



Staff Report to Council

DATE: Monday, March 4, 2024
DEPARTMENT: Finance
SUBJECT: 2024-2028 Five Year Financial Plan

EXECUTIVE SUMMARY:

The *Community Charter* requires Council to adopt a Five-Year Financial Plan each year and subsequently adopt a tax rate bylaw before May 15. Prior to the finalization of these bylaws, in order for staff to create the bylaws, Council should adopt the Five-Year Financial Plan.

Staff have worked hard to achieve a proposed financial plan that balances the impact of the 2020, 2021 and 2022 reductions, the growth of the City, maintains service levels, continues its focus on public safety, and ensures that the short and long-term sustainability of the budget remains strong all while ensuring that Langford maintains one of the lowest tax rates in the CRD as well as comparable sized municipalities in BC.

The Budget Process and Timelines for 2024 are as follows:

BUDGET PRESENTATION

- › Thursday February 8th – Committee of the Whole (CoW) at 7pm
 - Initial Presentation of the 2024-2028 Proposed Five Year Financial Plan
 - Protective Services Operating budget presentations (Fire, Police, Bylaw)
 - Mayor and Councillors to ask questions on items presented
- › Monday February 12th – Committee of the Whole at 7pm
 - Operating budget presentations, non protective services
 - Capital budget presentations
 - Mayor and Councillors to ask questions on items presented

PUBLIC INPUT

- › Tuesday February 13th – Committee of the Whole – 7pm
 - Public Input, no Mayor and Councillors deliberation
- › Tuesday February 20th – Committee of the Whole – 12pm – 4pm
 - Public Input, Mayor and Councillors to begin deliberation if time permits

COUNCIL DELIBERATION

- › Tuesday February 20th – Committee of the Whole – 12pm-4pm
 - Mayor and Councillors to begin deliberations, if time permits after public input
- › Thursday February 22nd – Committee of the Whole – 7pm
 - Mayor and Councillors to deliberate.
- › Monday March 4th – Regular Council Meeting – 7pm
 - Council to deliberate and consider approval of financial plan.

BYLAWS

- › Monday April 16th – Regular Council Meeting – 7pm
 - Council to consider 1st, 2nd and 3rd readings of Financial Plan Bylaw and 2024 Tax Rates Bylaw.
- › Monday May 6th – Regular Council Meeting – 7pm
 - Council to consider adoption of Financial Plan Bylaw and 2024 Tax Rates Bylaw.

IN ADDITION TO THE SCHEDULED PUBLIC INPUT OPPORTUNITIES AT THE COMMITTEE OF THE WHOLE MEETINGS LISTED ABOVE UNDER "PUBLIC INPUT", PUBLIC PARTICIPATION IS ALSO WELCOME AT MARCH 4TH, APRIL 16TH AND MAY 6TH REGULAR COUNCIL MEETINGS.

The purpose of this report is for Council to consider approval of the Proposed 2024-2028 Five Year Financial Plan as amended through the process of the Committee of the Whole meetings as outlined above.

The amended Proposed 2024-2028 Financial Plan as presented is summarized as follows:

	2023 Budget	2024	2025	2026	2027	2028
101 - Property Taxes						
101-000 - Municipal Tax						
0002 - General & Police	38,782,705	43,883,850	49,693,571	53,495,646	57,362,778	61,732,391
0003 - General - West Shore Parks & Recreation	3,137,471	3,276,205	3,393,489	3,529,228	3,670,397	3,700,000
0004 - General - Library	2,404,009	2,640,819	2,746,452	2,856,310	2,970,562	3,089,385
0005 - General - Debt	300,000	1,050,000	2,000,000	2,900,000	4,000,000	4,000,000
0006 - General - Debt - YMCA / Asset Management	384,818	3,071,523	3,739,523	4,611,787	5,581,690	5,607,572
Total Property Taxes	45,009,003	53,922,397	61,573,035	67,392,971	73,585,427	78,129,348
Non-market change revenue		1,879,000	1,500,000	1,500,000	1,250,000	1,250,000
Property Taxes - for calculation of proposed tax increase (net of Non-market change)		52,043,397	60,073,035	65,892,971	72,335,427	76,879,348
Proposed Tax Increase		15.63%	11.41%	7.02%	7.33%	4.48%

The Financial Plan presented this evening, based on the initial Proposed Financial Plan and amendments made through the Committee of the Whole process, currently has the proposed 2024 overall tax increase at 15.63%.

BACKGROUND:

The population of the City of Langford has grown rapidly over the last five years. During this time, the City has maintained current service levels, invested significantly in public safety, road networks, economic development, and parks and recreation, all while maintaining one of the lowest taxes in the Capital Regional District (CRD) as well as in similarly sized municipalities in BC. During the COVID-19 pandemic, Council made the decision in 2020, 2021 and 2022 to reduce the recommended tax increases to assist residents who may have been affected by the pandemic, recognizing that future year tax increase percentages would likely be higher. These reductions, along with previous years of low tax increases, were made possible due in large part to the growth of the tax base within the City and through the use of surplus and reserves, such as the general amenity fund.

It is worth noting that in the 2022 report to Council, staff mentioned that “due to the low tax increases over the last number of years and the ambitious programming of services, the next four years in the financial plan are currently projected to be at least 6% per year”.

Additionally, for 2022, staff noted “further reductions to this year’s tax increase are possible using additional surplus and the general amenity fund; however, Council should be aware that this will impact future years’ tax increases and/or the spending ability for operations and capital projects. Council may also choose to make cuts to the budget as presented, noting that cuts will likely impact service levels.”

The City has always prided itself on operating a highly efficient and lean organization. One of the potential downsides to having such a lean organization each year is that in years of significant budget pressures, as 2023 was and 2024 is, there simply is very little that can be reduced within the financial plan to reduce the tax increase. Unfortunately, continued growth in the annual amount of additional reserve funds used to reduce the tax increases has had an exponential effect on the eventual percentage tax increase in a future year. Further, the continued growth in the level of reserves used each year is unsustainable and limits those reserves from being available for other purposes for which they are collected.

Hypothetical % Tax Increase:

At the February 22, 2024 Committee of the Whole meeting, the Committee passed the following motion:

That the Committee of the Whole direct staff to present to Council a hypothetical evaluation of what the tax increase would have been in 2023, and would now be in 2024, if the property tax increase had been 3%, 4% or 5% in each of the previous 5 years (2018-2022).

The following charts are based on hypothetical assumptions for what the tax increase could have been in previous years and what the corresponding tax increase would have been in 2023 and 2024 to collect the same property tax revenue.

Scenario #1 – Demonstrates what the 2023 Tax Increase % would have been, if the tax increase in 2018-2022 had been 5%, 4% and 3%.

2018 - 2022 Annual Tax Increase (Hypothetical)	Hypothetical 2023 Tax increase (to collect the same tax revenue as the actual last year)	Additional money collected (above what was actually collected) from 2018-2022
5%	1.05%	\$12.27M
4%	5.30%	\$7.5M
3%	9.75%	\$2.89M

As a reminder, the actual % tax increase in 2023 was 12.41%. To collect the exact same tax revenue in 2023, \$45,009,003, the tax increase would have been 1.05% if the tax increase had been a consistent 5% in each of the previous five years (2018, 2019, 2020, 2021 and 2022). In addition to that, over the same five years, the City would have collected an additional \$12.27 million that could have been used to

provide other services or amenities. Subsequently, the chart also shows what the numbers would be if the tax increase had been a consistent 4% or 3% over the same five-year period.

Scenario #2 – Demonstrates what the 2024 Tax Increase % would be, if the 2018-2022 increase had been 5% or 4% and the 2023 increase had been 8% or 5%?

2018-2022 Annual Tax Increase (Hypothetical)	2023 Tax Increase (Hypothetical)	2024 Hypothetical Tax Increase (to collect the same tax revenue as projected in current proposed financial plan)	Additional money collected (above what was actually collected) from 2018-2023
5%	8%	8.46%	\$15.25M
4%	8%	12.87%	\$8.63M
5%	5%	11.45%	\$14M

In summary, if the 2018-2022 tax increase had been a consistent 5% and the 2023 tax increase had been 8% (factoring in 7% inflation and other budget pressures), the tax increase for 2024 to collect the same property tax revenue as the amended 2024-2028 Financial Plan would be 8.46%, and the City would have collected an additional \$15.25 million over that six-year period. If the 2018-2022 tax increase had been a consistent 4% and the 2023 tax increase had been 8% (factoring in 7% inflation and other budget pressures), the tax increase for 2024 to collect the same property tax revenue as the amended 2024-2028 Financial Plan would be 12.87%, and the City would have collected an additional \$8.63 million over that six-year period. If the 2018-2022 tax increase had been a consistent 5% and the 2023 tax increase had also been 5%, the tax increase for 2024 to collect the same property tax revenue as the amended 2024-2028 Financial Plan would be 11.45%, and the City would have collected an additional \$14 million over that six-year period.

COMMENTARY:

The Proposed 2024-2028 Five Year Financial Plan was presented to Mayor and Council at the Committee of the Whole meeting on February 8, 2024. As outlined in the timeline above, staff presented the proposed plan at the February 8th and February 12th Committee meeting. Subsequently, the City held two public input meetings to allow the public to provide comment and feedback on the proposed financial plan based on the information presented. In addition to submissions from the public at these two meetings, the public has also been able to submit comments by email to budget2024@langford.ca.

Initial Proposed 2024-2028 Financial Plan:

Each year, the starting point for staff in the budget preparation process is the previous year financial plan. The tax increase for 2024 in the approved 2023-2027 Five Year Financial Plan was 11.68%. The initial Proposed 2024-2028 Five Year Financial Plan included a 11.79% tax increase in 2024.

Five-Year Budget Projection

	2023 Budget	2024	2025	2026	2027	2028
101 - Property Taxes						
101-000 - Municipal Tax						
0002 - General & Police	38,782,705	42,155,437	47,656,983	51,822,407	56,000,426	60,605,431
0003 - General - West Shore Parks & Recreation	3,137,471	3,276,205	3,393,489	3,529,228	3,670,397	3,700,000
0004 - General - Greater Victoria Public Library	2,404,009	2,640,819	2,746,452	2,856,310	2,970,562	3,089,385
0005 - General - Debt	300,000	1,050,000	2,000,000	2,900,000	4,000,000	4,000,000
0006 - General - Debt - YMCA / Asset Management	384,818	3,071,523	3,739,523	4,611,787	5,581,690	5,607,572
Total Property Taxes	45,009,003	52,193,984	59,536,447	65,719,732	72,223,075	77,002,388
Non-market change revenue		1,879,000	1,500,000	1,500,000	1,250,000	1,250,000
Property Taxes - for calculation of proposed tax increase (net of Non-market change)		50,314,984	58,036,447	64,219,732	70,973,075	75,752,388
Proposed Tax Increase, including debt financing for YMCA building purchase/asset management		11.79%	11.19%	7.87%	7.99%	4.89%
Potential reduction in property taxes, subject to decision to purchase YMCA building		786,705	1,839,523	2,711,787	3,681,690	3,707,572
Adjusted property taxes for tax increase calculation		49,528,279	56,196,924	61,507,945	67,291,385	72,044,816
Potential adjusted tax increase, excluding debt financing for YMCA building purchase/asset management		10.04%	9.32%	6.61%	6.80%	5.11%

The summary of key 2024 budget items include:

Summary of Key 2024 Budget items:

Fire Department (Additional 9 firefighters per Master Plan)	2.31%
Debt payment (internal capital borrowing)	1.67%
Police (RCMP) for additional officers + one ME	1.47%
CPI on wages	1.37%
Maintenance Contracts (i.e. roads and parks maintenance)	1.16%
General Staffing	1.12%
Repairs and maintenance	0.87%
Community Safety and Municipal (Bylaw) enforcement staffing staffing	0.60%
Greater Victoria Regional Library	0.53%
Royal Roads University initiatives	0.50%
Utilities and insurance	0.50%
West Shore Parks and Recreation Society	0.30%
Miscellaneous (net effect of increases and decreases of revenues and expenses)	2.91%
Reduced contribution to Equipment Replacement Reserve	-1.10%
Non-market change (helping offset additional costs of growth)	-4.17%
Total net of debt servicing for potential purchase of Westhills owned YMCA building	10.04%
Debt servicing costs - Westhills owned YMCA building purchase	1.75%
Total Proposed 2024 Tax increase	11.79%

Amended Proposed 2024-2028 Five Year Financial Plan:

Through the Committee of the Whole meetings the following recommendations for amendments were made, as reflected in the amended proposed 2024-2028 Five Year Financial Plan presented to Council at this time.

The amendments made to the proposed plan through the Committee of the Whole process are as follows (impact on 2024 property taxes shown in brackets):

1. Defer the initial funding of the Royal Roads Innovation Studio to the year 2025. (-\$150,000)
2. Defer the initial funding of the Langford E-bike Rebate Program to the year 2025. (-\$75,000)
3. Remove/Delete the Community Murals Fund. (-\$30,000)
4. Defer the initial funding of the City Centre Crosswalk Project to 2025. (No taxation impact)
5. Remove/delete the "Largest Little Free Library". (-\$25,000)
6. Fund the Pedestrian Plaza/Walkway Pilot Project from Surplus, not property taxes. (-\$30,000)
7. Fund the 2024 budget for Community Gardens from General Amenity Reserve, not property taxes. (-\$40,000)
8. Remove/Delete the Home Composter Program. (-\$15,000)
9. Add one additional RCMP Officer, for a total of four new officers in 2024. (+\$188,214)
10. Decrease the use of the General Amenity Funds to offset taxes to \$0 in 2024 and all years

subsequent. (+\$1,701,985)

Further information for #9:

Subsequent to the Committee of the Whole meeting on February 22, 2024, the City now has the estimated BC Stats 2023 population for the City of Langford, to be used for the calculation of the “Cop to Pop” ratio. As per BC Stats, the City of Langford’s population for 2023 is estimated to be 52,953. The initial Proposed 2024-2028 Five Year Financial Plan included an additional three RCMP officers based on the previous growth trends equating to the City being required to add ten officers every three years. In 2023 the City added four officers so it was determined that based on the previous growth trends, the estimate would be an additional three officers to maintain service levels, always understanding that figure may change once the 2023 population figures were published. Based on the updated population statistics, in order to maintain the existing Cop to Pop Ratio, the City needs to add five RCMP officers in 2024. It is worth noting that if this population information had been available before the Proposed Financial Plan was initially published, the 2024 tax increase would have been 12.63% (the additional two officers – from three to five – equate to a 0.84%). It is also worth noting, five officers is what the RCMP has requested for 2024 to meet their operational needs. Based on the above information, while the Committee of the Whole recommended one additional officer for a total of four additional for 2024, staff have adjusted the financial plan presented to Council this evening to include five additional officers for 2024.

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FINANCIAL IMPLICATIONS:

The following table shows Langford’s 2023 residential taxes, in comparison to other cities in the region as well as similarly sized municipalities throughout the province. For both the general municipal portion and the overall property taxes.

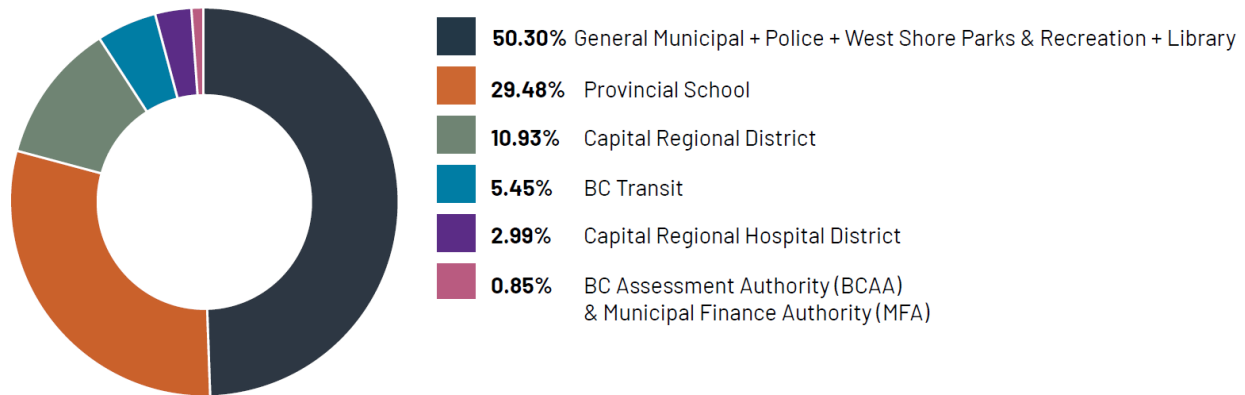
How Does Langford Compare to Other CRD and Similar Sized Municipalities? (2023)

General Municipal		Total Residential Property Taxes and Charges on a Representative House	
Municipality	2023	Municipality	2023
Sooke	1,594	Langford	4,008
North Saanich	1,771	Metchosin	4,019
North Cowichan	1,871	Sooke	4,454
Metchosin	1,877	Colwood	4,547
Courtenay	1,892	View Royal	4,630
Langford	2,095	North Cowichan	4,649
Sidney	2,102	Vernon	4,682
Highlands	2,209	Highlands	4,728
Vernon	2,239	Courtenay	4,920
View Royal	2,244	Sidney	4,936
Campbell River	2,306	Penticton	4,951
Penticton	2,330	Esquimalt	5,140
Colwood	2,361	North Saanich	5,225
West Kelowna	2,612	Campbell River	5,251
Central Saanich	2,694	Mission	5,524
Average	2,749	Central Saanich	5,701
Mission	2,751	Average	5,836
Langley	2,794	Langley	5,955
Esquimalt	3,111	West Kelowna	6,305
North Vancouver	3,355	Victoria	6,461
Saanich	3,412	Saanich	6,800
Victoria	3,458	North Vancouver	7,187
Port Moody	4,154	Port Moody	8,032
Oak Bay	5,063	Oak Bay	9,907
West Vancouver	5,681	West Vancouver	12,051

Source: Government of British Columbia, Municipal taxes and charges on a representative house (2023)
 – Province of British Columbia

It is important to remember that the City of Langford’s portion of the property tax bill is approximately 50%, the remainder of the total property taxes levied are collected on behalf of other taxation authorities and the City simply levies, collects, and remits the full amount to those organizations. The City does not have any input into those tax rates and the City does not retain any of the funds collected on behalf of those entities. The graph below outlines what percentage of the 2023 property tax notice went to each of the taxation authorities.

Where Your Total Property Tax Dollars Went in 2023



LEGAL IMPLICATIONS:

The *Community Charter* requires Council to adopt a Five-Year Financial Plan each year and subsequently adopt a tax rate bylaw before May 15.

STRATEGIC PLAN INITIATIVES:

Aligning with objectives 5bi and 5bii in Council's Strategic Plan, the 2024-2028 proposed Financial Plan is prepared in line with best practices for municipalities in BC, with a fiscally responsible and sustainable lens and presented in a transparent and user-friendly format.

OPTIONS:

Option 1

THAT Council approve the 2024 – 2028 Five Year Financial Plan as presented.

OR Option 2

THAT Council approve the 2024 - 2028 Five Year Financial Plan with the following amendments:

- 1.
- 2.
- 3.

OR Option 3

THAT Council not approve the 2024-2028 Five Year Financial Plan and direct staff to incorporate the following amendments and bring it back to Council at a future meeting:

- 1.
- 2.
- 3.

SUBMITTED BY: Michael Dillabaugh, CPA, CA, Director of Finance

Concurrence: Donna Petrie, Senior Manager of Communications & Economic Development

Concurrence: Yari Nielsen, Director of Parks, Recreation and Facilities

Concurrence: Matthew Baldwin, MCIP, RPP, Director of Planning and Subdivision

Concurrence: Katelyn Balzer, P.Eng., Director of Engineering and Public Works

Concurrence: Marie Watmough, Deputy Director of Corporate Services

Concurrence: Braden Hutchins, Director of Corporate Services

Concurrence: Darren Kiedyk, Chief Administrative Officer