



The Corporation of the City of Courtenay

# Staff Report

**To:** Council

**File No.:** 1705-20/1715-20

**From:** Director of Financial Services

**Date:** April 24, 2024

**Subject:** 2024-2028 Consolidated Financial Plan Bylaw

## PURPOSE:

To seek first, second and third readings of the 2024-2028 Consolidated Financial Plan Bylaw No. 3130, 2024.

## BACKGROUND:

Per section 165 of the Community Charter, a municipality must have a financial plan that is adopted annually, by bylaw, before the annual property tax bylaw is adopted. The annual property tax bylaw deadline is May 15th.

## DISCUSSION:

The 2024-2028 General Fund Financial Plan was presented to Council at the February 28<sup>th</sup>, 2024 Council meeting, at this meeting Council gave the following direction:

*THAT Council defer consideration of the 2024-2028 General Fund Financial Plan to the March 13th, 2024 Council meeting,*

*AND THAT Council direct staff to report back on options that would contemplate increasing the application of the previous years' annual surplus to the current 2024 taxation year based on the following models:*

- 7.7% Discretionary Tax Change
- 6.7% Discretionary Tax Change

*THAT Council direct staff to report back on options to increase the utility class tax rate to the maximum allowable rate and shorten the recreational tax rate from seven years to four years.*

*THAT Council direct staff to report back on the City of Courtenay's total reserves and surpluses.*

Staff reported to Council at the March 13th 2024 Council meeting with the General Fund Financial Plan Additional Information report. From this report Council gave the following direction:

*THAT Council increase the Utility (Class 2) property tax rate to the legislated maximum, 40.000; and,*

*THAT any revenues resulting from the increased Utility (Class 2) property tax rate be used to decrease the 2024 discretionary tax.*

*THAT Council direct staff to amend the "2024-2028 General Fund Financial Plan" to reflect rate change to the Utility Class (Class 2) as approved by Council on March 13, 2024; and, THAT Council approve the "2024-2028 General Fund Financial Plan", as amended; and,*

*THAT Council direct staff to prepare the 2024-2028 Consolidated Financial Plan Bylaw with a +7.7% discretionary tax change minus the impact of the change in utility class rate.*

Staff has incorporated direction given by Council at the March 13, 2024 Council meeting into the 2024-2028 Consolidated Financial Plan Bylaw No. 3130, 2024. The final discretionary tax increase after directed changes and receipt of the revised roll from BC Assessment is 7.47%.

Consideration and approval of a five-year financial plan is an annual requirement under the BC Community Charter. The proposed 2024-2028 Financial Plan including the Capital plan defines and seeks Council approval for the service priorities, as well as operating and capital budget for each City department for the current year, and the next four years.

The Financial Plan and Tax Rate Bylaw is one of the most important public documents a local government produces, as it establishes the government's spending and taxation authority. It is Council's primary policy document and establishes explicit service priorities. As an operational guide, it identifies departments that are responsible for achieving the service priorities and are accountable for spending. It is also a communication tool that strives to make all of the foregoing transparent to public officials and citizens alike.

#### **FINANCIAL IMPLICATIONS:**

The 2024 – 2028 Financial Plan as presented provides the City with maintained and improved service levels. This financial plan is the first full plan created after Council's strategic planning process which was completed in early 2023. Many of the projects, service changes and initiatives are a direct result of the implementation of the strategic plan.

The Capital Plan \$34,370,300 (attachment 2) as presented is an affordable plan, however it does not provide fulsome funding to maintain all of the City's assets over the next 100 years. Staff have been working on bringing a detailed asset management work plan forward to Council and the community to stimulate the conversation and provide detail to better understand the long-term impacts of capital funding decisions today. The Financial Plan does include the first steps to providing the basis for improved ongoing funding towards capital improvements and the ultimate goal of perpetual renewal of existing assets through enhanced capital reserve contributions.

#### **Revenue**

Total revenue for 2024 is budgeted at \$74,782,400. The table below outlines revenue by source as shown in the financial plan bylaw.

<b>Revenue</b>	<b>2024</b>
Property Taxation	\$ 34,007,000
Frontage and Parcel Taxes	3,516,400
Fees and Charges	25,517,600
Government Transfers	7,581,300
Other Revenue	4,160,100
<b>Total Revenue</b>	<b>\$ 74,782,400</b>

Each of the above sources of revenue is summarized below.

**Property Taxation - \$34,007,000**

The Financial Plan presented at the February 28, 2024 Council meeting included a discretionary taxation increase of 9.7%. Through deliberation and direction received at the March 13, 2024 Council meeting, Council directed that additional funds be used from prior years surplus to reduce the current year taxation increase, along with changes to the Class 2 Utilities tax rate. With the combination of this direction and the receipt of the 2024 Revised Assessment Roll from BC Assessment, the discretionary taxation increase is 7.4%.

The table below outlines the impact of City taxation and utilities on the average home:

Average Residential Dwelling					
	2023	2024	\$ Change	% Change	
<b>Average Value</b>	\$ 716,077	\$ 708,083	\$ (7,994)	-1.1%	
General Tax rate	2.3329	2.5473	0.2144	9.2%	
<b>City Property Tax</b>	\$ 1,670.54	\$ 1,803.73	\$ 133.19	8.0%	
<b>Utilities</b>	<b>2023</b>	<b>2024</b>	<b>\$ Change</b>	<b>% Change</b>	
Water User fee	\$ 536.82	\$ 560.98	\$ 24.16	4.5%	
Water Frontage*	127.49	133.16	5.68	4.5%	
Sewer User fee	398.76	438.64	39.88	10.0%	
Sewer Frontage*	223.54	233.58	10.04	4.5%	
Solid Waste	237.50	357.50	120.00	50.5%	
<b>Total Utilities</b>	\$ 1,524.11	\$ 1,723.86	\$ 199.76	13.1%	
<b>Total City Property Charges</b>	\$ 3,194.64	\$ 3,527.59	\$ 332.95	10.4%	
<b>Other Taxing Authorities</b>					
Library	\$ 85.57	\$ 101.26	\$ 15.68	18.3%	
School	871.97	903.59	31.62	3.6%	
CVRD (1)	412.17	479.51	67.34	16.3%	
CSRHD	186.82	177.59	(9.24)	-4.9%	
MFA	0.14	0.14	(0.00)	-1.1%	
BCA	24.06	24.57	0.51	0.02	
<b>Total Other Taxing Authorities</b>	\$ 1,580.74	\$ 1,686.65	105.91	6.7%	
<b>Grand Total Property Charges</b>	\$ 4,775.38	\$ 5,214.25	\$ 438.87	9.2%	

(1) CVRD Taxation presented here excludes the CVRD portion of Utility charges

In 2024 the average valued residential dwelling will pay \$5,214.25 in property taxes and utilities, this is an increase of \$438.87, includes all taxing authorities. City of Courtenay collects taxes on behalf of other taxing authorities, the expected total collection for these authorities is \$1,686.65. When compared to the City specific taxation, we see that in 2024 expected charges are \$1,803.73. The City must consider that these only include property value tax charged based on assessed value and not utilities.

The City collects utility fees for water, sewer and solid waste, due to the City's arrangement with the CVRD which operates the water, sewer and solid waste facilities. A significant portion of utilities charged by the

City are paid directly to the CVRD to provide these services. The summary in the table below has separated tax and utility revenue that goes to the City and other taxing authorities such as the CVRD. Out of every \$1 the City collects in property taxes \$0.49 goes to other taxing authorities. Further once you look at the overall change in collection, City directed taxation has increased by 8.9% while other taxing authorities have increased by 9.5%

<b>Total Property Attributed to City and Other Taxing Authorities</b>						
	<b>2023</b>		<b>2024</b>		<b>\$ Change</b>	<b>% Change</b>
<b>City</b>	\$	2,421.85	\$	2,636.25	\$ 214.41	8.9%
<b>Other</b>	\$	2,353.54	\$	2,577.97	\$ 224.43	9.5%
<b>Total</b>	\$	<b>4,775.38</b>	\$	<b>5,214.22</b>	\$ <b>438.84</b>	<b>9.2%</b>
<b>City</b>		<b>50.7%</b>		<b>50.6%</b>		
<b>Other</b>		<b>49.3%</b>		<b>49.4%</b>		
<b>Total</b>		<b>100.0%</b>		<b>100.0%</b>		

Comparable Communities

Courtenay continues to have affordable property taxes when compared to similar sized communities in BC and neighbouring communities. The table below outlines charges on an average home from 2023 (latest information available from BC Statistics), these amounts include all utilities and other taxing authorities.

<b>Comparable Communities 2023</b>			<b>Local Communities 2023</b>		
<b>Municipality</b>	<b>Population</b>	<b>Property Tax</b>	<b>Municipality</b>	<b>Population</b>	<b>Property Tax</b>
White Rock	21,939	\$ 8,453	Qualicum Beach	9,303	\$ 6,054
Port Moody	33,535	\$ 8,032	Nanaimo	99,863	\$ 5,586
Squamish	23,819	\$ 6,357	Parksville	13,642	\$ 5,265
West Kelowna	36,078	\$ 6,305	Cumberland	4,447	\$ 5,258
Langley	28,963	\$ 5,955	Campbell River	35,519	\$ 5,251
Campbell River	35,519	\$ 5,251	Courtenay	28,420	\$ 4,920
Penticton	36,885	\$ 4,951	Comox	14,806	\$ 4,903
Courtenay	28,420	\$ 4,920	Powell River	13,943	\$ 4,874
North Cowichan	31,990	\$ 4,649	Port Alberni	18,259	\$ 4,341
Cranbrook	20,499	\$ 4,497			
Salmon Arm	19,432	\$ 4,458			
Fort St. John	21,465	\$ 3,210			

**Frontage and Parcel Taxes - \$3,516,400**

This revenue segment represents the water and sewer frontage taxes that have been consolidated from the individual water and sewer financial plans presented to Council in January 24, 2024. A small amount of parcel tax is captured in this area for water and sewer connection parcel taxes (\$20,400).

**Fees and Charges - \$25,517,600**

Fees and Charges represent the second largest single contributor to the City's overall revenue. Water, sewer and solid waste utility charges are found with fees and charges and represent \$19,651,500 of the

total fee and charge revenue. The remaining \$5,866,100 captures recreation (\$2,056,800), building inspection (\$1,298,000) and all other various fees and charges charged by the City.

**Government Transfers - \$7,851,300**

Government transfers encompasses all transfers including grants from other government bodies. Major ongoing contributors to this revenue line include the Canada Community Building fund (gas tax), Gaming transfer (casino), traffic fine revenue and all contributions from the Comox Valley Regional District. Grants for various capital projects or special projects would be recorded in this area.

**Other Revenue - \$4,160,100**

Other revenue captures all other revenue that doesn't fit into the other categories. Interest and penalty revenue represents \$2,562,000 of the total, this revenue line has increased substantially from prior year due to the current interest rate environment. Other revenue items include: grants in lieu of taxes, MRDT, and 1% Revenue tax from BC Hydro, Telus, Shaw and Fortis.

**Operating Expenses**

Total operating expenses in 2024 are budgeted at \$75,653,600. The table below outlines expenses by category as shown in the financial plan bylaw.

<b>Expenses</b>	<b>2024</b>
General Government Expenses	\$ 5,484,300
Fire Services	3,305,000
Police Services	8,625,800
Engineering Services	1,756,000
Operational Services	11,447,700
Solid Waste Services	4,179,900
Development Services	3,430,500
Recreational and Cultural Services	6,909,700
Sewer Services	8,913,100
Water Services	10,094,200
Financial Services	3,282,700
Gaming Expenses	387,500
Debt Interest	799,000
Amortization	7,038,200
<b>Total Operating Expenses</b>	<b>\$ 75,653,600</b>

Operating expenses have not seen significant change from the general fund financial plan presented to Council on February 28<sup>th</sup>. Further, the water, sewer and solid waste financial plans have not seen significant change since being presented to Council on January 24<sup>th</sup>.

**Transfers and Acquisitions**

Transfers and acquisitions captures non-operating expenditures, transfers to and from reserves, capital purchases and borrowing proceeds.

<b>Transfers and Acquisitions</b>	<b>2024</b>
Equity in Capital Assets	\$ (7,038,200)
Principal Payments	986,900
Capital Acquisitions	34,370,300
Borrowing	(12,426,000)
Transfer to Reserve	5,414,300
Transfer from Reserve	(22,178,500)
<b>Total Transfers and Acquisitions</b>	<b>\$ (871,200)</b>

**Equity in Capital Assets** is the offsetting entry for the non-cash amortization expense found in the operating expenses.

**Principal payments** represent the principal portion of annual debt servicing costs. Interest expense is found in the operating expense section.

**Capital Acquisitions** represent the summation of all capital purchases for the year, this includes general, water and sewer purchases. See appendix 2 – 2024-2028 Capital Plan and appendix 3 – 2024 Capital plan detail.

**Borrowing** represents total proceeds from borrowing to fund capital purchases. Projects identified in prior years but not yet completed will be carried forward until the project and borrowing is complete. The table below summarizes borrowing for 2024:

<b>Borrowing Summary 2024</b>				
<b>Project</b>	<b>Borrowing</b>	<b>Other Funding</b>	<b>Total</b>	
Sewer - Comox Rd Sewer Crossing	\$ 3,500,000	\$ 729,200	\$	4,229,200
Sewer - 1st Street Lift Station Replacement	2,500,000	1,042,100		3,542,100
6th St Bridge	2,500,000	4,342,800		6,842,800
Strategic Land Acquisition	2,176,000	752,300		2,928,300
Anderton Dike Remediation - Phase 1	1,750,000	250,000		2,000,000
<b>Total</b>	<b>\$ 12,426,000</b>	<b>\$ 7,116,400</b>	<b>\$</b>	<b>19,542,400</b>

Note – Other funding represents City funds being put toward a project and can include taxation/utilities, reserve draws, and grants.

**Transfer to reserve** is the current year contributions to various reserves. For 2024 the City is contributing \$5,414,300 to various reserves, this represents an increase of \$1,025,900 over 2023. Significant contributors to this increase are:

- An additional \$150,000 going towards the machinery and equipment reserve (\$850k to \$1m).
- An additional \$427,900 going to the New Works Reserve which the majority is attributed to the Sustainable Infrastructure Investment Plan. This plan is designed to ensure adequate funding for capital replacement into the future.
- \$173,000 from the most recent installment of the Local Government Climate Action Program funding.

**Transfer from reserve** is the current year withdrawal from reserves to fund capital projects and supplement operating revenue to reduce the current year taxation need. The use of prior years surplus is captured in transfers from reserve. Furthermore, transfer from reserves captures the transfer from the Reserve for future expenditure. This represents prior years taxation, utility revenue or frontage revenue collected and allocated to a capital project that was not completed in 2023. Therefore, the funding is carried forward to 2024 and protected from flowing into the unappropriated surplus. Finally, transfer from reserve captures all capital reserve funds being used to fund current year capital purchases.

**Prior Year Unappropriated Surplus**

The 2024-2028 Financial Plan relies on use of prior year surplus to supplement current year revenue requirements which is a suitable use of surplus. The prior years unappropriated surplus has grown to \$19,318,822 as at December 31, 2023, contributors to the surplus are RCMP savings, increased interest revenue, and the cumulative impact of staff vacancies and the challenging labour market. Although surplus is the result of reduced spending when compared to budget, it must be balanced at the cost of reduced services provided as a result of reduced spending. Given the balance and composition of the surplus it is reasonable to use prior year surplus to reduce the current year’s property taxation.

The Financial plan is set to consume \$8,247,400 of the total unappropriated surplus over the next 5 years. The use of surplus is broken down by year in the table below.

	<b>2024-2028 Unappropriated Surplus Usage</b>				
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Special Projects (1)	\$ 1,339,500	\$ 125,000	\$ 100,000	\$ 250,000	\$ 400,000
Carry Forward Items (2)	971,800	-	-	-	-
Revenue Supplementation (3)	1,563,500	1,600,200	1,201,300	683,500	12,600
<b>Total</b>	<b>\$ 3,874,800</b>	<b>\$ 1,725,200</b>	<b>\$ 1,301,300</b>	<b>\$ 933,500</b>	<b>\$ 412,600</b>

- 1) See Special Project listing, note not all projects are funded from surplus, some are funded through grants or reserves
- 2) One-time operating expenses not spent in 2023
- 3) Surplus used to supplement and reduce annual property taxes; this figure will be impacted by future surplus results and changes in property taxes from new construction.

See attachment 5 – 2024-2028 Reserve and Surplus for details on projected reserve and surplus balances.

**Conclusion**

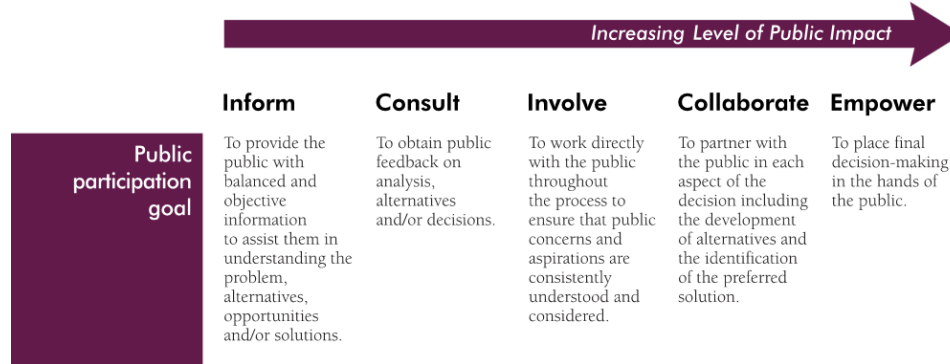
The 2024-2028 Financial Plan as stated earlier is the first fully developed financial plan since the adoption of the City’s strategic plan. The plan relies on surplus to supplement taxation revenue however given the current unappropriated surplus balance this approach is reasonable. Finally, the capital plan relies on substantial amounts of debt for projects in the near term, however this should change if the City continues with its increased contributions to reserves to replace existing assets. The plan provides improved services and tackles substantial capital projects within the next 2 years.

**STRATEGIC PRIORITIES REFERENCE:**

The Five-Year Financial Plan Bylaw assists in forwarding all the City’s Strategic Priorities by providing specific council authorization for spending.

**PUBLIC ENGAGEMENT:**

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



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**OPTIONS:**

1. THAT Council give first, second and third reading to the 2024-2028 Consolidated Financial Plan Bylaw 3130, 2024
2. THAT Council provide alternative direction to staff.

**ATTACHMENTS:**

1. 2024-2028 Consolidated Financial Bylaw 3130, 2024
2. 2024-2028 Capital Plan
3. 2024 Capital Project Funding
4. 2024-2028 Special Projects
5. 2024-2028 Reserve and Surplus

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