



The Corporation of the City of Courtenay

Staff Report

To: Council
From: Adam Langenmaier – Director of Finance
Subject: Budget Development and Spending Priorities

File No.: 1700-20
Date: February 28, 2024

PURPOSE:

To provide Council with information from the online budget engagement that ran October 23 to November 22 2023, and to provide information on a proposal to guide the next 3-years of budget engagement.

BACKGROUND:

During the 2023-2027 Financial Planning process, engagement was limited due to the timing of the financial plan presentation and the municipal elections. Through the 2023 process Council recognized the limitations and, consistent with the City's strategic priorities, provided feedback that taking steps to broadly engage the community on the financial plan was a critical. For the 2024 Financial Plan the City has moved the engagement process online through a budget engagement tool called Balancing Act. Residents are presented with many options on revenue and services of the City that they can choose to increase or decrease. Respondents must provide a balanced budget they simply cannot reduce all taxes and increase all services.

Along with the shift to online budget engagement, staff are presenting a plan to try and build more interest in the budgeting process. In keeping with Council's desire to engage broadly with the community, the attached plan will increase input opportunities with respect to the annual and five-year financial plan which is guided by the City's adopted strategic priorities and continues to deliver essential services to properties and residents in Courtenay.

DISCUSSION:

Simulation Design

The budget simulation was designed around the 2023 Financial Plan. This includes both revenue and expenditures for the General and Utility Funds. Additionally, specific proposals were placed before residents to consider:

- Should the City increase Recreation Fees to pay for Recreation Services?
- Should the City increase Building Permit Fees to offset review and issuing costs?
- Should the City hire additional Bylaw Officers?
- Should the City save money for future capital projects and Reduce Reliance on Debt?

Budgets were grouped by functional area (i.e. Public Safety, Recreation) and respondents could increase or decrease revenue and expenditure allocations at the department level. Prior to submitting their budget, they needed to balance the budget (revenue greater or equal to expenditures).

Link to the 2024 Financial Plan simulation:

<https://courtenay.abalancingact.com/FP2024?preview=691d9dbcb60ec49709fbfba24fd8035>

Results

The engagement efforts for the 2024 Financial Plan were somewhat successful and substantially improved participation over prior years. As noted in the engagement analytics below, the budget simulation garnered a total of 842 unique viewings, averaging over 6 minutes per engagement. This equates to a total of 85 hours of budget engagement and exploration of revenue and expenditures scenarios.

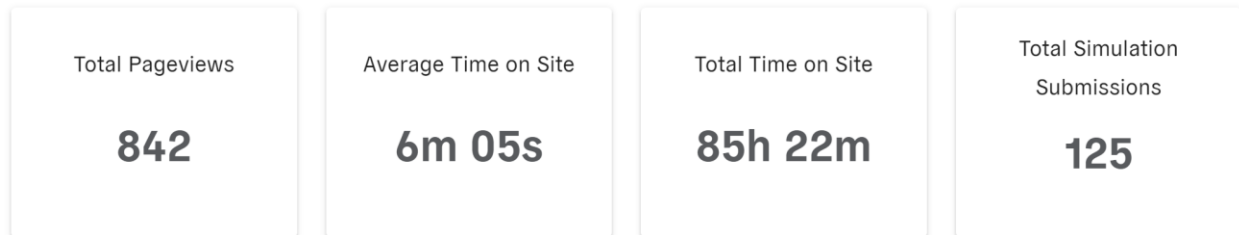


Figure 1: Simulation viewing statistics.

A total of 125 individuals submitted their budget for the City to learn about their preferences and comments on the 2024 Financial Plan. Although 125 submissions seems like a low figure, we must consider how much interest was generated by the prior year's budget engagement. An additional benefit that to this approach was the active engagement through the balance budget tool as opposed to previous passive engagement. Attending and listening to a budget presentation in person is not active engagement as there is limited ability to provide feedback. Historically budget presentations have not been well attended, with only a handful of people attending. If there were 10 attendees this would have resulted in 20 hours of engagement assuming a 2-hour presentation. Online budget engagement provided 85 hours of active engagement where residents had the opportunity to provide direct feedback moving the engagement from an informative approach to a more engaging approach.

Below is a link to the results of these submission in a budget visualization report:

<https://app.powerbi.com/view?r=eyJrIjoiNDQxNWY5NzltMTkwOS00MzlhLWFjNDItYjg3MzMyZTJIN2EylwiwIDCI6IjRjOTc4NDhkLWZiZTctNDA1MS05Zjc4LWVvYjUxY2JjZmZhYyIsImMiOiZ9>

This information link will be made available on the City's website in the 2024 to 2028 Financial Plan area.

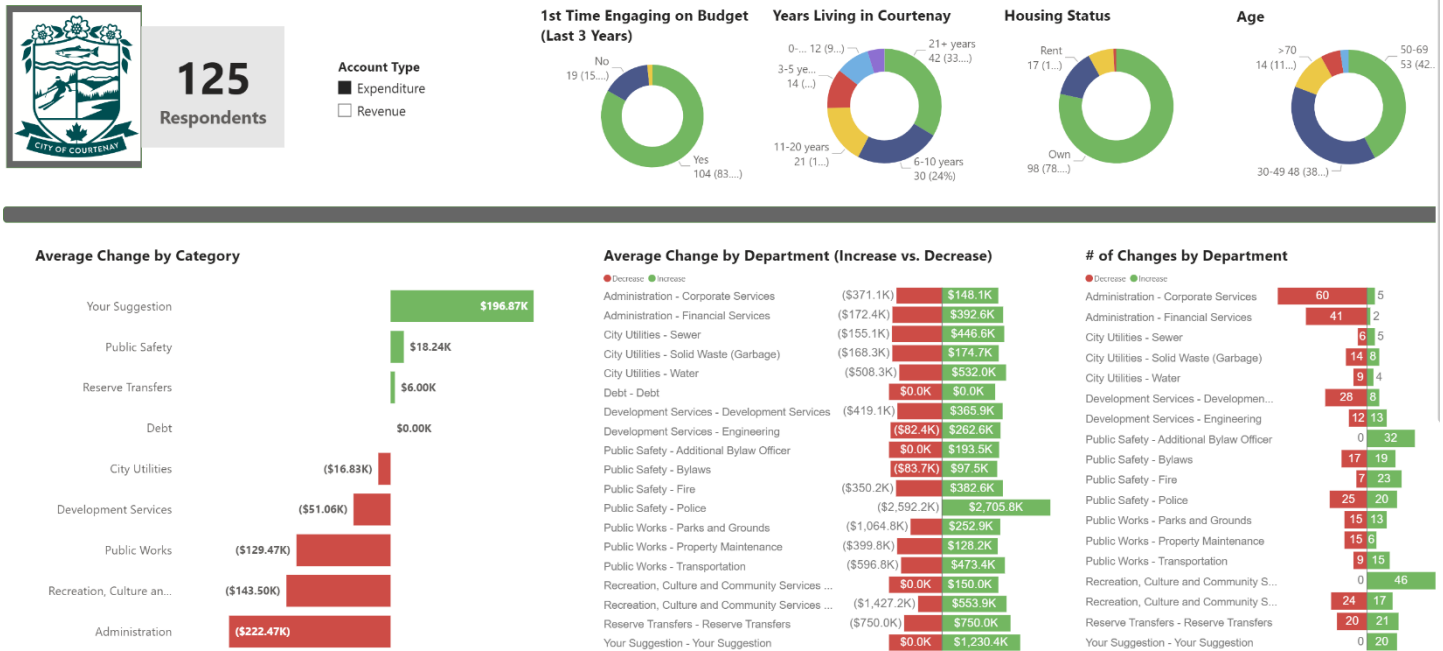
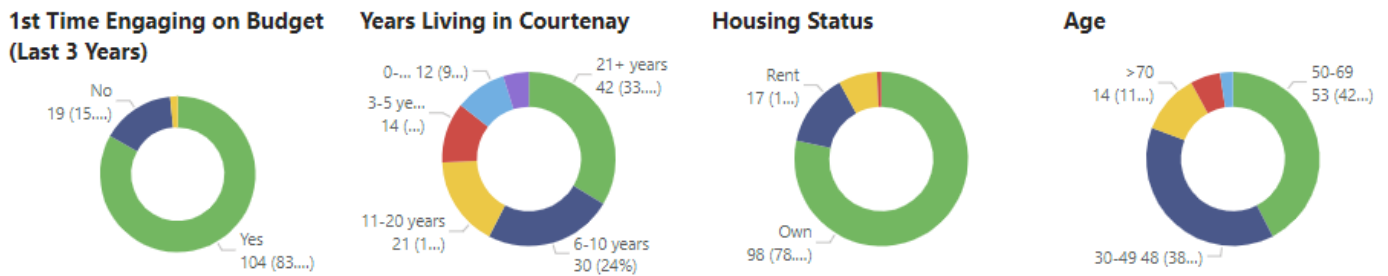


Figure 2: Screenshot of 2024 Financial Plan Simulation Results.

The top row the visualisation provides details on the four questions asked (voluntarily) regarding:

- Is this the 1st time engaged with the City of Courtenay on the Budget in the last 3 years
 - 83% of respondents answered yes
- How many years you have lived in Courtenay
 - 34% - 21 years or more
 - 24% - 6-10 years
- Housing status (own, rent or other)
 - 79% own their homes
 - 7.2% did not respond
- Age
 - 42% - 50-69 years
 - 38% - 30-49 years

By clicking any one of these questions you are able to see these different groups responses to the budget simulation.



Average Change by Category – This summarizes the total average change in a given category, this includes those who increase and decrease the category.

Average Change by Department (Increase vs. Decrease) – This summarises the average change for those who selected an increase or decrease it is not the average of both increase and decrease.

of Changes by Department – This summarizes the number of times a person selected a decrease or increase, it does not calculate the amount it simply quantifies the number of increase/decrease survey results.

Average Change by Category

The average change by category summarizes the total average change in a given category. Overall, the expenditure category with the highest average increase in funding was the Your Suggestion comment field. This was followed by increases in Public Safety funding and Reserve Transfers. The expenditure categories with highest average decrease in funding was City Administration followed by Recreation, Culture and Community Services and Public Works.

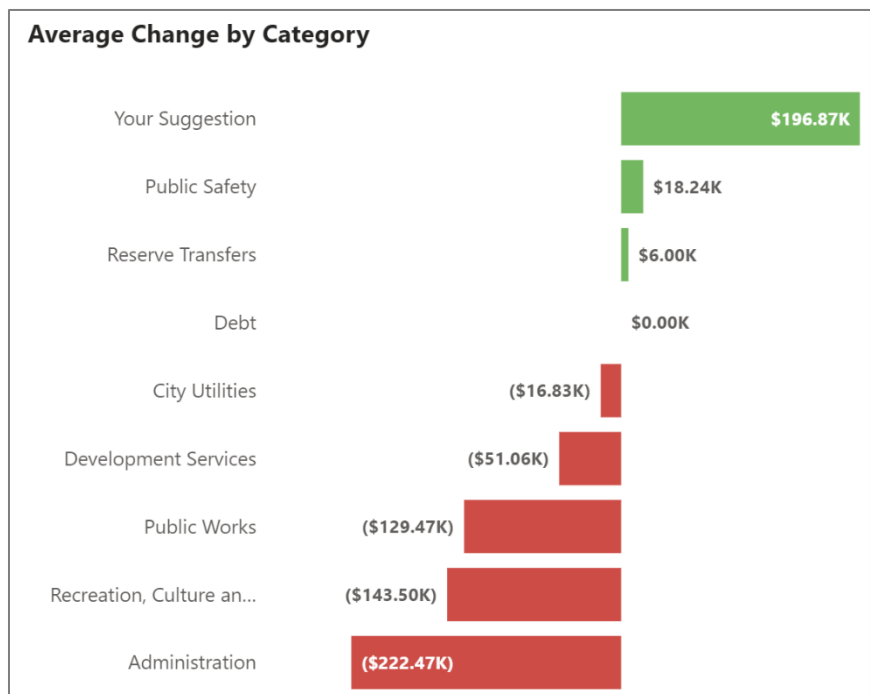


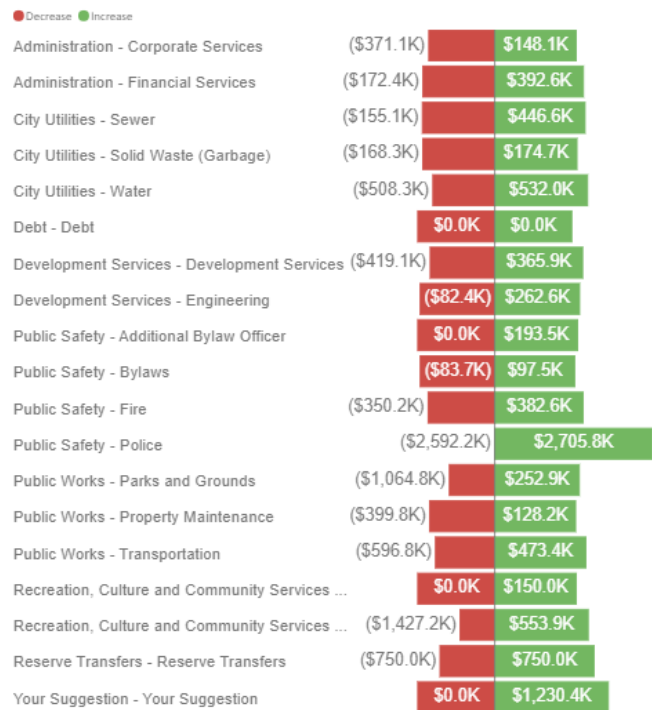
Figure 3: Average Change by Category

Average Change by Department

The average change by department summarizes the average increase and decrease (separately) by department. This is not an average of increase and decrease, it better shows the desires of respondents. At the department level, the highest average increase in funding was Police at \$2.7M. This was followed by increases in your suggestion, Recreation Culture and Community Services and the water utility. The expenditure categories with highest average decrease in funding was Police at \$2.6M, Recreation Culture and Community Services, Parks and Grounds.

Figure 4: Average Change by Department/Division

Average Change by Department (Increase vs. Decrease)



Property Taxes

Property taxes are the highest revenue source for the City of Courtenay and the most visible tax for most residents. Respondents were provided the option of increasing or decreasing property taxes to balance the budget and shown the implications on the average-valued home for making each one percent change in tax revenue collected.

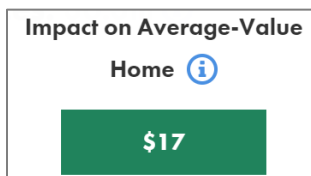


Figure 5: Impact on Average-Value Home example of a 1% increase in property taxes (\$311,450 in additional revenue). Screenshot from the simulation.

Overall, most respondents decided to keep the property tax collection amount flat (84 respondents), followed by 24 respondents electing to increase property taxes and 19 respondents decreasing property taxes.

The budget simulation requires that you submit a balanced budget, therefore, reductions in property taxes will likely lead to reductions in expenditures in department budgets. For respondents decreasing property taxes, the highest average decrease was in the Police Department budget (\$1.17M) followed by Recreation, Culture and Community Services (\$865K).

For respondents increasing property taxes, the highest average increase in budget was the Police Department (\$1.53M) followed by an increase in Reserve Transfers to save money for future capital projects and reduce reliance on debt (\$125K).

This divided yet similar result highlights that within the responses the solution around Police funding is polarized. People are willing to increase taxation to fund more policing while others are willing to decrease taxation and will achieve this through reduced police funding.

Below is a table showing the differences of average changes based upon property tax response (increase, decrease or no change).

Decrease in property taxation – 19 people selected a decrease in property taxation would change costs in the following areas:

Increase Spending	Decrease Spending
Bylaw Services	Policing
New recreation services	Recreation Culture and Community Service
Fire protection	Reserve transfers

Increase in property taxation – 24 People selected an increase in property taxation would change costs in the following areas:

Increase Spending	Decrease Spending
Policing	Corporate Services
Your suggestions (mixed)	Financial Services
Fire protection	Property maintenance

No change to property taxation – 82 People who selected to not change taxation but a indicated a redistribution of existing expenses across the following areas:

Increase Spending	Decrease Spending
Additional bylaw office	Policing
Your suggestions (mixed)	Corporate Services
New recreation services	Parks and Grounds

AVERAGE CHANGE BY DEPARTMENT BASED UPON PROPERTY TAX DECISION				
<i>Property Taxes is Courtenay's primary method of revenue collection (47.1%). This table looks at the changes made in relation to the property tax rate determined by the simulation respondent.</i>				
	Decrease Property Taxes	Increase Property Taxes	No Change to Property Taxes	All Respondents
RESPONDENTS	19	24	82	125
REVENUE	(114,379) ▼	302,006 ▲	7,354 ▼	45,424
Building Permit Fees	82,895 ▲	51,042 ▲	25,610 ▼	39,200
Development Services (Rev)	-	-	-	-
Increase/Decrease Property Taxes	(1,376,937)	2,867,935	-	341,349
Other Revenue	-	-	-	-
Property Taxation	-	-	-	-
Recreation	94,991 ▲	7,337 ▼	4,026 ▼	18,488
Recreation Fees	55,263 ▲	93,750 ▲	43,902 ▼	55,200
Sewer (Rev)	-	-	-	-
Solid Waste (Garbage) (Rev)	-	-	-	-
Water (Rev)	-	-	-	-
EXPENDITURES	(142,595) ▼	143,042 ▲	(36,284) ▼	(18,012)
Additional Bylaw Officer	32,158 ▼	103,542 ▲	37,756 ▼	49,536
Bylaws	11,839 ▲	25,283 ▲	(4,912) ▼	3,432
Corporate Services	(297,865) ▼	(99,173) ▲	(164,481) ▲	(172,216)
Debt	-	-	-	-
Development Services	(144,341) ▼	(5,494) ▲	(72,357) ▼	(70,461)
Engineering	27,466 ▲	11,778 ▼	19,755 ▲	19,396
Financial Services	(89,119) ▼	(38,855) ▲	(44,591) ▲	(50,258)
Fire	65,952 ▲	107,829 ▲	30,563 ▼	50,777
New Recreation Services	55,263 ▲	93,750 ▲	43,902 ▼	55,200
Parks and grounds	(91,598) ▲	12,892 ▲	(137,249) ▼	(101,483)
Police	(1,169,409) ▼	1,532,450 ▲	(307,910) ▼	(85,509)
Property maintenance	(114,221) ▼	(9,042) ▲	(34,646) ▲	(41,825)
Recreation, Culture and Community Services	(864,828) ▼	52,666 ▲	(117,920) ▲	(198,698)
Reserve Transfers	(118,421) ▼	125,000 ▲	-	6,000
Sewer	24,482 ▲	(7,753) ▼	12,480 ▲	10,420
Solid Waste (Garbage)	(36,058) ▼	13,702 ▲	(7,352) ▲	(7,673)
Transportation	(40,726) ▼	47,414 ▲	16,653 ▲	13,837
Water	(78,393) ▼	(4,433) ▲	(10,380) ▲	(19,576)
Your Suggestion	118,517 ▼	756,250 ▲	51,301 ▼	196,868
Total	(132,865)	197,858	(21,236)	3,862

- Reduced by more than **2** times the average
- Reduced by more than **5** times the average
- Increased by more than **2** times the average
- Increased by more than **5** times the average

These variations in average department changes demonstrate the trade-offs necessary when revenue is increased or decreased. Additionally, it shows that some residents support property tax increases and the areas where they support additional funding being invested.

Comments

Although quantitative data is valuable as it can be cut, split, divided, categorised, qualitative data can be very helpful in providing context to the numbers. **Appendix A – Summary of Budget Engagement Comments** – Contains summarized comments from the budget survey.

The first section captures the following:

- What do you like best about Courtenay?
- What can Courtenay do better?

The second section captures department specific comments. These comments were recorded in the body of the survey and would be related to a specific department in question in that section of the survey.

The final section captures “Your Suggestions” component captured in the survey. This section provided an opportunity to provide a comment on what was being suggested and then adding an estimated cost for the suggestion.

Themes from the comments focused on the following:

- Access to nature and a small-town feeling
- Concerns regarding homelessness, and housing affordability
- The desire for pickle ball courts
- Community engagement
- Water usage, water meters, water conservation
- Administrative spending and the desire to keep budget changes near inflation.

Summary

Engagement is a multi-year process, with this year being the start. The information we receive back through this kind of public input, along with the financial resources required to deliver on Council’s 2021-2026 Strategic Priorities and funds required to deliver Core Service are all combined to develop the Annual Financial Plan and 5-Year Financial Plan. As an initial step in an amended engagement approach to the City’s financial planning, there are a number of specific areas included in the proposed 2024 Annual Financial Plan and 2024-2028 Financial plans reflecting this public process which include:

- Addressing public safety – the addition of the 4th bylaw office, sustained RCMP funding (31.4 members), RCMP foot patrols
- Access to nature – the development of McPhee Meadows
- Recreation Culture and Community Service - Pickleball facility review
- Affordable housing – Development Special projects to update, Zoning bylaw, DCC/ACC bylaw, Harmston local area plan and impacts of Bill 44
- Transportation – Public Works Safe Active School special project, Pedestrian, cycling, and pavement renewal program, Traffic Signal controller renewal projects

- Property taxation and affordability – Proposed usage of prior year surplus to reduce current year taxation.

Future Budget Engagement

In conducting this simulation, we found a group of community members are interested in learning more about the budget and sharing their perspectives with the City of Courtenay. A total of 37 respondents indicated they would like to participate in future budget focus groups. This is a strategy the City is considering to further provide residents additional opportunities to learn about the budget and promote constructive dialogue on City funding opportunities and challenges.

The results of this simulation activity can be viewed as one aspect of community feedback in the budget process. Consideration must be given to the detail on the questions being asked in the survey and the overall understanding of City operations as they are not always fully understood by the public. The aggregate results of survey provide valuable information that can be used by City Council, City Administration and Departments in considering the provision of services and how they are perceived by the community.

Appendix B – 3-Year Engagement Plan provides details on the engagement plans for 2025 through 2027. The engagement plan continues with online methods and moves to include more functionality from different online tools along with bringing the in-person offerings back but in a more focused method. The current year engagement is our first step on our engagement journey with the goal to improve quantity and quality of engagement over following years. Beginning in the fall of 2025 a report on Financial Planning Engagement will be presented to Council for receipt and direction.

POLICY ANALYSIS:

No direct policy impact from information provided however feedback from budget engagement will help influence and inform future Financial Plans.

FINANCIAL IMPLICATIONS:

No direct financial impact from information provided, however feedback from budget engagement will help influence and inform future Financial Plans.

ADMINISTRATIVE IMPLICATIONS:

Limited Administrative impacts as financial Planning is part of the Finance departments core duties.

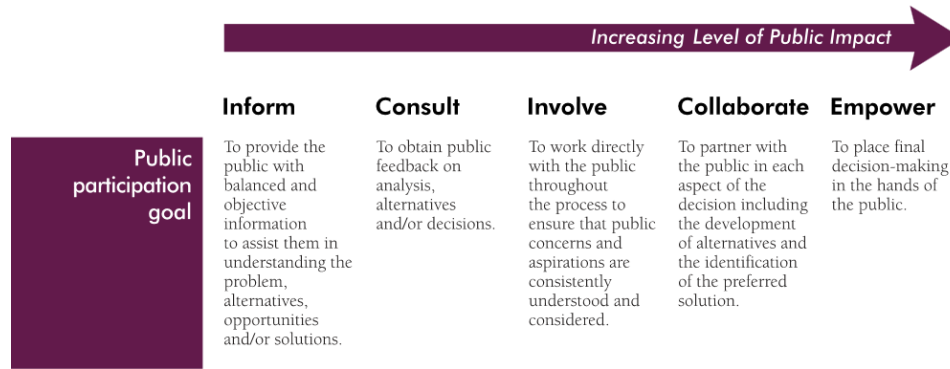
STRATEGIC PRIORITIES REFERENCE:

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 **involve** the public based on the IAP2 Spectrum of Public Participation:



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OPTIONS:

1. THAT Council receive report for information.
2. THAT Council provide alternative direction to staff.

ATTACHMENTS:

Appendix A – Summary of Budget Engagement Comments

Appendix B – 3-Year Engagement Plan

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

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