

Budget Message

January 20, 2015

Message from the Director of Corporate Services

Mayor and City Council
City of Langley

2015-2019 Financial Plan

I am pleased to present the 2015–2019 Financial Plan for the City of Langley. The Bylaw is tentatively scheduled to come forward to the February 2 Council meeting for the first two readings with final adoption anticipated for the March 2 meeting.

The 2014 Actual column is reflecting the current year to date expenditures rather than an estimate of the amount anticipated at the end of the year which will be higher after all the December purchase invoices and year end reconciliations have been reflected.

Public Process

The Financial Plan will be advertised for two consecutive weeks in summary form in the local newspaper (January 22 and January 29). A Financial Plan presentation will be made at the Monday, February 2, 2015 Council meeting to introduce the budget to the public which will be recorded and streamed on our website.

A Financial Plan public input and open house meeting will be held on Wednesday, February 4, from 3:30 pm – 7:00 pm at Douglas Recreation Centre for the public to learn more about the budget and ask questions in a more informal setting.

The open house will be followed by a Financial Plan presentation at the February 16, 2015 Committee of the Whole Council meeting where the comments from the public will be invited.

The Five Year Financial Plan

The five year financial plan presented in this document is a financial planning tool and not a multi-year budget. The primary focus of the Financial Plan is the current budget year under consideration (2015) with a new five year plan being created for each successive budget cycle.

The revenue and expenditure forecasts of the out years (2016-2019) reflect estimated wage & benefit costs and RCMP contract increments. We have not attempted to include an estimate of inflation in the out years in this document.

2015 Council Goals and Strategic Plan

The Financial Plan includes a series of goals and action plans in each department that support the *Strategic Plan*. The Strategic Plan has seven key result areas that describe where we believe we most need to move forward and achieve better results. Making progress in these Key Result Areas will define our success, and anchor our accountability to our individual and corporate citizens.

1. **Infrastructure:** Continuous improvement and sustainability of our below ground, on the ground, and above ground infrastructure.
2. **Quality of Life in Our City:** services to people can be continuously improved in order to attract, retain, and serve citizens that will then champion our vision as “The Place to Be.”
3. **Communication:** communicating with our customers and partners, involving them in decisions which impact and interest them, and engaging them in public life.
4. **Revitalization:** of our downtown core, the visual impact of the public realm in our City, and enhance our sense of pride.
5. **Environment:** how we protect, preserve, restore, sustain, and enhance our environment.
6. **Protective Services:** ensuring our citizens feel safe and property is secure.

7. **Organizational Development:** investing in our organization, its people, its processes and financial sustainability

Developing the 2015-2019 Financial Plan is a component of the first key result area contributing to the long term planning of infrastructure renewal.

Budget Highlights

General Operating Fund

The Consumer Price Index (CPI) % increase in Vancouver for the year ended November, 2014 was 1.3%. **The gap between total expenditures and total revenues in the general fund is \$584,625 and would require a tax revenue increase of 2.56%.**

In addition, an \$85,450 or 0.38% specific infrastructure renewal tax levy is proposed to help fund transportation infrastructure projects to address the infrastructure deficit in the Capital Improvement Plan.

The budget contains non-discretionary service level and other increases outlined in the following table. This increase includes the new growth tax revenues of \$169,180 (0.74% of tax revenues).

Summary of the Larger Non-discretionary Changes Affecting the 2015 General Fund Budget	
Revenues:	
2014 actual assessment decreases from budget	\$ 59,735
Fees & Charges - Parking rental & fine reduction	\$ 49,640
Fees & Charges - Recycling discontinuation	\$ 384,360
Revenue own Sources-RCMP fees reduction	\$ 8,750
Revenue own Sources - Casino proceeds	\$ 150,000
2014 New tax growth increase	(\$ 169,180)
Fees & Charges - Business Lic & Dogs, permit	(\$ 31,035)
Fees & Charges - Eng Admin fee increase	(\$ 20,000)
Revenue own sources - Property rental increase	(\$ 16,845)
Revenue own sources - Interest penalty, Eng & GIL	(\$ 15,330)
Revenue own sources - Community Works (Gas Tax)	(\$ 121,600)
Revenue own sources - Traffic Fine Revenue	(\$ 120,830)
Expenditures:	
Council remuneration & Elections & Surplus	\$ 2,225
Employee wages and benefits	\$ 116,380
Fire wage and benefits	\$ 39,755
Fire recruiting, supplies, gear maintenance	\$ 18,710
RCMP Detachment Operations - Municipal Staff	\$ 31,125
RCMP Contract Adjustment & Pension	\$ 247,760
CPO, LYFS, & Emergency contract, victim witness	\$ 12,005
Security and Bylaw Enforcement Support	\$ 44,400
Engineering Technologist	\$ 101,995
LEPS Environmental Stewardship	\$ 50,000
Library Levy & building maintenance	\$ 25,290
Various supplies and contracted services	\$ 18,055
Tsfr to /from reserves, casino, RCMP, sewer, parking	\$ 98,020
Tsfr to Community Works Reserve (Gas Tax)	\$ 121,600
Infrastructure Levy	\$ 85,450
2014 Non Recurring Expenditures:	
Community Grants & Enterprise reductions	(\$ 7,830)
MIA Levy	(\$ 12,860)
Remove Fire Inspector / Safety Officer position	(\$ 54,920)
Recycling	(\$ 384,750)
LSRS annual grant	(\$ 40,000)
Net 2015 budget expenditure increase	\$ 670,075

Each year departments scrutinize their operating budgets in an effort to make substantive reductions to help mitigate a taxation increase. Over the last 6 years, over \$995,000 in savings have been implemented reducing taxes by 4.37%. However, these reductions have operational impacts due to reductions in training, supplies and contracted services.

Revenue Decreases:

The property tax assessments have decreased as part of the Appeal Board decisions resulting in tax revenues being less than budgeted for 2014. In 2015, these revenues would have to be made up to continue with the base level of expenditures anticipated in 2014.

Parking stall rental revenues have decreased \$29,640 as the parking lot behind the Timms Centre construction is no longer available to rent as it was required for City purposes. Additionally, the revenue generated from parking tickets has been reduced by \$20,000 to reflect the actuals achieved in 2014.

MMBC have taken over the provision of recycling services for the City's residents starting in 2015. This change, combined with the reductions achieved in the solid waste contract negotiations, will reduce fees by \$46 for a single family home and by \$25 for multifamily residential properties.

The RCMP fees for Criminal Record Search fees and fingerprinting are forwarded to the Township. The City receives our proportionate share of the fees collected at all detachment locations as a reduction in the expense

invoice we pay to the Township to provide policing services at the main detachment.

The City receives 10% of the net casino proceeds generated at the Cascades Casino, which is recorded as a revenue source, and then the proceeds are transferred to a reserve which primarily funds capital construction in the City. This revenue source has been decreasing to the point where we will have to reduce the annual anticipated revenue by \$150,000 to \$5.6 million.

Revenue Increases:

The 2015 taxation growth from new construction is estimated at \$169,180.

Business license fees are increasing 2% generating an additional \$8,795. Dog license revenue is expected to increase \$1,865. Building permit fees are collected from developers and are contingent on market conditions prompting developers to begin new construction. The building permit revenues are also increasing by \$5,095 or 2% as a fee increase and a further \$15,280 to reflect experience achieved in 2014.

Engineering administration fees are increasing \$20,000 to better reflect historical trends.

Property rental fees are increasing \$16,845 to reflect the rent increases being charged to the tenants of these City owned buildings.

Based on prior year experience, the revenue generated by the property tax penalty interest has increased \$7,500. As

well, Engineering highway use and film permit revenues are anticipated to increase \$5,250. There is a small increase in grant in lieu (GIL) taxation income as well.

The Federal Government through the UBCM implemented a new Community Works Fund to share the gas tax with municipalities including those in Metro Vancouver. The City will receive \$121,600 in 2015 to be used for capital infrastructure. Previously, all gas tax revenues were directed only to Translink for Metro Vancouver area municipalities. The funding will be transferred to a reserve to help fund capital projects.

RCMP traffic fine revenues are paid to the City by the Province based on the City's proportionate share of traffic fines generated throughout the Province. The Province and City had a three year agreement ending June 2015. The Province chose to pay a larger proportion of the revenues in 2012, so the City smoothed the revenues over the three year agreement. This required revenues to be held in the Future Police Cost Reserve in 2012 and drawn out in the subsequent two years. The City anticipates that the Province will renew the agreement in 2015 and the revenues have been increased to reflect the three year average and the transfer from the reserve has been eliminated in the 2015 Financial Plan. The City allocates the traffic fine revenues (\$476,300) to pay for three RCMP members which has been the case since the traffic fines first started being paid to the municipality.

Expenditures:

Council remuneration increases are based on adopted Council policy. The Mayor's remuneration is 85% of the 2014 median Metro Vancouver mayors' salaries. Council remuneration is set at 40% of the Mayor's remuneration.

In the prior year, there was one less Council member so the Council remuneration was temporarily reduced to help offset the election expenses. A small transfer from surplus was also required. In 2015, the Council remuneration was restored and the transfer from the reserve and election expenses were eliminated.

A provision has been included to reflect the CUPE and management staff and Protective Services contracts increases. In addition, some staff will move through steps in their pay grids.

The Fire Department recruiting, supplies, vehicle maintenance and turn out gear maintenance costs are increasing by a total of \$18,710.

The cost for centralized support services, billed by the Township of Langley for municipal employees at the RCMP detachment, is increasing to reflect wage increases.

The RCMP incremental costs reflect a 1.50% increase in wage and pension costs and movement through pay grades. Integrated team costs have also increased to reflect the establishment of a Real Time Intelligence Centre (RTIC).

There are small cost changes in the Community Police Office, LYFS contract costs, the Emergency Program costs and victim services totaling \$12,005.

The City embarked on an evening Parking / Bylaw Enforcement function in 2014. However, the staff position was required to be accompanied by a contracted security guard due to Worksafe BC working alone regulations. Adding \$19,600 to the budget will allow the Bylaw Enforcement function to operate more efficiently throughout the day and evening hours. As well, the security guard services at the City Hall / Library were extended for longer hours during the day costing an additional \$24,800.

The Engineering, Parks and Environment Department is requesting an additional position to enhance the ability to meet the expectations of City Council and the community regarding environmental, engineering development review, parks and trail infrastructure and project management. The Department's workload currently exceeds the resource capacity.

The Langley Environment Partners Society (LEPS) provides environmental stewardship services for the City. A \$50,000 contract has been added to the Parks Department funded by a transfer from casino proceeds.

The FVRL levy is increasing \$25,290 to reflect a 7.5% increase in the number of books and resulting from the final phase in of the new funding formula.

The transfer to the casino proceeds reserve was decreased \$150,000. The \$120,830 traffic fine revenue transfer from the reserve was eliminated, as was \$150,000 transfer from the Future Police Cost reserve. Previously the City budgeted for 4 RCMP member vacancies based on historical trends. The City contract strength has been 50.35 officers for a number of years. In addition, as a further cushion, \$150,000 was transferred from the reserve to pay for the RCMP costs if the vacancies were lower than anticipated. This transfer has never been made so a more transparent means of reflecting this is to now show 5 vacancies within the Policing section of the budget and no longer rely on the transfer from the Future Police Cost Reserve.

As well, a small decrease of \$9,000 was made from the transfer from the sewer insurance reserve bringing the annual transfer down to \$20,000. In future years, this transfer will also be eliminated as it is no longer necessary.

Finally, the parking stall rental revenue decreased \$29,640 so there is an equal decrease in the transfer to the Off Street parking reserve. Therefore, the total change in the transfer to / from reserves is \$98,020.

A new \$121,600 transfer to the Community Works Fund for gas tax revenues as noted above is reflected.

A \$85,450 or **0.38%** specific infrastructure renewal tax levy is proposed to help fund transportation infrastructure projects to address the infrastructure deficit in the Capital Improvement Plan.

Non Recurring Expenditures:

Each year the City provides 2.6% of the casino proceeds for community grants and an allocation to the Enterprise Fund. As the casino proceeds are dropping, the community grants available for distribution will also decrease to \$146,085, a reduction of \$3,915. The Enterprise Fund used at Council's discretion to address issues that arise during the year after the budget has been adopted, will also decrease by this same amount.

The insurance provision was reduced based on the MIA premium notification.

A fire inspector position was added to the budget in a previous year and it was anticipated that this position would lead a Community Safety Team which would include RCMP and Bylaw members. The team would have generated additional revenues to offset the costs of the position when illegal grow operations were discovered through the inspection process. Due to court challenges, the Community Safety Team was never implemented so in 2015 the position has been eliminated from the budget as were the anticipated revenues the position would generate, a net reduction of \$54,920.

The recycling expenditures were no longer needed as the service was taken over by MMBC (as noted earlier).

The annual \$40,000 grant to the Langley Senior Resources Society (LSRS) funded by casino proceeds has been discontinued in 2015. Previously, the grant was used to repay the mortgage on the building which was fully repaid in 2014.

Water Operating Fund

The water rate structure will increase \$0.02 per cubic meter to \$1.14 per cubic meter, with a flat rate of \$50 per dwelling unit. The increase for the average single family residential customer using 330 cubic meters of water will be \$6.60 in 2015.

The cost of water purchased from GVWD is increasing 1%. The water purchase cost of \$2.5 million makes up 68.5% of the expenditures in the water fund. The City has experienced a drop in the water volume used.

The GVWD has indicated that there will be increases in water costs over the next few years to allow for improved water filtration and infrastructure replacement.

Sewer and Drainage Operating Fund

The sewer rate structure will increase \$0.04 per cubic meter bringing the total to \$0.94 per cubic meter (80% of water consumption) with a flat rate of \$50 per dwelling unit. The increase for the average single family residential customer using 330 cubic meters of water, used to determine the sewer charge, will be \$10.56 in 2015.

A portion of the increase (\$0.03 per CM) is being allocated to increase the transfer to the sewer and drainage reserve. The current reserve contributions are not adequate to fund the capital requirements anticipated in the Capital Improvement Plan. This is accelerating the increases implemented in prior years. The balance of the

increase is to fund the sewer treatment levy cost of \$1.7 million which makes up 59.9 % of the expenditures in the sewer fund.

Capital Improvement Plan

The Financial Plan includes a 10 year Capital Improvement Plan (CIP). The proposed expenditures in 2015 total \$7,996,225. The largest expenditure is the purchase of a fire truck for \$835,000. In addition, street scape improvements around the existing City Hall will cost \$540,000, paving works \$500,000 and equipment in the Timms Centre \$482,410.

Capital projects are funded through money the City has placed in reserves, funds received from developers when new construction is undertaken in the City by way of Development Cost Charges (DCC's), grants and casino proceeds.

The City allocates a portion of property taxation into the reserves. The 2015 allocations are as follows:

Capital Works Reserve	\$ 756,950
Fire Equipment Replacement	\$ 55,000
Machinery Replacement	\$ 250,000
Off Street Parking	\$ 41,240
Office Equipment	\$ 46,500
Parks & Recreation	\$ 177,500
Major Road Network	\$ 227,105
Community Works (Gas)Tax	\$ 121,600
Sewer Future Capital	\$ 310,200
Water Future Capital	\$ 535,000
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	\$ 2,521,095

In 2013 & 2014, the City initiated a small step to increase the funding being transferred to reserves by implementing a 0.75% specific levy assisting the future ability to address the infrastructure deficit. Something similar is proposed in 2015. The work being planned to accommodate the tangible capital asset requirements and resulting asset management benefits will highlight the infrastructure deficit faced by the City of Langley. We are not currently putting enough funding towards infrastructure renewal, to meet projected needs. It will take a concerted effort by City Council to balance between allocating adequate funding for infrastructure, that is primarily underground, and other infrastructure needs for the community.

The proposed service level increment identified for 2015 for a further 0.38% or \$85,450 infrastructure levy will continue to build the transfer to reserves.

Prior Year's Surplus

The City is required to prepare a balanced budget each year under provincial legislation. Each dollar expended has to be approved by City Council in the Financial Plan. At the end of the previous year, the actual financial numbers may result in revenues being higher than anticipated or expenditures lower than planned which is called a surplus.

It is proposed that any surplus generated in 2014 be allocated to the Capital Works Reserve to augment the capital works undertaken in future years.

Casino Proceeds

Another significant funding source for the Capital Improvement Plan is casino proceeds.

It is estimated that the casino proceeds will be \$5.6 million in 2015. A total of \$5.52 million was received in 2014. The quarterly proceeds have been trending downward since 2007. The increasing popularity of online gaming will likely further erode this revenue stream for the City in the future.

The following table lists the projects proposed to be funded by casino proceeds.

Capital 2015 - Casino Proceeds Allocation

Property Acquisition	\$ 300,000
Mental Illness & Homelessness Study	\$ 35,000
Road Rehabilitation	\$ 500,000
203 St Bridge (Planning)	\$ 240,000
Ornamental Street Lighting	\$ 200,000
200 St Logan Ave Rail Crossing	\$ 300,000
Signal Upgrade - Glover & Duncan	\$ 177,000
Traffic Signal - 203 St & Industrial	\$ 200,000
Traffic Signal - Douglas & City Hall	\$ 250,000
Timms Parking Lot Paving	\$ 170,000
City Hall Streetscape (Public Realm)	\$ 540,000
Municipal Athletic Park	\$ 100,000
Brydon Park Playground	\$ 110,000
City Park Playground	\$ 75,000
Timms Equipment	\$ 482,410
Library Shelving	\$ 18,000

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McBurney Lane Programming	\$ 10,000
Culvert Cleaning	\$ 60,000
Sewer & Drainage Replacement	\$ 300,000
Water AC/DI Pipe Replacement	<u>\$ 300,000</u>
	\$ 4,367,410

By using casino proceeds rather than borrowing, the City is reducing operating debt servicing costs. Every \$1.00 borrowed requires \$1.00 to be paid in interest over the 20 year term of the borrowing. So if the City borrows \$1 million the total cost over 20 years is \$2.0 million which equates to a 0.5% tax revenue increase. Debt avoidance has reduced the taxes otherwise payable by 26.7% over the last ten years.

Important Issues Affecting Future Years' Budgets

New growth revenues are anticipated to remain low based on existing market conditions. New growth typically funds any inflationary increases in the City's budget. Wage settlements and ability to attract and retain staff, without any new service levels being considered, will continue to put pressure on the budget.

In 2016, with the opening of the new, expanded Timm's Community Centre additional staffing will be required to operate the much larger facility with the extended hours of operation.

Local governments are increasingly feeling the effects of downloading by other levels of government. For example, the Provincial Ambulance Service has made changes to their Resource Allocation Plan which may introduce delays in their response to some calls. This may in turn trigger more fire department "ambulance delayed" MESA responses so fire crews are tied up longer at each call.

Our contracted service partners like the RCMP, Fraser Valley Regional Library and Metro Vancouver have increases in their respective budgets which are beyond the City's control and can have significant effects on the overall City of Langley Financial Plan.

Our Financial Plan for 2015 - 2019 will set our spending priorities to ensure that the City of Langley continues as the Place to Be!



Darrin Leite, CA
Director of Corporate Services