



City of Langley

2016 Financial Plan Highlights



2016 FINANCIAL PLAN HIGHLIGHTS

ABOUT THE CITY OF LANGLEY

The City of Langley is 10-square-kilometre urban centre located in the heart of the Lower Mainland economic region. With a population of over 26,000, the City of Langley offers residents all the amenities of a major urban centre — great shopping and dining, world-class education and entertainment facilities, extensive recreational opportunities and community events, plus over 346 acres of parkland.

The original settlement of Langley City was known as "Innes Corners," and was later called "Langley Prairie." The area along (Old) Yale Road developed into a major business and service centre and attracted trade from throughout the region. Continued growth resulted in the demand for higher levels of service in the community and, on March 15, 1955, the City of Langley was incorporated as its own separate municipality.

Today, the City's regional town centre is one of the most active industrial and service commercial land bases in the Lower Mainland. The pedestrian downtown core is well known for its distinctive retail offerings and eateries while the surrounding area has become a magnet for high-end luxury brands and big box retail.

While the City continues to evolve, the tight-knit community and unique heritage feel remain at the forefront of its charm. Visitors and residents alike are treated to a plethora of community arts, culture and entertainment opportunities. It is a sought-after sports tourism and investment area offering many amenities and community services.

For more information about the City of Langley, including community profiles, programs, services and more, please visit city.langley.bc.ca.

MESSAGE FROM THE DIRECTOR OF CORPORATE SERVICES

I am pleased to present the 2016–2020 Financial Plan for the City of Langley. The City is enjoying a sound financial position and as we move into 2016 the Financial Plan will ensure we continue this trend.

Our Strategic Plan focuses on seven key results areas where we believe changes and improvements can be made to enhance the livability of our community for all citizens. This includes focusing on the continuous improvement and sustainability of the City's infrastructure, providing quality community services for our residents and protecting and preserving our environment.

STRATEGIC PLAN KEY RESULT AREAS

The Financial Plan includes a series of goals and action plans in each department that support the City's Strategic Plan. The Strategic Plan has seven key result areas as follows:

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 enhancing 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 2016–2020 Financial Plan is a component of the first key result area contributing to the long term planning of infrastructure renewal.



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 (2016) with a new five year plan being created for each successive budget cycle.

The revenue and expenditure forecasts of the out years (2017–2020) reflect estimated wage and benefit costs and RCMP contract increments. We have not attempted to include an estimate of inflation in the out years in this document.

The 2015 *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 initial Financial Plan presentation to introduce the budget to the public will be made at the Monday, January 25, 2016 Council meeting, which will be recorded and streamed live on our website. At that meeting, the bylaw is tentatively scheduled to come forward for the first two readings, with the final adoption anticipated on February 15, 2016.

A public input and open house meeting will be held Wednesday, January 27, from 6:00 pm – 7:30 pm at

Douglas Recreation Centre. The event will provide an opportunity 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 1, 2016 Committee of the Whole Council meeting where comments from the public will be invited.

The plan was advertised for two consecutive weeks in summary form in the local newspaper (January 14 and January 21).

In order to be effective, municipal governments require involvement from the community. Citizen engagement and feedback strengthens the quality of policy making, programs and service delivery. I encourage residents to attend the public engagement events or view live and recorded council webcasts at city.langley.bc.ca.

If you have questions regarding this plan, please call the City of Langley Finance Department at 604 514-2800.

Sincerely,

Darrin Leite, CPA, CA
 Director of Corporate Services
 City of Langley

Our Vision
 The Place to Be

Our Mission
 “To build a vibrant, healthy and safe community.”

BUDGET HIGHLIGHTS

Summary of the Larger Non-discretionary Changes Affecting the 2016 General Fund Budget	
Revenues:	
2015 actual assessment decreases	\$ 179,145
Revenue – Property rentals	\$ 68,280
Revenue – Interest Income	\$ 42,500
2016 new tax growth increase	\$ (280,000)
Fees – business licenses & dog permits	\$ (18,000)
Fees – Eng Admin fee increase	\$ (20,500)
Revenue – Grant in Lieu (Utility Co)	\$ (9,540)
Revenue – Community Works (Gas Tax)	\$ (6,080)
Revenue – traffic fine revenue	\$ (21,900)
Revenue – MRN	\$ (12,000)
Revenue – Casino Proceeds	\$ (400,000)
Timms Centre Rental & Program Revenue	\$ (75,475)
Al Anderson Pool Revenues	\$ (19,000)
Expenditures:	
Council remuneration & election	\$ 50,700
Enterprise Fund & Community Grants	\$ 43,830
MIA insurance levy	\$ 14,515
Corporate Advertising	\$ 5,000
Employee wages and benefits	\$ 145,320
Fire wage and benefits	\$ 61,855
RCMP Detachment – municipal staff	\$ 40,810
RCMP Contract adjustment & pension	\$ 365,220
CPO, LYFS, & Emergency & victim witness	\$ 4,170
Public Safety initiatives	\$ 20,000
Fire mutual aid, Dispatch	\$ 26,960
Plan Checker / Building Inspector	\$ 59,000
Timms Centre Staffing & grounds maint	\$ 173,165
Timms living wall display	\$ 10,000
Library levy & building maintenance	\$ 32,225
Enhanced trail & sports field maintenance	\$ 67,220
Additional Power, Heat & Light costs	\$ 19,375
Various supplies and contracted services	\$ 8,280
Tsfr to / from reserves	\$ 50,370
Tsfr to the Casino Proceeds Reserve	\$ 400,000
Tsfr from Surplus (Election)	\$ (45,000)
Tsfr from Casino Proceeds	\$ (43,830)
2016 Non Recurring Expenditures:	
Al Anderson Pool staffing hrs reduction	\$ (13,310)
Bank Charges & Interest Expense	\$ (40,000)
Net 2016 budget expenditure increase	\$ 883,305

GENERAL OPERATING FUND

The Consumer Price Index (CPI) % increase in Vancouver for the year ended November 2015 was 1.80%. The gap between total expenditures and total revenues in the general fund is \$883,305 and would require a tax revenue increase of 3.75%.

The budget contains non-discretionary service level and other increases outlined in the previous table. This increase includes the new growth tax revenues of \$280,000 (1.2% of tax revenues).

Each year departments scrutinize their operating budgets in an effort to make substantive reductions to help mitigate a taxation increase. Over the last six years, over \$1.1 million in savings have been implemented, reducing taxes by 5%. 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 in 2015. In 2016, these revenues would have to be made up to continue with the base level of expenditures anticipated in 2015.

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Property rental revenues have decreased \$68,280 as the properties behind the new Timms Centre on Fraser Hwy are vacant awaiting demolition. As well, a portion of the property (old Havard Industries building) adjacent to the new Park's Operation Centre building is also vacant awaiting subdivision plans.

Interest income is reduced as is the interest expense because the interest rates are too low and therefore the interest expense is not required for the property tax prepayment plan deposits the City is holding on behalf of the taxpayers.

REVENUE INCREASES:

The total new taxation growth from new construction is estimated at \$280,000.

Business license fees are increasing 2% generating an additional \$8,970. Increased dog license fees yields an additional \$2,200. 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 \$5,600 or 2% as a fee increase. Solid Waste Fees are increasing \$1,230.

Engineering administration fees are increasing \$20,500 to better reflect historical trends.

Grants in lieu are received from the utility companies like Telus, BC Hydro, Shaw Cable and Fortis. The grants are a substitute for the property taxes that would otherwise be payable on the land that the utility companies run their services through. The grants are based on 1% of the revenues generated by each of the companies in the City of Langley in the previous year. The grants in lieu increased by \$9,540.

The Federal Government through the UBCM implemented a Community Works Fund to share the gas tax with municipalities including those in Metro Vancouver. The City will receive \$127,680 in 2016 an increase of \$6,080 to be used for capital infrastructure.

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 City allocates the traffic fine revenues (\$490,000) to pay for three RCMP members which has been the case since the traffic fines first started being paid to the municipality.

The MRN (Municipal Road Network) funding from Translink is increasing \$12,000 in order for the City to maintain significant roadways like 200 St.

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 reserve which primarily funds capital construction in the City. This revenue source increased in 2015 so the budget for 2016 is increasing by \$400,000 to \$6 million.

The newly constructed Timm's Community Centre will have more multipurpose rooms available for rent and increased programs being offered in the facility generating additional revenues.

Al Anderson Memorial Pool revenues are increasing to reflect the revenues received in the prior year.



EXPENDITURES:

Council remuneration increases are based on adopted Council policy. The Mayor's remuneration is 85% of the 2015 median Metro Vancouver mayors' salaries. Council remuneration is set at 40% of the Mayor's remuneration.

The City will be having a by-election to fill the vacant Council position. The cost of the by-election is \$45,000 which will be funded by a one time transfer from previous year's surplus.

City Council amended the gaming proceeds policy to increase the amount of casino proceeds being allocated to provide community grants and enterprise funds. The funding will increase to a maximum of \$168,000 in each case up from the \$146,085 budgeted in 2015.

The MIA (Municipal Insurance Association) levy will increase in 2016 by \$14,515 due to changes in the experience rating of the City. With higher claim volumes increases the levy in the following years.

The City endeavors to actively engage our public and a \$5,000 increase in the advertising budget to support the Communications Officer is being proposed.

A provision has been included for the CUPE and management staff and Protective Services contract

negotiations. In addition, some staff will move through steps in their pay grades.

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 City is hiring an additional RCMP member. The RCMP incremental costs also reflect a 2.50% increase in wage and pension costs and movement through pay grades. The recruiting costs, cadet training depot costs and police dog service training centre costs are now billed to the municipalities on a cost recovery basis rather than a fixed cost per member.

There are small cost changes in the Community Police Office, LYFS contract costs, the Emergency Program costs and victim services totaling \$4,170.

The City is allocating \$20,000 for Public Safety initiatives in order to address recommendations emanating from the Crime Prevention Task Force and Homelessness Task Force.

A new regional mutual aid agreement was developed and the City had two occasions in 2015 where mutual aid was required from the Township of Langley in order to fire two large structural fires. A provision of \$25,000 has been included in the fire budget and a small increase in the dispatch fees of \$1,960.

The Development Services Department would like to add a Plan Checker/Building Inspector position to enhance the services provided by the Department. The position will be hired mid-year so the funding in the first year is half of the total cost of the position.

The new expanded Timms Community Centre will open at the end of February 2016 and will require more receptionist coverage (\$80,670) for the expanded hours of operation and more building service worker hours (\$85,780) to clean a much larger facility. As well, a provision is required for the expanded grounds maintenance (\$6,715).

The living wall installation in the new Timms Community Centre will require ongoing annual maintenance in the amount of \$10,000 to maintain the plant materials.

The FVRL levy is increasing \$32,225 covering wages and benefit cost increases and to reflect a 2% increase in the number of books.

An increase of \$67,220 has been included in the Park's budget to enhance trail and sports field maintenance.



Power, heat and light costs are increasing throughout various City facilities in the amount of \$19,375 and a small change to other supplies and contracted services in the amount of \$8,280.

The transfer to the casino proceeds reserve was increased by \$400,000. The transfer from the casino proceeds was increased \$43,830 to fund the increase in the allocation for the community grants and enterprise fund.

As well, a small decrease of \$9,290 was made from the transfer from the MRN reserve. The sewer insurance reserve transfer of \$20,000 was eliminated.

Finally, the transfer to the Community Works Fund for gas tax revenues was increased by \$6,080.

NON-RECURRING EXPENDITURES:

The pool staffing hours at the Al Anderson Memorial Pool were decreased to reflect the hours undertaken during the 2015 season.

Bank charges and interest expense to fund the property tax prepayment plan were reduced by \$40,000 offsetting a similar decrease in the interest income.

WATER OPERATING FUND

The water rate structure will increase \$0.02 per cubic meter to \$1.16 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 2016.

The cost of water purchased from GVWD is increasing 1.8%. The water purchase cost of \$2.65 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 \$0.98 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 2016.

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 \$1.76 million which makes up 60.2 % of the expenditures in the sewer fund.

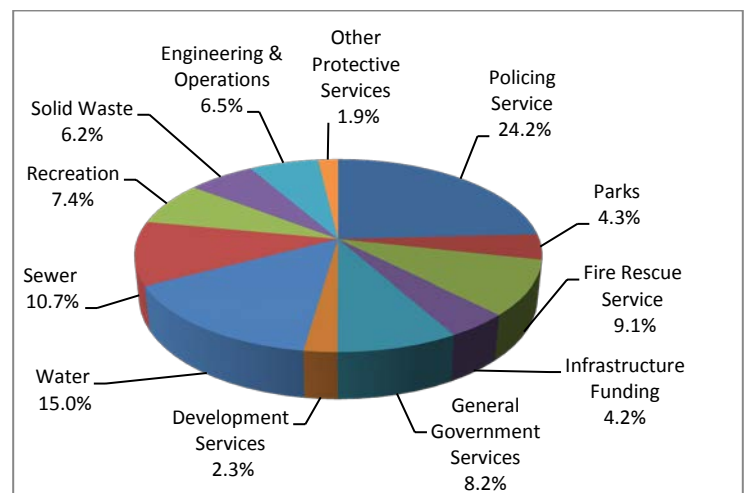
TAX RATE EFFECT

As noted earlier, the 2016 Financial Plan currently has a total gap of \$883,305 between total revenues and planned expenditures. This would equate to a 3.75% increase in property taxes to balance the budget. Including utility rate increases, the impact on an average multi-family home (assessed at \$205,179) would be a decrease of 2.37% or (\$29) and an average single family home (assessed at \$544,031) would see an increase of 3.17% or \$89 for the year.

WHERE DO THE TAXES GO?

For the average single family home, the annual property tax of \$2,882 breaks down on a monthly basis as follows.

Policing Service	\$	58.01
Water	\$	36.07
Sewer	\$	25.73
Fire Rescue Service	\$	21.95
General Government	\$	19.76
Recreation	\$	17.75
Engineering & Operations	\$	15.52
Solid Waste	\$	15.00
Parks	\$	10.27
Infrastructure Funding	\$	10.19
Development Services	\$	5.43
Other Protective Services	\$	4.50
Per month:	\$	240.18



CAPITAL IMPROVEMENT PLAN

The Financial Plan includes a 10 year Capital Improvement Plan (CIP). The proposed expenditures in 2016 total \$10,354,600. The largest expenditure is \$1.9 million which relates to the road and utility improvements on 56 Avenue between Glover Road and the Langley Bypass to the east. A further \$875,000 is allocated to pavement rehabilitation throughout the City. Bicycle lane improvements of \$740,000 along 203 St will be added to the road and bridge project approved in the 2015 capital improvement plan. There is \$600,000 allocated to implementing the Penzer Park Masterplan. In addition, a fire ladder truck will be refurbished for \$400,000 to extend its useful life for another 10 years.



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.

Each year the City allocates a portion of the money collected through property taxation into the reserves.

Capital Works Reserve	\$ 756,950
Fire Equipment Replacement	\$ 55,000
Machinery Replacement	\$ 250,000
Off Street Parking	\$ 11,600
Office Equipment	\$ 46,500
Parks & Recreation	\$ 177,500
Major Road Network	\$ 64,105
Community Works (Gas)Tax	\$ 127,680
Sewer Future Capital	\$ 398,700
Water Future Capital	\$ 570,000
	<u>\$ 2,458,035</u>

In 2013, 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. The levy has been deferred for one year in 2016, in order to accommodate the additional costs to operate the new Timms Community Centre.

It is proposed that the levy be reinitiated in 2017. 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.

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 2015 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 \$6 million in 2016. A total of \$6.35 million was received in 2015. In 2015, the quarterly proceeds were higher than the previous years reversing a downward trend experienced in previous years.

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



Capital 2016 - Casino Proceeds Allocation

City Hall re-landscaping	\$ 100,000
Road Rehabilitation	\$ 747,320
Bicycle Facilities – 203 St	\$ 151,500
Signal Upgrade – Glover & Eastleigh	\$ 250,000
Signal Upgrade– Glover & 56 Ave	\$ 250,000
Ornamental Streetlight Replacement	\$ 200,000
Douglas Crescent 204 to 208 - design	\$ 275,000
Production Way - design	\$ 250,000
56 Ave Project – Glover to Bypass	\$1,200,000
Operation Centre	\$ 150,000
Municipal Athletic Park	\$ 100,000
Al Anderson Pool Basin Repairs	\$ 220,000
Library Painting / Carpets	\$ 110,000
Penzer Park	\$ 352,500
Themed Playground Amenities	<u>\$ 175,250</u>
	\$4,531,570

By using casino proceeds rather than borrowing, the City is reducing operating debt servicing costs. Every \$1.00 borrowed requires \$0.60 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 \$1.6 million which equates to a 0.28% tax revenue increase. Debt avoidance has reduced the taxes otherwise payable by 25.74% 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.

Local governments are increasingly feeling the effects of downloading by other levels of government. The City is struggling with it's ability to address social issues like homelessness where individuals suffering from mental health and substance abuse concerns are evident. Historically, social welfare has been a Provincial mandate however, municipalities are now facing the effects of this growing problem.

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 2016 – 2020 will set our spending priorities to ensure that the City of Langley continues as the Place to Be!