

Report

Date December 12, 2023
Subject 2024-2028 Operating Budget

File:

PURPOSE

To review and provide direction to staff with respect to the 2024-2028 operating budget.

BACKGROUND

The 2024 Business Plans were presented to Council at the November 21 and November 28 Committee of the Whole meetings. They provided Council with the projects each department would be working on in 2024, any supplemental requests, net new position requests, and the proposed budgets. The predicted tax rate at the time of business planning was 6.18%.

Staff have reviewed all departmental budgets to identify any possible savings and ensure that they are receiving the best value for money. Additionally, staff reviewed all the revenue-generating options to ensure they align with year-over-year actuals.

DISCUSSION

Changes to the Budget since business planning:

Since the November meetings the following changes have been made to the 2024 budget:

- The RCMP contract expense has been reduced by \$200,000 due to the 2023/2024 forecast received from E Division. This forecast has a member strength of 24.93 which will reduce the first quarter payment (Jan-March 2024) for the Municipality;
- Grant revenue of \$24,000 from Union of BC Municipalities (UBCM) for asset management software for parks; and,
- Additional revenue of \$98,423 due to the reserve contribution for Cowichan Aquatic Centre and Fuller Lake Arena being fully funded by Regional Recreation.

With the changes noted above, the tax increase over 2023 is proposed at 5.51%, which does not account for any non-market change.

2024 Revenue Increases (Decreases)

- Regional Recreation revenue has increased \$2,220,906 from 2023;
- Additional revenue of \$236,000 from the RCMP building (provincial and partner cost-sharing);
- Increase of \$760,000 to interest revenue because of investments; and,
- Decrease of \$53,000 to Municipal Engineering Inspection fees to be more in line with actual revenues earned in 2023.

2024 Expense Increases

- RCMP contract increase in 2024 of \$610,650;
- Fire protection increase in 2024 of \$564,273; and,
- Vancouver Island Regional Library increase of \$342,672 in 2024.

Other Changes

Each year, the non-market change in property assessment (new assessment in the Municipality) offsets some of the tax increase for the year. The preliminary roll showed non-market change at 0.91% in September, and when the preview roll was released in late November, it showed non-market change at 1.27%. Staff have kept it on the lower side at 1% to be safe. The assessment roll reflects property values as of July 1. Therefore, new projects that have begun but are not yet complete will not be reflected in this non-market change amount.

2024 Operating Budget by Department

The operating budget is funded from many sources, primarily property taxation and user fees. For 2024, the operating budget changes are as follows:

	2023 Budget	2024 Budget	Increase (Decrease)	% Change	% 2024 Budget
General Government	\$ 9,840,019	\$ 10,203,689	\$ 363,670	3.7%	19.3%
Protective Services	11,286,693	12,911,362	1,624,669	14.4%	24.4%
Engineering and Environment	3,737,179	3,071,153	(666,026)	-17.8%	5.8%
Operations	6,423,741	7,903,304	1,479,563	23.0%	14.9%
Forestry	1,015,704	730,776	(284,928)	-28.1%	1.4%
Development Serv.	2,572,767	2,589,072	16,305	0.6%	4.9%
Recreation Parks and Culture	8,681,302	9,639,616	958,314	11.0%	18.2%
Debt Servicing	3,609,936	3,565,827	(44,109)	-1.2%	6.7%
Tfr to Reserves	2,129,630	2,331,140	201,510	9.5%	4.4%
Total	\$ 49,296,971	\$ 52,945,939	\$ 3,648,968	7.40%	100.0%

By dollar value, the single largest increase for 2024 is to protective services at \$1.6 million. This is due to an increase to the RCMP contract of approximately \$611,000. In most years, the number of actual RCMP members is less than the 32 authorized members, so the total cost is typically less than the budget. The 2024 budget currently reflects 95% of the contract costs (30 members). Additionally, an increase of approximately \$564,000 to the fire departments for unionizing the paid on-call firefighters as per the Collective Agreement reached in 2023.

The second largest increase is to Operations, which includes \$1.242M for the garbage and green bin purchase and delivery for automation to begin in 2025. This increase in operations is offset by appropriated surplus and reserves.

A more detailed explanation of the increases and decreases for each department can be found in the PowerPoint presentation (Attachment 1).

New Position Requests

As mentioned in the Introductory presentation in November, twelve positions were described in more detail in the Departmental Business Plans that are necessary to achieve Council's strategic goals and maintain current service levels. They are as follows:

- Engineering Administrative Assistant (Attachment 2)
- Planning Engineer – Utilities & Drainage (Attachment 3)
- Planning Technologist – Transportation & Development (Attachment 4)
- Part-time Payroll Clerk (Attachment 5)
- Deputy Fire Chief (Attachment 6)
- Human Resources Advisor (Attachment 7)
- Business Solutions Specialist to full-time (Attachment 8)
- RCMP FIS/IDENT Officer (Attachment 9)
- IT/LAN Administrator (Attachment 10)
- Development Planning Manager (Attachment 11)
- Planning Technician (Attachment 12)
- Plan Checker (Attachment 13)

	Total Annual Salary & Benefits	2024 Tax Increase
Engineering Admin Assistant	\$ 84,000	0.12%
Planning Engineer (Utilities and Drainage)	\$ 143,000	0.13%
Planning Technologist (Transportation)	\$ 111,000	0.24%
Part-time Payroll Clerk	\$ 92,000	0.19%
Deputy Chief (Training & Operations)	\$ 125,000	0.27%
Human Resources Advisor	\$ 127,000	0.26%
Business Solutions Specialist from PT to FT	\$ 60,625	0.17%
RCMP Officer (FIS/IDENT Member)	\$ 224,000	
IT / LAN Administrator	\$ 56,500	0.16%
Development Planning Manager	\$ 166,000	0.35%
Planning Technician	\$ 107,000	0.21%
Total Annual cost of all positions	\$ 1,296,125	
Total impact to Taxation for 2024	\$ 755,375	2.10%

Staff have shown the annual costs for wages and benefits for Council's information; however, due to the fact that the potential start date for the majority of these positions is April 2024 and that some positions are partially funded by fees, the tax impact for 2024 is lower than the total annual overall cost of \$1,296,125.

For 2024, these positions would have a total impact on taxation of \$755,375 or 2.1%.

(i) Recommended Action: THAT the Committee of the Whole direct staff to include the following position(s) in the 2024 Operating Budget:

- a) Engineering Administrative Assistant*
- b) Planning Engineer – Utilities & Drainage*
- c) Planning Technologist – Transportation & Development*
- d) Part-time Payroll Clerk*
- e) Deputy Fire Chief*
- f) Human Resources Advisor*
- g) Business Solutions Specialist (conversion of part-time to full-time)*
- h) IT/LAN Administrator for the RCMP*
- i) Development Planning Manager*
- j) Planning Technician*
- k) Plan Checker (conversion of temporary to permanent)*

(ii) Recommended Action: THAT the Committee of the Whole direct staff to include the FIS/IDENT Officer for RCMP in the 2025 Operating budget.

Ongoing Supplemental Request

There are three ongoing supplemental requests for 2024, and are as follows:

- The corridor clean-up with a total budget impact for this request of \$95,000 or 0.26% of taxes. The requested funding would provide two part-time labourers (four hours a day) to clean up garbage in the streets and roads on a consistent and proactive basis;
- The contribution to Asset Management Reserve for Buildings with a total budget impact of \$400,000 or 1.11% of taxes. The requested funding would allow the municipality to begin saving for future replacement and/or major repairs to municipally owned properties. Currently, there is no dedicated reserve for buildings and their value is estimated at approximately \$224M; and,
- The increase of funding for Restorative Justice with a total budget impact of \$19,220 or 0.05% of taxes.

(iii) Recommended Action: THAT the Committee of the Whole direct staff to include the following ongoing supplementals in the 2024 Operating Budget:

- a) \$95,000 for the Corridor Clean-up;*
- b) \$400,000 for Asset Management Reserve for Buildings; and,*
- c) \$19,220 for Restorative Justice.*

Potential Tax Mitigation Options

Staff carefully reviewed all budget lines and looked to reduce where possible while still maintaining our current service levels; however, the majority of the tax increase for 2024 is out of Council or staff's control. Increases to the RCMP contract, fire protection and Vancouver Island Regional Library account for 4.22% of the 5.51% tax increase. In addition, a 2% wage increase for union staff is required in 2024 under the Collective Agreement.

Some options that Council may wish to consider for reducing the impact of 2024 property taxation include:

Reduction of discretionary reserve funds

The 2024 budget includes \$2,331,140 in transfers to reserves as follows:

	2024 Budget	Projected Balance Dec. 2023
Agriculture	\$ 30,000	\$ 343,458
Climate Action/Energy	190,700	803,469
Cowichan Aquatic Centre	200,000	356,709
Fuller Lake Arena	125,000	76,932
Equipment Replacement	668,440	839,244
Garbage Truck Reserve	140,000	1,329,915
Fire Truck Reserve	500,000	377,593
Forestry	-	230,490
Infrastructure Replacement	250,000	1,374,001
Insurance Reserve	50,000	235,090
IT Capital Reserve	77,000	615,752
Quamichan Lake Water	100,000	629,839
Total	\$ 2,331,140	\$ 7,212,492

Staff do not recommend any reductions to the equipment replacement reserve, the garbage truck reserve or the fire truck reserve, as these are utilized to replace all municipal vehicles and equipment when they are at the end of their useful lives or require major repairs. The fire truck reserve will be depleted by 2025 due to the purchase of a new truck being ordered in 2024.

Staff also do not recommend reductions to the contributions for infrastructure replacement or IT capital as significant capital assets will need replacement in the coming years. The Cowichan Aquatic Centre and Fuller Lake Arena reserves will be fully funded by Regional Recreation in January 2024 if approved by the Cowichan Valley Regional District board.

There are budgeted projects from the Climate Action and Energy Plan (CAEP) for 2024. However, the contribution could be reduced without impacting these projects, and the remaining reserve funds do not have budgeted projects in 2024 that would require more funding than is currently available; therefore, contributions could be suspended for a year or more until funds are needed.

Not contributing to the Agriculture, Insurance and Quamichan Lake reserves and reducing the contribution to the CAEP \$129,815 for 2024 would result in a savings of \$309,815 or 0.86% of taxes.

(iv) Recommended Action: THAT the Committee of the Whole direct staff to reduce the contribution to the following reserve fund(s) in 2024 as part of the 2024-2028 Financial Plan:

- a) Agriculture Reserve by \$30,000;*
- b) Climate Action and Energy Reserve by \$129,815;*
- c) Insurance Reserve by \$50,000; and,*
- d) Quamichan Lake Reserve by \$100,000.*

Protective Services Budget reductions

The Municipality has an authorized strength of 32 RCMP members. For several reasons, the actual member count is typically less than this, and the quarterly bills reflect the actual number of members. The Municipality's annual budget has historically included 95% of the cost provided by the RCMP, or 30.4 members, to help avoid taxing more than required for the RCMP.

Since 2016, the greatest number of members has been 28.31, and the member count as of November 2023 was 24.93. This has allowed the Municipality to save for the retro pay as a result of the RCMP contract settlement as well as saving for some unexpected costs that may occur.

In 2022 and 2023, Council directed staff to budget for 90% of the RCMP contract costs or 28.8 members. It is likely that this will again be sufficient in 2024. However, there is a risk that should the actual membership exceed the 28.8 members during the year, there will be insufficient funds collected. Budgeting for 90% of RCMP contract costs would result in a budget savings of \$356,493 or 0.99% of taxes.

(v) Recommended Action: THAT the Committee of the Whole direct staff to budget 90% of total RCMP contract costs in 2024. (v) Recommended Action: THAT the Committee of the Whole direct staff to budget 90% of total RCMP contract costs in 2024.

Other Tax Mitigation Options

Council's Revenue, Tax and Budget Policy states that a minimum of 15% of property taxes will be transferred to the capital fund annually. This amount has been reduced in the past few years to mitigate the property tax increase during the pandemic. The 2023-2027 Financial Plan included a gradual increase in capital contributions so that by 2026, 15% of property taxes would be transferred to capital. The 2024-2028 Financial Plan estimates that the 15% will nearly be reached by 2027. For 2024, the capital contribution is \$444,133 more than in 2023.

Council could reduce the capital contribution from property taxes. However, staff does not recommend this as \$1.3M of Community Works Gas Tax funding was removed from the Municipality's capital budget in 2024, and no communication to date has indicated that this funding will return in the future. Additionally, the presentation regarding asset management stated that the Municipality was quite below where it should be in terms of Average Annual Life Cycle Investments.

OPTIONS

1. **(Recommended Option)** THAT the Committee of the Whole:
 - (1) Direct staff to include the following positions and ongoing supplemental items in the 2024-2028 Financial Plan Bylaw:
 - *[Council to identify which of the items listed under Recommended Actions (i) to (iii) to include]*
 - (2) Direct staff to make the following reductions in the 2024-2028 Financial Plan Bylaw:
 - *[Council to identify which reserve fund contributions listed under Recommended Action (vi) are to be reduced in 2024 or if the budget reduction under Recommended Action (iv) should be included in 2024]*

IMPLICATIONS

Should Council make all the recommended changes, the net property tax increase for 2024 would be 7.58% as follows:

Item	2024 Budget	Percentage Increase/Decrease
2024 Property Taxes before changes	\$ 37,591,919	5.51%
Staffing Requests	\$ 755,375	2.10%
Ongoing Supplemental Items	\$ 514,220	1.43%
One-Time Capital Supplemental Items	\$ 500,000	1.39%
Reserve Fund Reductions	\$ (309,815)	-0.86%
Budget for 90% of RCMP Contract Costs	\$ (356,493)	-0.99%
	\$ 38,695,206	8.58%
New Investment		-1.00%
Net Property Tax Increase		7.58%

Staff have added the two one-time capital supplementals in this table to give Council a clear picture of the 2024 property tax increase overall. The supplemental requests for the capital were also presented in the 2024-2028 Capital Budget report and presentation.

RECOMMENDATION

THAT the Committee of the Whole:

- a) Direct staff to include the following positions and ongoing supplemental items in the 2024-2028 Financial Plan Bylaw:
 - *[Council to identify which of the items listed under Recommended Actions (i) to (ii) to include]*
- b) Direct staff to make the following reductions in the 2024-2028 Financial Plan Bylaw:

- *[Council to identify which reserve fund contributions listed under Recommended Action (iii) are to be reduced in 2024 or if the budget reduction under Recommended Action (iv) should be included in 2024]*

Report prepared by:

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Report reviewed by:



Talitha Soldera
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Approved to be forwarded to Council:



Ted Swabey
Chief Administrative Officer

Attachments:

1. 2024-2028 Operating Budget Presentation
2. Engineering Administrative Assistant
3. Planning Engineer – Utilities & Drainage
4. Planning Technologist – Transportation & Development
5. Part-time Payroll Clerk
6. Deputy Fire Chief
7. Human Resources Advisor
8. Business Solutions Specialist to full-time
9. RCMP FIS/IDENT Officer
10. IT/LAN Administrator for the RCMP
11. Development Planning Manager
12. Planning Technician
13. Plan Checker