

# 2026 Budget Timeline and Direction



# Core Principles of Budgeting

- Legally required
- Alignment with Council's strategic priorities
- Operating and capital budget are the two main components
- Revenue sources are limited:
  - *Property taxes*
  - *User fees*
  - *Grants and transfers*
  - *Development charges*

# Challenges of Budgeting

- Balancing a reasonable tax rate and delivering services expected by residents
- Limited revenue sources
- Infrastructure deficits
- Transparency and public engagement
- Based on estimates
- Regulatory and Legislative constraints
- Downloading from federal and provincial governments

# Current increase

The current increase to property tax revenue needed is 9.26%.

The major cost drivers for this are:

- *Increase to debt servicing of \$615K*
- *Increase to RCMP contract of \$943K*
- *Increase to E-Comm 911 of \$400K*
- *Reserves that were omitted last budget*
- *2026 election*
- *Full-year impact of positions approved in 2025*
- *3% Inflationary increase to most expenses*
- *5% CUPE increases*

# Additional budget pressures beyond 9.26%

- *Infrastructure maintenance and replacement backlog;*
- *Council strategic priorities – forestry, industrial lands, servicing, asset management and procurement, etc.;*
- *Increased demand for social and housing supports;*
- *Staff recruitment and retention challenges;*
- *Many reserves being lower than recommended; and*
- *Implementation of internal strategic plans i.e. Economic development, Fire department, development planning service review, biodiversity, etc.*
- *Development Cost Charges (DCC) implementation*
- *Fire Department collective bargaining*

# Risks associated with pressures

## Service Disruptions

- *Delaying funding for critical areas may lead to reduced service levels or inability to meet community expectations*

## Deferred Maintenance Costs

- *Postponing infrastructure repairs or upgrades can result in higher long-term costs due to asset deterioration or emergency fixes*

## Staffing and Retention Challenges

- *Inadequate investment in workforce sustainability may lead to burnout, turnover, and difficulty attracting skilled professionals*

## Increased Financial Unpredictability

- *Without adequate reserves, the municipality will face greater exposure to economic conditions*

## Ongoing volatility in the Forest Industry

- *Without a proactive strategy to manage potential revenue shortfalls, the municipality may be forced to implement unpredictable tax increases*

# Staffing Pressures

Several areas, such as Parks, Operations, Finance, Bylaw and Engineering are currently operating with minimal staffing, while still striving to meet high service expectations which is not sustainable long-term.

Both RCMP and Fire Services are currently operating with staffing shortages, which places strain on their ability to maintain their current service levels.

The absence of a dedicated procurement role creates risk, as purchasing is currently being handled informally by each individual department, who do not have the expertise.

While increasing staffing levels will impact the tax rate, additional resources are necessary to maintain service levels.

# Reserves

Why reserves matter:

- *Provides financial stability and flexibility*
- *Enables timely response to infrastructure needs*
- *Reduces reliance on debt and emergency funding*
- *Supports long-term planning and sustainability*

Understanding Infrastructure deficits:

- *Aging infrastructure requires significant reinvestment*
- *Deferred maintenance increases long-term costs*
- *Infrastructure deficits can impact service delivery and public safety in some circumstances*



# Reserves Cont'd

## Types of Municipal Reserves:

- *Capital Reserves – infrastructure and asset renewal*
- *Operating Reserves – unexpected expenses or revenue shortfalls*

## Benefits of sufficient reserves:

- *Supports long-term capital planning;*
- *Alignment with asset management strategies and lifecycle costing;*
- *Allows North Cowichan to be proactive rather than reactive;*
- *Possible ability to leverage grants and partnerships; and*
- *Provides Council with the flexibility to respond to one-time funding requests and to support time-sensitive priorities as they arise.*

# Underfunded Reserves

Underfunded reserves limit our ability to maintain infrastructure at expected service levels.

The following reserves are below optimal levels:

- *Water Utility - \$7.5M*
- *Sewer Utility - \$25.3M*
- *Road & Drainage - \$1.7M*
- *Fire truck reserve - \$225K*
- *Machinery & Equipment - \$2M*
- *Park & Land Sale - \$5M*
- *Buildings - \$600K*

# Capital Asset Management

As per Council's Revenue Tax and Budget policy, a minimum of 15% of municipal property tax revenue will be utilized to fund capital.

## **Encouraging progress:**

In the preliminary 2026 Operating Budget, 5% of taxation is earmarked for capital reserves, with an additional 14% allocated to capital project, bringing the total capital-related allocation to 19%.

# Public Engagement

The 2025 budget engagement included 3 town halls in Crofton, Chemainus and South End.

Public participation in budget engagement is historically limited.

The return to in-person opportunities for the 2025 budget incurred additional costs and did not increase public participation.

Staff are seeking Council's direction on how they would like to shape and prioritize public engagement for the 2026 budget cycle.

# Public Engagement Options

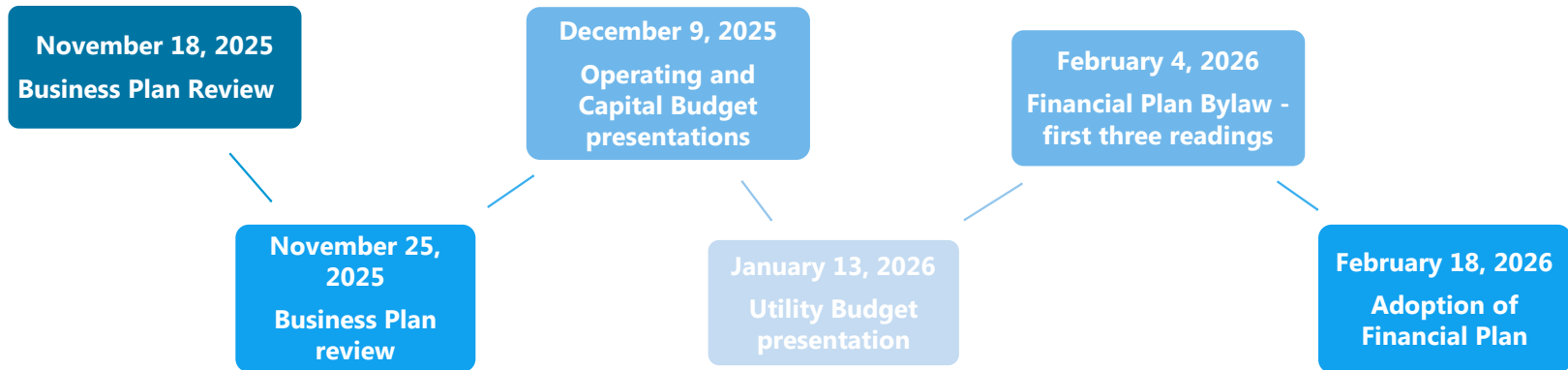
Engagement with residents and businesses in the budget process could include:

- *A robust digital engagement that includes:*
  - *Budget information on ConnectNorthCowichan page*
  - *Public information pieces*
  - *Advertising of meetings that involve business plans and 2026 budget discussions*

# Public Engagement Options Cont'd

- *Similar to last year, hosting town halls in Crofton, Chemainus and South-End to engage residents which would include:*
  - *Mayor, Council and staff present*
  - *Special Committee of the Whole meetings*
  - *High level presentation of business plans (CAO & GM's)*
  - *Story boards of each departments budget*
  - *Additional costs*

# Proposed Timeline for 2026 budget



# Recommendation

That Council:

- i. Endorse the 9.26% tax increase as proposed;*
- ii. Direct staff to create a robust digital engagement for the 2026 budget;*
- iii. Provide feedback on the proposed 2026 budget timeline; and*
- iv. Review business plans with supplementals and capital requests at future meetings to establish the final property tax revenue increase needed for the 2026 budget.*