus utilization and recognize that this is an ideal threshold and that change could be considered reasonable to adjust the target to 8 weeks or 2 months (approximately 17%) of cash on hand.

Tax Change Scenarios

	2026	2027	2028	2029	2030
Total Tax Revenue	\$ 42,729,966	\$ 47,671,600	\$ 51,982,900	\$ 53,787,100	\$ 55,574,200
Annual \$ Change	\$ 5,661,966	\$ 4,941,634	\$ 4,311,300	\$ 1,804,200	\$ 1,787,100
Total Tax Revenue	\$ 41,913,966	\$ 47,671,600	\$ 51,982,900	\$ 53,787,100	\$ 55,574,200
Annual \$ Change	\$ 4,845,966	\$ 5,757,634	\$ 4,311,300	\$ 1,804,200	\$ 1,787,100
Annual % Change	12.0%	13.7%	9.0%	3.5%	3.3%
Additional surplus utilized	\$ 1,094,000	\$ -	\$ -	\$ -	\$ -
Total Tax Revenue	\$ 40,804,120	\$ 47,671,600	\$ 51,982,900	\$ 53,787,100	\$ 55,574,200
Annual \$ Change	\$ 3,736,120	\$ 6,867,480	\$ 4,311,300	\$ 1,804,200	\$ 1,787,100
Annual % Change	9.0%	16.8%	9.0%	3.5%	3.3%
Additional surplus utilized	\$ 2,203,846	\$ -	\$ -	\$ -	\$ -
Total Tax Revenue	\$ 40,433,440	\$ 47,671,600	\$ 51,982,900	\$ 53,787,100	\$ 55,574,200
Annual \$ Change	\$ 3,365,440	\$ 7,238,160	\$ 4,311,300	\$ 1,804,200	\$ 1,787,100
Annual % Change	8.0%	17.9%	9.0%	3.5%	3.3%
Additional surplus utilized	\$ 2,574,526	\$ -	\$ -	\$ -	\$ -
Total Tax Revenue	\$ 40,062,760	\$ 47,671,600	\$ 51,982,900	\$ 53,787,100	\$ 55,574,200
Annual \$ Change	\$ 2,994,760	\$ 7,608,840	\$ 4,311,300	\$ 1,804,200	\$ 1,787,100
Annual % Change	7.0%	19.0%	9.0%	3.5%	3.3%
Additional surplus utilized	\$ 2,945,206	\$ -	\$ -	\$ -	\$ -
Total Tax Revenue	\$ 39,692,080	\$ 47,671,600	\$ 51,982,900	\$ 53,787,100	\$ 55,574,200
Annual \$ Change	\$ 2,624,080	\$ 7,979,520	\$ 4,311,300	\$ 1,804,200	\$ 1,787,100
Annual % Change	6.0%	20.1%	9.0%	3.5%	3.3%
Additional surplus utilized	\$ 3,315,886	\$ -	\$ -	\$ -	\$ -

Staff is seeking direction on what tax change scenario the Committee of the Whole would like to see in the preparation of the 2026-2030 Financial Plan bylaw. Any change to operating, capital or special projects that impact tax funded services would have a direct impact on the tax change scenarios.

Operating Plan

The Operating Plan includes the day-to-day operating revenue and expenses of the City. The 2026 Operating portion of the financial plan identifies \$79.2M in spending and \$80.8M in revenue (excludes provision for 2026-2030 taxation change). *Appendix 1 - 2026-2030 Financial Plan Detail* contains revenue and expense detail by department. Note that special projects are shown in their respective departments in the operating plan.

Staff is seeking endorsement of the operating plan as proposed for the preparation of the 2026-2030 Financial Plan bylaw.

Capital Plan

The capital plan as presented sees \$43 million in spending in 2026 and a total of \$181 million over the 5-year period. Major projects include the East Side Firehall, 6th St Bridge, Lake Trail MUP, Memorial Pool, Braidwood Rd complete street, South Courtenay Sewer, Enterprise Resource Planning (ERP) software. The capital plan is funded through a multitude of sources including taxation, reserves, grants, debt and

community/developer contributions. Detail on the capital plan projects and funding can be found in *Appendix 2 - 2026-2030 Capital Plan*.

The capital plan includes Council direction from the November 5th and 19th 2025 Council meeting which includes:

- Zero-Emission Vehicle Fleet Transition
- Corporate Facilities Energy Management Plan
- McPhee Meadows Phase 2 (initially removed from the plan due to construction constraints)
- Courtenay and District Memorial Pool

Due to the variability in capital project funding if it is a goal of the Committee of the Whole to reduce current or future year taxation through elimination or deferral of capital projects, the identification of funding sources must be considered to achieve the desired taxation change.

Appendix 4 - Capital Project Binder includes additional details on every capital project found within the 2026-2030 Financial Plan.

Although staff works diligently to provide a capital plan that meets the needs of maintaining and expanding City assets, there are many projects that although important they just do not make the capital plan. *Appendix 5 - 2026-2030 Unfunded Proposed Capital Projects* is a new approach to short listing projects that did not make the capital plan.

The Road Surface Reactive Repair (RSRR) program that was intended to be funded through SIIP did not make the plan as the Asset Management Reserve funded through SIIP does not have adequate funds to fully provide for this program. For 2026 the City has budgeted \$1.4M towards paving however the RSRR program is intended for reactive repairs (unplanned) that exceed the normal roads operating repair budget.

In 2025 Council adopted the Integrated Rainwater Management Plan (IRMP) which identified substantial investment in the Storm water system. Historically there has been limited investment in the Storm system when compared to the Sewer and Water utilities, this is due to a multitude of reasons however a main contributing factor is Storm projects compete with all other General Fund capital projects while Sewer and Water utilities have their own dedicated funding. Several of the projects identified in the IRMP are set to be included in the new Development Cost Charge bylaw. Staff have not included the Storm projects in the 2026-2030 Capital as the intention is to create a consistent funding source for Storm projects that will be matched with anticipated DCC revenue to provide for more substantial ongoing funding towards Storm projects. Staff wanted to highlight the value of Storm projects over 5 years is \$13.3M that has not yet made it into the capital plan.

Staff is seeking endorsement of the capital plan as proposed for the preparation of the 2026-2030 Financial Plan bylaw.

Special Projects

Special projects are specific items that are not part of the City's regular everyday work however they do not create a capital asset thus they cannot be included in the capital plan. The approach to funding special projects has continued from the prior years' using surplus as the main funding source. There are some projects that are funded from reserve, grants or specific transfers however the majority 75.3% are funded

through surplus. Detail on individual special projects can be found in *Appendix 3 - 2026-2030 Special Projects*.

Staff is seeking endorsement of the special project plan as proposed for the preparation of the 2026-2030 Financial Plan bylaw.

ADMINISTRATIVE IMPLICATIONS:

Upon receipt of Committee of the Whole direction staff will work on the following items:

- Preparation of a 2026-2030 Five Year Financial Plan bylaw
- Public Engagement through the City’s online budget engagement platform Balancing Act, similar to prior years
- Return with specific information if requested from the Committee of the Whole

Once Council adopts the 2026-2030 Five Year Financial Plan bylaw staff will prepare the annual tax rate bylaw with revised roll information received in April from BC Assessment along with information regarding other taxing authorities. Once this information has been collected an amended Financial Plan bylaw and Tax Rate bylaw will be brought before Council for consideration in late April, to meet the May 15th statutory adoption deadline.

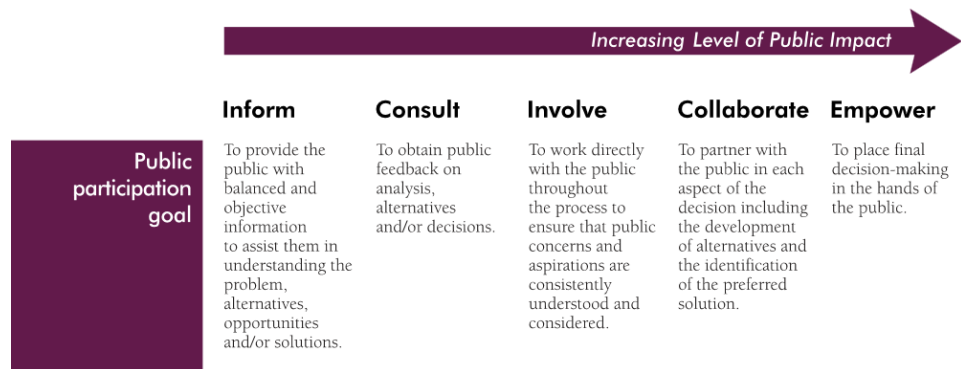
STRATEGIC PRIORITIES REFERENCE:

This initiative addresses the following cardinal directions:

- COURTENAY WILL BE RESPONSIBLE FOR THE FUTURE by being more thoughtful, strategic, and efficient in all resources that we use whether it be land, energy, or public infrastructure, to ensure that actions deliver on multiple goals of fiscal responsibility, economic resilience, social equity, and ecological health.

PUBLIC ENGAGEMENT:

Staff would consult the public based on the IAP2 Spectrum of Public Participation:



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OPTIONS:

1. THAT the Committee of the Whole provide direction on 2026-2030 Property taxation change scenarios;

THAT the Committee of the Whole endorse the 2026-2030 Operating plan as presented;

THAT the Committee of the Whole endorse the 2026-2030 Capital plan as presented;

THAT the Committee of the Whole endorse the 2026-2030 Financial plan as presented;

THAT the Committee of the Whole direct staff to prepare the 2026-2030 Financial Plan bylaw for Council's consideration in 2026.

2. THAT Council provide alternative direction to staff on the preparation of the 2026-2030 Financial Plan.

ATTACHMENTS:

2026-2030 Financial Plan Presentation November 26,27, 2025

Appendix 1 - 2026-2030 Financial Plan Detail

Appendix 2 - 2026-2030 Capital Plan

Appendix 3 - 2026-2030 Special Projects

Appendix 4 - Capital Project Binder

Appendix 5 - 2026-2030 Unfunded Proposed Capital Projects

Prepared by: Adam Langenmaier, BBA, CPA, CA Director of Finance

Concurrence: Geoff Garbutt, M.Pl., MCIP, RPP, City Manager (CAO)