

Report

Date January 15, 2025
Subject 2025 Budget Engagement: What we heard and how we proceed

File:

PURPOSE

To close out the annual business planning process, communicate what we heard from the 2025 budget public engagement and receive further direction from Council prior to preparing the financial plan bylaw for Council consideration.

BACKGROUND

The 2025 business plans were presented to the Committee of the Whole in three open houses held in Crofton (November 26), South End (December 3) and Chemainus (December 10). The presentations provided Council with an overview of what each department accomplished in 2024, the proposed priorities for each department for 2025 and the recommendations for service enhancement for staffing and capital investment. At that time, the increase to tax revenue needed was estimated at 9.1%, which does not include the service and capital enhancements.

Changes to Budget since Business Planning:

Since the meetings, the following changes have been made to the 2025 budget:

- Additional revenue from the Cowichan Valley Regional District for the Somenos Lake Water Quality initiative;
- Additional proportionate revenue for additional provincial members at the RCMP Detachment; and,
- Additional appropriated surplus for specific projects.

With the changes noted above, the tax revenue increase required over 2024 is now proposed at 8.4%, which accounts for 1.25% of non-market change. The needed tax revenue does not consider any of the service enhancements or capital investment requests. If Council wishes to lower the proposed 8.4% increase to tax revenue required, it will require reducing or eliminating services. Every year presents challenges for Council, and this year is no different. The budget aims to balance between setting a reasonable tax rate and delivering the services that residents expect and maintain North Cowichan's extensive infrastructure and assets in order to deliver those services and avoid large maintenance or replacement costs in the future.

The proposed 8.4% is crucial for ensuring the continued provision of essential services and the long-term sustainability of the municipality's infrastructure. Historically, North Cowichan has managed to keep its tax rates lower than other jurisdictions, which has been beneficial for our residents in the short-term. However, keeping taxes low has also resulted in a significant backlog of asset management obligations that present considerable financial challenges for future taxpayers. Reducing the operating budget now could jeopardize the quality and availability of services and compromise our ability to manage and maintain assets effectively and to make investments needed to ensure that the municipality meets its longer term obligations. It's important to consider the long-term impacts and

prioritize the stability and well-being of North Cowichan. North Cowichan is not alone. Numerous other jurisdictions coming out of COVID-19 have faced significant tax increase over multiple years to address years of historical under-funding.

It's important to point out that a percentage increase in the total tax revenue needed doesn't necessarily translate directly to the same percentage increase in the tax rate because of variables such as changes in assessment, non-market changes, distribution of taxes, etc. It's more about how the tax burden is distributed across different classes and how changes in assessments impact the effective rates. When preparing the budget and presenting it to Council, staff calculate the percentage increase in tax revenue needed compared to the previous year, not the increase to the actual tax rate. Estimating the exact tax rate at this time is challenging because property assessments can vary significantly. The final assessment roll, used to determine tax rates for North Cowichan residents and businesses, is not published by BC Assessment until March 31.

Staff have reviewed all departmental budgets to identify any possible savings and ensure that taxpayers are receiving the best value for money. Additionally, staff reviewed all the revenue generating options to ensure they align with year-over-year actuals. Staff has not made any service reductions to past directions of Council.

Staff want to ensure Council has sufficient opportunity to ask questions or seek clarification regarding the departmental service enhancements and capital investment. During the public budget engagements residents had the opportunity to provide input and ask questions. Prior to formalizing the budget bylaws, staff is now seeking input from Council.

DISCUSSION

Staff recognizes the upcoming budget decision as one of the most critical in North Cowichan's history. We acknowledge the difficulty of this decision for Council, given the significant increase in funding required to meet our core needs and the service enhancements recommended.

North Cowichan provides its residents with a wide array of services, including water and sewer, parks and trails, and protective services. An 8.4% tax increase is necessary to maintain these existing service levels. Also, without the recommended enhancements, we risk increasing our liabilities and falling further behind in managing our core services.

While taxpayers in North Cowichan receive excellent value for their contributions, years of operating with lean staffing levels and insufficient asset management have created significant risks to our operational efficiencies.

The fire department exemplifies a service level struggling to maintain adequate efficiencies. Operating at significantly lower costs per capita than most municipalities in BC (\$80 per capita in North Cowichan vs. \$150-\$275 per capita average), it is nearing, if not at, the tipping point of its ability to respond to fires and medical calls within acceptable timeframes. In particular, the South End Fire Hall has maxed out its capacity, responding to over 1,000 calls last year without providing first responder capabilities. This situation results in slow response times and considerable burnout among our paid on-call firefighters, who are often required to leave their full-time jobs multiple times per day. The proposed

budget includes enhancements to the fire service aimed at delaying the transition to a career fire service and improving response times for all calls for service.

We are significantly behind in our asset management funding, compounded by a lack of staffing to address these complex issues. The absence of an operationalized asset management plan, years of reduced capital funding, and inadequate staffing levels have hindered our ability to advance capital projects that would support service levels residents expect and depend on. This results in an untenable risk management working environment and will mean higher costs for the asset management in the future.

These shortages represent our most significant challenge and risk, which cannot be resolved in a single budget cycle. Even if all the enhancements requested for the 2025 budget cycle are approved, we are still significantly underfunded in these service areas. Over the next 5-10 years, a concerted effort is required to address our organizational shortfalls. As highlighted in the business presentations, we have approximately 1,000 unaddressed implementation projects generated from various plans adopted by Council over the years, with more to come. These plans are all subject to annual business cycles, so that they can be appropriately prioritized to meet our financial plan mandate. But what this means is that, very few projects are able to be undertaken due to funding and staffing shortfalls and burn out of staff.

These challenging decisions are efforts to balance the needs while minimizing tax increases for our citizens. Unfortunately, these challenges are not "nice to haves" but "core needs" of the organization. Deferring these needs will exponentially increase future costs for taxpayers. Our dedicated staff ensures that funds are used efficiently and effectively to maintain the quality of services expected by the community. However, sustaining these efforts is becoming increasingly difficult, posing significant risks and high costs for future budget years.

The *Community Charter* restricts the municipality's revenue-raising options, leaving North Cowichan primarily with property taxes and user fees. Staff continuously seek grants and other revenue-raising opportunities, but these options are limited and not guaranteed. The current operating budget, excluding water and sewer utilities, is \$112.7M, with approximately \$40M being collected on behalf of other government agencies. The remaining \$72.7M is comprised of the following:

- Property tax revenues - \$44M
- Fees & Charges - \$16.5M
- Interest - \$1.27M
- Grants - \$3.8M
- Other - \$7.1M

The 2025 operating budget consists of the following categories:

- General Government Services - \$8.3M
- Protective Services - \$16.2M
- Transportation Services - \$8M
- Environmental Health Services - \$5.7M
- Planning & Development Services - \$2.2M
- Recreation & Culture - \$12.5M
- Debt Servicing - \$4.6M

- Transfer to Reserves - \$2.7M
- Transfer to capital - \$8.3M

What we Heard

Public engagement to support the 2025 budget began in September with the launch of a project page at ConnectNorthCowichan.ca/budget-2025.

Three Committee of the Whole meetings were held in Crofton, the South End, and Chemainus, and were reformatted to include an open house, public input, and questions from the public. The meetings began with an open house from 4:30 to 6:00 pm, with boards displaying department snapshots, and department directors on hand to answer questions from the public.

A survey about funding preferences for various service areas was launched before the first meeting and remained open until January 5, 2025.

The [What We Heard report](#) outlines feedback heard through this public engagement.

New Position Requests

Below is a list of departmental positions with amounts (calculated for six months of the year) and the tax impact by percentage, for Council's consideration.

	Amount	% increase
Communications Coordinator	\$ 44,554	0.12%
Engineering Administrative Assistant	\$ 23,000	0.06%
Planning Engineer (Transport/Drainage)	\$ 73,000	0.19%
Fire Inspector	\$ 49,686	0.13%
Paid-on-Call Pilot	\$ 400,000	1.04%
Reader / Reviewer	\$ 42,000	0.11%
Reader / Reviewer	\$ 42,000	0.11%
Detachment Clerk	\$ 38,000	0.10%
Carpenter	\$ 52,156	0.14%
Parks Laborer	\$ 42,464	0.11%
Human Resources Admin Asst.	\$ 15,658	0.04%
Building Administrative Assistant	\$ 43,846	0.11%
	\$ 866,364	2.26%

Deferring these new positions will have implications and may result in either deferral or delays in project/operational delivery or may necessitate hiring additional contractors to meet our service demands on the most critical issues, which could lead to higher costs compared to having permanent staff. Additionally, existing services might fall behind schedule, affecting the quality and timeliness of North Cowichan's services to the community. The detailed implications of deferment are listed in the business plans.

Service Enhancement Requests

Below is a list of service enhancement requests with amounts and the tax impact by percentage for Council's consideration. Not all of these are one-time requests; some will be ongoing expenditures year-over-year. They are not enhancements to services but rather existing services that North Cowichan already provides. However, the actual costs have consistently exceeded the budget year-over-year. They include janitorial increases, road markings, trail maintenance, and grounds maintenance.

	Amount	% increase
Banners	\$ 10,000	0.03%
Data Readiness Assessment	\$ 30,000	0.08%
Janitorial increase for Muni Hall	\$ 15,000	0.04%
Road Markings	\$ 30,000	0.08%
Trail Maintenance	\$ 25,000	0.07%
Sports Wall of Fame	\$ 10,000	0.03%
Grounds Maintenance	\$ 10,000	0.03%
Cemetery management software solution	\$ 50,000	0.13%
Chemainus dog park relocation	\$ 20,000	0.05%
Land Clearing Bylaw	\$ 75,000	0.20%
Urban Forest Strategy	\$ 150,000	0.39%
Tree Canopy Analysis	\$ 40,000	0.10%
Qwu'utsun Nation Youth Training Program	\$ 20,000	0.05%
Safer Community Plan	\$ 50,000	0.13%
Business License Review	\$ 25,000	0.07%
	\$ 560,000	1.46%

Since the actual costs of some of these services have consistently exceeded the budget, not approving the requests could result in continued budget overruns, impacting our financial planning and stability.

Below is a list of capital investment requests with amounts and the tax impact by percentage, for Council's consideration.

	Amount	% increase
Gateway Signage Design	\$ 50,000	0.13%
Gateway Sign at Overpass	\$ 136,000	0.35%
Equipment Reserve increase	\$ 425,000	1.11%
Maple Bay Rowing Roof	\$ 430,000	1.12%
Muni Hall Public washrooms	\$ 20,000	0.05%
Maple Bay Wharf	\$ 850,000	2.22%
Mary Street Culvert	\$ 100,000	0.26%
Parks Accessibility upgrades	\$ 25,000	0.07%
Crofton Outdoor Pool	\$ 277,000	0.72%
	\$ 2,313,000	6.03%

If Council approved all service enhancement and capital investment requests, the increase in tax revenue required in 2025 would be 18.15%.

Budget timeline

As per section 197 of the *Community Charter*, each year, after adoption of the financial plan but before May 15, a council must, by bylaw, impose property value taxes for the year.

The original timeline presented to Council in August will now need to be adjusted due to the public engagement sessions held.

The revised timeline is as follows:

- Close out business planning and present "What we Heard" and receive feedback from Council (January 15, 2025)
- Utility Rate Review at the February 5, 2025, Council meeting
- Operating and Capital at Committee of the Whole on February 11, 2025
- Five Year Financial Plan Bylaw for first three readings on February 19, 2025, Council meeting
- Five Year Financial Plan Bylaw adoption on March 5, 2025, Council meeting
- By-election on April 12, 2025
- Property Tax Rate Bylaw for first three readings on April 23, 2025, Special Council meeting
- Property Tax Rate Bylaw adoption on April 30, 2025, Special Council meeting
- Approval of the 2024 Audited financial statements on May 7, 2025, Council meeting

OPTIONS

(Recommended Option) THAT Council provides staff with the following direction in relation to the 2025-2029 Financial plan:

1. [Insert direction].

2. [Insert direction].

IMPLICATIONS

If the proposed timeline is adjusted and Council opts to adopt the financial plan closer to the deadline than recommended by staff, the latest possible adoption date would be April 30, 2025. This adjustment would necessitate holding special meetings. May 7, 2025 (first three readings) and May 14, 2025 (adoption) would be designated for the Property Tax Rate bylaw.

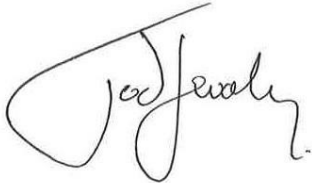
Delaying the adoption of the financial plan will impact the timing of the tax notices being sent out. As a result, they will be at least 2-3 weeks later than their usual distribution date. Staff typically send out tax notices after the long weekend in May.

RECOMMENDATION

THAT Council provides staff with the following direction in relation to the 2025-2029 Financial plan:

1. [Insert direction].
2. [Insert direction].

Report prepared by and approved to be forwarded to Council :



Ted Swabey
Chief Administrative Officer

Attachments:

- (1) Budget 2025 public engagement What We Heard report
- (2) 2025-01-15 Budget presentation