

Budget Message

January 11, 2017

Message from the Director of Corporate Services

Mayor and City Council
City of Langley

2017-2021 Financial Plan Summary

In 2017, our five year financial plan includes \$44.4 million in operating expenditures and a further \$21.8 million in capital expenditures. Approximately 74% of the operating expenditures are funded through property taxes and utility charges billed at the end of May each year.

Based on the results of the recently completed Community Survey and from feedback received at the neighbourhood meetings, a number of priority areas were identified and include: public safety; homelessness; the maintenance of parks, boulevards and trails; infrastructure renewal and recreational opportunities. City Council has heard from taxpayers, and this financial plan was developed to address these priority areas.

The total net increase in expenditures is \$883,595 which would require a 3.61% taxation increase to balance the budget.

One of our biggest priorities for 2017 is to address some concerns surrounding homelessness and public safety. The City has included in the budget a provision for additional bylaw enforcement and a Community Liaison position to work with social service agencies and oversee the implementation of the Homelessness Strategic Plan and Community Crime Prevention Strategic Plan. The RCMP costs represent the largest departmental expenditure in the budget, and the proposed policing increase will lower the vacancy rate at the detachment, resulting in more of the RCMP members being deployed in the City. The City will also address public safety by enhancing the emergency radio system with the Langley City Fire Service joining the multi-jurisdictional E-Comm network.

Improving parks, boulevards and trails will be a greater priority in 2017. The Financial Plan will include floodplain pedestrian bridge upgrades, a number of park facility capital upgrades as well a Corridor Improvement Program will be implemented to enhance the maintenance of walkways, boulevards, sidewalks, and medians.

Recreational opportunities improve with the addition of more staff to serve and maintain the City's newest asset the Timms Community Centre. Additionally, a full year of funding has been added to increase our Building Department staff by one Plan Checker / Building Inspector. These staffing additions will improve our service delivery to the public.

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Although the total net increase in expenditures results in a 3.61% overall taxation increase, including utility rate increases and the infrastructure levy, the average single-family home assessed at \$728,339 will see their taxes increase by \$170 or 5.92% whereas the average multifamily home assessed at \$253,636 will see an increase in their taxes by \$39 or 3.20%. Although the assessment value of single-family homes increased an average of 10% more than multifamily homes, the same tax rate must be applied to both types of residential properties. This results in a higher tax increase for single family residential properties. Business class properties will see an average increase of 5.39% and Light Industrial properties a 5.34% increase. The ratio between residential and business properties has moved closer to 1:3, which is typical in Metro Vancouver.

The City is anticipating \$6.4 million in casino proceeds to be received in 2017, up \$400,000 from the previous year. This funding will be used to address infrastructure renewal for capital projects like bridge deck repairs on 200 Street, Douglas Crescent rehabilitation between 204 Street and 208 Street, and rehabilitation on 56th Avenue initially budgeted in 2016, however now reflecting the Canada Infrastructure grant received from senior levels of government.

In addition, the City will allocate \$168,000 towards community grants and a further \$168,000 to the Enterprise Fund to be used at Council's discretion for expenditures that are not otherwise anticipated during the year and budget cycle.

Using casino proceeds to fund larger capital projects avoids borrowing and paying principal and interest charges and has helped to keep the City's tax rates lower by 2.5% in 2017. Casino dollars are at work in our community!

The Financial Plan Bylaw is scheduled to be presented at the January 16th Council meeting with final adoption anticipated at the February 20th meeting. The City is enjoying a sound financial position, and as we move into 2017, the Financial Plan will ensure we continue this trend.



Darrin Leite, CPA, CA
Director of Corporate Services

2017 Council Goals and Strategic Plan

While City Council is currently undertaking a process to update the Strategic Plan, the Financial Plan includes a series of goals and action plans in each department that supports the current *Strategic Plan*. The Strategic Plan has seven key result areas as follows:

Key Result Areas

In this plan, we have seven 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 over the next five years, 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 2017-2021 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 (2017) with a new five year plan being created for each successive budget cycle.

The 2016 Actual column is reflecting the current year to date expenditures rather than an estimate of the amount anticipated after the end of the year which will be higher after all the December purchase invoices and year-end reconciliations have been reflected.

The revenue and expenditure forecasts of the out years (2018-2021) 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.

Public Process

A Financial Plan presentation will be made at the Monday, January 16, 2017, Council meeting to introduce the budget to the public which will be recorded and streamed on the City’s website. The Financial Plan will be advertised for two consecutive weeks in summary form in the local newspaper (January 19 and January 26).

A Financial Plan public input and open house meeting will be held on Wednesday, February 1, from 6:00 pm – 7:30 pm in the City Hall Finance Department foyer 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 6, Committee of the Whole Council meeting where comments from the public will be invited.

Budget Highlights

General Operating Fund

The Consumer Price Index (CPI) % increase in Vancouver for the year ended October, 2016 was 2.5%. The CPI is

not representative of the costs incurred by municipal governments which are more heavily weighted to labour, materials and contracted services, whereas the CPI reflects a basket of goods, like food, shelter, clothing, furniture, etc. A municipal Price Index (MPI) developed in Edmonton forecasts the MPI in 2017 to be 2.6%.

The gap between total expenditures and total revenues in the general fund is \$883,595 and would require a tax revenue increase of 3.61%.

The budget contains non-discretionary service level and other increases outlined in the following table. This increase includes the new growth tax revenues of \$235,000 (0.96% of tax revenues).

Summary of the Larger Non-discretionary Changes Affecting the 2017 General Fund Budget	
Revenues:	
Revenue own sources - Tax penalties and interest	\$ 17,500
Revenue own sources - Grants in lieu (Utility Co)	\$ 18,190
2016 actual assessment changes from budget	(\$ 42,400)
2017 New tax growth increase	(\$ 235,000)
Fees & Charges - Application fees & Eng admin	(\$ 90,500)
Fees & Charges - Business Lic., Misc permits, Dogs	(\$ 31,055)
Fees & Charges - Building permits	(\$ 69,400)
Fees & Charges - Parking fines & Parking rentals	(\$ 13,000)
Fees & Charges - Tax info, Vehicle plates, Garbage	(\$ 11,310)
Revenue own Sources - Property rentals	(\$ 20,815)
Revenue own sources - Casino proceeds	(\$ 400,000)
Revenue own sources - Hotel tax	(\$ 45,000)
Revenue own sources - Other	(\$ 16,140)
Expenditures:	
Election expense	(\$ 45,000)
Interfund utility allocation	(\$ 429,230)
Council remuneration	\$ 5,000

Summary of the Larger Non-discretionary Changes Affecting the 2017 General Fund Budget	
Bylaw enforcement	\$ 79,800
Corporate Services reconfiguration	\$ 57,000
Insurance premiums	\$ 8,050
Corporate communication and advertising	\$ 16,000
Software support, IT consultation, and Supplies	\$ 37,320
Employee wages and benefits	\$ 118,245
Fire wage and benefits	\$ 186,275
Electrical, Gas and Utilities	\$ 30,775
RCMP detachment operations - Municipal staff	\$ 58,540
RCMP contract	\$ 631,330
CPO, LYFS, & Emergency contract, Victim witness	\$ 2,540
Community Liaison Coordinator	\$ 10,000
ECOMM radio system	\$ 86,570
Fire vehicle maintenance, Dispatch	\$ 32,580
Engineering clerical support	\$ 20,000
Corridor Improvement Program	\$ 90,000
Plan Checker / Building Inspection	\$ 40,835
Tourism Langley (Hotel tax)	\$ 45,000
Timms Centre Staffing	\$ 124,550
Library levy & Building maintenance	\$ 44,460
Recreation Special Events/Downtown Summer Series	\$ 63,650
Park maintenance for new facilities	\$ 20,200
Various supplies and contracted services	\$ 10,765
Tsfr from Surplus (Election expense)	\$ 45,000
Tsfr to Casino Proceeds Reserve	\$ 400,000
Tsfr to /from reserves	(\$ 90,230)
Infrastructure levy	\$ 122,500
Net 2017 budget expenditure increase	\$ 883,595

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 penalties and interest have reduced \$17,500 due to the large number of property sale transactions and low cost of borrowing for home owners.

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 decreased by \$18,190 due to lower revenue from high competition in the marketplace.

Revenue Increases:

The total new taxation growth from new construction is estimated at \$235,000 which was supplemented by an additional \$42,400 of taxation income due to rejected assessment appeals.

Engineering administration and application fees are increasing \$90,500 to reflect historical trends.

Building permit fees are collected from developers and are contingent on market conditions prompting developers to begin new construction, an anticipated increase of \$69,400 is reflected. Business license fees are increasing 2% generating an additional \$11,640. Other permit and fees reflecting filming permits contribute an

additional \$20,000. Dog fees are reducing slightly by \$585.

Parking fine revenues and parking rentals are increasing \$13,000 particularly relating to parking rentals for movie sets.

Providing taxation information during property sales transactions, generated an additional \$8,000 based on historical trends. Garbage fees are increasing slightly by \$2,560 reflecting additional homes being constructed in the community. Sale of municipal commercial vehicle decals will add an additional \$750.

Property rental income has been increased by \$20,815 to reflect the new rental income from a building purchased by the City.

Casino proceeds are increasing by \$400,000 based on the prior year's experience. The same amount is transferred to reserve to fund future capital expenditures.

Hotel tax revenues are collected and remitted to Tourism Langley to fund tourism promotion in the community. The revenues are increasing \$45,000 reflecting historical trends.

There are a number of other small revenue increases that combined add another \$16,140.

Expenditures:

The election expenses incurred in the 2016 by-election are not required in 2017, and the \$45,000 cost has been

removed from the budget as well as the offsetting transfer from the prior year's surplus.

Each year the City allocates expenditures charged to the General fund on a proportional basis to the Water and Sewer funds. In 2017, the allocation has been changed to be based on 30% of the General Government Services expenditures. This increased the allocation by \$482,850 to a total of \$1,105,300.

Council remuneration increases are based on adopted Council policy. The Mayor's remuneration is 85% of the 2016 median Metro Vancouver mayors' salaries. Council remuneration is set at 40% of the Mayor's remuneration.

Additional Bylaw Enforcement resources will be added to enhance the level of service for parking enforcement and dog off leash issues that arise during the evening hours and augment the significant number of hours that are required to address homelessness issues.

The City reconfigured the Corporate Services department in the spring of 2016. An additional position was created which required a \$57,000 increase.

The MIA (Municipal Insurance Association) levy will decrease in 2017 by \$4,625 due to positive changes in the experience rating of the City. However, the property insurance is increasing \$12,675 reflecting the addition of the Timms Community Centre.

The City endeavors to actively engage our public. Efforts to increase marketing, expanded use of social use and

extensive promotion of our neighborhood meetings require an increase of \$16,000.

Software support and IT services need to be increased in order to maintain the current city enterprise systems and pay annual maintenance fees for newly implemented software.

A provision has been included for the CUPE, management staff and Protective Services contract negotiations. In addition, some employees will move to the next steps of their pay grade.

The cost of electricity, natural gas and water will all experience rate increases, causing an increase of \$30,775 throughout the organization.

The cost for centralized support services, billed by the Township of Langley for municipal employees at the RCMP detachment, is increasing \$58,540 to reflect wage increases.

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. The vacancy rate has been lowered at the detachment resulting in more of the City's 51.35 contracted RCMP members being deployed in the City. The City shares 179 RCMP members with the Township of Langley and the experience thus far in 2016 is that there are 173.45 members in active duty resulting

in a vacancy of only 5.5 members combined. Therefore, the City has lowered our historical vacancy rate from 6 members to 3.3 members in 2017.

There are small cost changes in the Community Police Office, LYFS contract costs, the Emergency Program costs and victim services totaling \$2,540.

The City will be addressing the concerns surrounding homelessness and public safety by creating a part-time, contract Community Liaison Coordinator position to work with social service agencies, the RCMP and the business community to address critical social issues in the City. The position will oversee the implementation of the Homelessness Strategic Plan and the Community Crime Prevention Strategic Plan.

The City will be implementing the E-Comm radio system in 2017 to improve public safety. This service will cost \$86,570 and includes both hardware costs, maintenance and annual operations.

Maintenance requirements of our fire truck fleet and associated equipment has seen an increase of \$28,000. The budget also reflects an inflationary increase in dispatch fees of \$4,580.

The Engineering and Development Services Departments have requested \$20,000 in additional clerical support to address customer service demands during peak periods of the year. These hours will be partially allocated towards administering the filming permit process.

The City is enhancing a Corridor Improvement Program to improve the maintenance of walkways, boulevards, sidewalks and medians. The additional cost of the program is \$90,000.

The Development Services Department hired a Plan Checker/Building Inspector position in 2016 to enhance the services provided by the department. The position was only funded for half the year in 2016, so the total cost of the position must be funded for 2017.

Timms Community Centre is approaching a full year of operations. Additional staff positions have been added to allow for expanded hours of operation and to maintain the new larger facility to improve recreational opportunities and maintain the City's newest asset.

The FVRL levy is increasing \$44,460 covering wages and benefit cost increases and an increase in material costs.

The City is partnering with the Downtown Langley Business Association to host the McBurney Plaza Summer Series. As well, a number of neighbourhood special events are planned for 2017.

An increase of \$20,200 has been included in the Park's budget to maintain new facilities such as the Penzer Bike Skills Park and Douglas Park outdoor fitness and games areas, as well as increased sports field maintenance.

A small increase of \$1,380 was made to the transfer to the MRN reserve. The transfer from the Future Police Cost Reserve has been increased by \$25,200 to offset the anticipated retroactive salary adjustments. A transfer

from the casino proceeds reserve of \$63,650 to fund the recreation special events has been included. The \$400,000 extra casino proceeds is also transferred to the reserve for future capital improvement funding.

Water Operating Fund

The water rate structure will stay at \$1.16 per cubic meter, with a \$25 increase to the flat rate making it \$75 per dwelling unit. The increase for the average single-family residential customer using 330 cubic meters of water will be \$25 in 2017.

The cost of water purchased from Greater Vancouver Water District (GVWD) is increasing 1.0%. The water purchase cost of \$2.62 million makes up 68.4% of the expenditures in the water fund.

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 \$0.06 per cubic meter bringing the total to \$1.04 per cubic meter (80% of water consumption) with a \$25 increase in the flat rate making it \$75 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 \$40.84 in 2017.

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. The balance of the increase is to fund the sewer treatment levy cost of \$1.89 million which makes up 61.5% of the expenditures in the sewer fund.

Tax Rate Effect

Although the total net increase in expenditures results in a 3.61% overall taxation increase, including utility rate increases and the infrastructure levy, the average single-family home assessed at \$728,339 will see their taxes increase by \$170 or 5.92% whereas the average multifamily home assessed at \$253,636 will see an increase in their taxes by \$39 or an increase of 3.20%. The same tax rate must be applied to both types of residential properties. The different percentage increase is due to the assessed value of single-family homes, increasing on average 10% more than multifamily homes. Business class properties will see an average increase of 5.39% and a 5.34% increase for Light Industrial properties. The ratio between residential and business properties has moved closer to 1:3 which is the typical ratio in Metro Vancouver.

Where Do the Taxes Go?

For the average single-family home, the annual property tax including utilities of \$3,051 on a monthly basis is as follows:

Policing Service	\$ 63.02
Water	\$ 36.07
Sewer & Drainage	\$ 25.73
Fire Rescue Service	\$ 24.09
General Government	\$ 21.30
Recreation	\$ 19.68
Engineering & Operations	\$ 17.36
Garbage Services	\$ 15.00
Infrastructure Funding	\$ 11.08
Parks	\$ 10.11
Development Services	\$ 6.22
Other Protective Services	\$ 4.61
Per month:	\$254.27

Capital Improvement Plan

The Financial Plan includes a 10 year Capital Improvement Plan (CIP). The proposed expenditures in 2017 total \$21,758,145. The City was awarded an infrastructure grant late in 2016 for the 56th Avenue road and utility project so this project was re-budgeted in the 2017 CIP to reflect the grant funding. The project totals \$3.9 million. Another large project for \$3 million relates to the road and utility improvements on Douglas Crescent between 204 St and 208 St. A further \$1.8 million is allocated to 200 St bridge deck replacement and water utility works south to 50 Ave. A number of drainage culverts are being rehabilitated with \$1.7 million allocated for this work. An emphasis has been

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placed on the City's parks, with additional funding augmenting the 2016 capital budget approved for Penzer Park bringing the total to \$1.3 million dollars. The City has added a number of field enhancement projects throughout the 10 year plan, starting with \$700,000 being allocated for Rotary Centennial Park.

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	\$ 879,450
Fire Equipment Replacement	\$ 55,000
Machinery Replacement	\$ 250,000
Off Street Parking	\$ 11,600
Office Equipment	\$ 46,500
Parks & Recreation	\$ 177,500
Sewer Future Capital	\$ 485,000
Water Future Capital	\$ 570,000
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	\$ 2,475,050

The City recognized that our infrastructure is aging and will need to be replaced in established neighbourhoods. Additional funding dedicated to infrastructure renewal is being proposed at 0.5% which would generate \$122,500. At the recent neighbourhood meetings, there was support for this type of levy which would generate funds for the Capital Works Reserve. An average multifamily residential home would pay an extra

\$0.29 per month and an average single-family home would pay an extra \$0.83 per month to generate this levy.

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 2016 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 \$6.4 million in 2017. A total of \$6.83 million was received in 2016. We have been advised that a new gaming facility is being proposed for the City of Delta and we will have to determine if the new facility will have a negative impact on the City's casino proceeds.

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

Capital 2017 - Casino Proceeds Allocation

City Hall Landscaping	\$ 350,000
Road Rehabilitation	\$ 722,320
Pedestrian Facilities	\$ 250,000
Bicycle Facilities	\$ 200,000
Traffic Calming	\$ 400,000
Street Light Replacement	\$ 100,000
LED Lighting Fixtures	\$ 200,000
56 Ave, Glover to Bypass	\$ 708,190
Douglas Crescent 204 St to 208 St	\$ 877,500
200 St Bridge Deck replacement	\$1,233,000
Fraser Hwy Bypass - Landmark Way	\$ 193,675
Retaining Wall Rehabilitation	\$ 200,000
Fraser Hwy 204 St to 208 St Concept	\$ 200,000
Traffic Signal 62 Ave / 203 St Design	\$ 50,000
Trail System Upgrade	\$ 40,400
Penzer Park Youth Facilities	\$ 404,000
Rotary Centennial - Sports Field	\$ 353,500

Hunter Park	\$ 120,400
Brydon Sports Court Renovation	\$ 150,000
Floodplain Pedestrian Bridges	\$ 350,000
City Park Spray Park	\$ 150,000
Linwood Park Playground	\$ 75,750
48 Ave & 202 St Culvert	\$ 500,000
Langley Bypass Culverts	\$ 100,000
50 Ave & 201A St Culvert	\$ 300,000
Baldi Creek Culvert	\$ 300,000
Reline Storm under Railway	\$ 250,000
Eliminate Pipe Twinning	<u>\$ 200,000</u>
	\$9,178,735

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 17% 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 its 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 City of Langley's Financial Plan.

The City of Langley's 2017 Financial Plan provides for a number of improvements which will enhance the community. By strengthening public safety, addressing some of the issues surrounding homelessness, improving parks and trails, focusing on infrastructure renewal and recreational opportunities, the City of Langley will reinforce its reputation as the Place to Be!