

Budget Message

January 16, 2014

Message from the Director of Corporate Services

Mayor and City Council
City of Langley

2014-2018 Financial Plan

I am pleased to present the 2014–2018 Financial Plan for the City of Langley. The Bylaw is tentatively scheduled to come forward to the February 3 Council meeting for the first two readings with final adoption anticipated for the March 3 meeting.

The 2013 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 23 and January 30). A Financial Plan presentation will be made at the Monday, February 3, 2014 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 5, from 6:30 pm – 8:00 pm 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 17, 2014 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 (2014) with a new five year plan being created for each successive budget cycle.

The revenue and expenditure forecasts of the out years (2015-2018) 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.

2014 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 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 2014-2018 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, 2013 was 0.1%. **The gap between total expenditures and total revenues in the general fund is \$429,250 and would require a tax revenue increase of 1.96%.**

In addition, a \$164,000 or **0.75%** specific infrastructure renewal tax levy is proposed to help fund transportation infrastructure projects to address the infrastructure deficit in the Capital Improvement Plan.

The total increase would therefore be \$593,250 or **2.71%**.

The budget contains non-discretionary service level and other increases outlined in the following table. This increase includes the new growth tax revenues of \$354,500 (1.62% of tax revenues).

Summary of the Larger Non-discretionary Changes Affecting the 2014 General Fund Budget	
Revenues:	
2013 actual assessment decreases from budget	\$ 18,465
Revenue own sources - Twp LYFS sharing reduction	\$ 42,110
Revenue own sources - MRN Funding reduction	\$ 63,205
2013 New tax growth increase	(\$ 354,500)
Fees & Charges - Business Lic & Dogs	(\$ 10,120)
Fees & Charges - Building Permit fee increase	(\$ 23,375)
Revenue own sources - Property rental increase	(\$ 36,000)
Revenue own sources GIL, RCMP Building Adj, c-tax	(\$ 16,550)
Expenditures:	
Council remuneration	\$ 6,885
Employee wages and benefits	\$ 160,425
Fire wage and benefits	\$ 164,065
Election Expense	\$ 47,500
Evening Bylaw Enforcement	\$ 31,470
RCMP Detachment Operations - Municipal Staff	\$ 140,625
RCMP Contract Adjustment & Pension	\$ 122,665
CPO, LYFS, LAPS (Dog) & Emergency contract	\$ 8,830
Engineering Sound Wall and small tools	\$ 9,400
Recreation Hydro, Leisure grant , Timms games rm	\$ 11,500
Library Levy & building maintenance	\$ 71,130
Parks Operation Centre building	\$ 62,110
Infrastructure Specified Levy (0.75%)	\$ 164,000
2014 Non Recurring Expenditures:	
Gen Gov't reduction in supplies, insurance costs	(\$ 17,585)
Council vacant position 11 months	(\$ 29,445)
Fire Service training & contracted services	(\$ 4,435)
LYFS contracted services	(\$ 49,770)
Dev Services Rezoning & Newsletter Expense	(\$ 7,000)
Reserve Transfers MRN, surplus for election, police, s	\$ 17,645
Net 2014 budget expenditure increase	\$ 593,250

Each department has scrutinized their operating budgets in an effort to make substantive reductions to help mitigate a taxation increase. However, these reductions

will have an operational impact 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 2013. In 2014, these revenues would have to be made up to continue with the base level of expenditures anticipated in 2013.

The number of counseling hours at Langley Youth and Family Services (LYFS) was reduced based on the demand for the services. A portion of the costs that are paid for by the Township of Langley are therefore reduced as well.

Translink funding for MRN roads was reduced which also required a reduction in the amount transferred to the MRN reserve.

Revenue Increases:

The total new taxation growth from new construction is estimated at \$354,500.

Business license fees are increasing 2% generating an additional \$8,625. Increased dog license fees yield an additional \$1,495 in an attempt to recover more of the dog control contract costs, paid to LAPS.

Building permit fees are collected from developers and are contingent on market conditions prompting developers to begin new construction. A less conservative revenue estimate is being proposed to

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increase the building permit fees by \$18,750 to bring them more in line with historical trends. The building permit revenues are also increasing by \$4,625 or 2% as a fee increase.

Property rental fees are increasing \$36,000 to reflect the rental properties acquired in the previous year.

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 \$10,170. The carbon tax rebate is based on the 2013 refund increasing by \$4,235.

Expenditures:

A provision has been included for the CUPE and Protective Services contract negotiations. In addition, some staff will move through steps in their pay grids.

Council remuneration increases are based on adopted Council policy. The Mayor's remuneration is 85% of the 2013 median Metro Vancouver mayor's salaries. Council remuneration is set at 40% of the Mayor's remuneration.

Recognizing that for 11 months of 2014 there will be one less Council position the remuneration saved will be reallocated to cover a portion of the \$47,500 election expense. The balance of the election expense will be funded from the prior year's surplus.

The City will provide a security officer to accompany the Bylaw Enforcement Officer while he addresses parking enforcement in residential areas and inappropriate behaviour in parks and public places in the downtown core on Saturdays and in the evenings for 3.5 hours per day, Tuesday to Friday.

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 for the accommodation costs in the Green Timbers building.

There are small increases in the Community Police Office rent, LYFS building costs, and the Emergency Program costs.

The Engineering Operations Department requested additional funding to maintain the sound wall constructed adjacent to the new 196 Street corridor and addition to the small tools budget.

The Timms Community Centre hydro and telephone costs are higher than initially budgeted and the games room supplies budget has increased modestly. An additional \$1,000 was allocated to the leisure access grant.

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The FVRL levy is increasing \$64,745 to reflect a 5% increase in the number of books and resulting from the phase in of the new funding formula. In addition, the building maintenance costs are increasing \$6,385.

The City purchased the property adjacent to the existing Public Works Operation Centre to utilize as a Parks Operation Centre. The new building operating costs for hydro, gas and general maintenance will increase the Park's budget by \$57,110.

Non Recurring Expenditures:

Contracted Services, supplies and travel expenses were reduced in each department in an attempt to reduce the overall tax increase required to balance the budget.

The insurance provision was reduced based on the MIA dividend that has been received in the past few years.

LYFS reduced the number of counseling hours available based on the demand for the services resulting in a savings of \$49,770.

Development Services reduced the funding for rezoning expenses by \$4,000 and determined that the annual newsletter will not be printed but just posted to the City's website saving \$3,000.

Less money is transferred to the MRN reserve based on the lower funding received from Translink. The reduction in the transfer from the Future Police cost reserve is due to the lower vehicle and technology replacement costs identified in the RCMP report.

Water Operating Fund

The water rate structure will increase \$0.05 per cubic meter to \$1.12 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 \$16.50 in 2014.

The cost of water purchased from GVWD is increasing 4%. The water purchase cost of \$2.5 million makes up 60.2% 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 \$0.02 per cubic meter bringing the total to \$0.90 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 \$5 in 2014.

The sewer treatment levy cost of \$1.68 million makes up 54.6% of the expenditures in the sewer fund which is consistent with the prior year.

Capital Improvement Plan

The Financial Plan includes a 10 year Capital Improvement Plan (CIP). The proposed expenditures in 2014 total \$22,665,225. The largest project is the Timms Community Centre costing \$14,300,000 which is being re-budgeted so that the total project costs are easily identified. Other larger projects include \$3,662,000 for utility and paving work along 200 Street.

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, borrowing and casino proceeds.

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

The following itemizes these transfers:

Capital Works Reserve	\$ 507,500
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	\$ 64,105
Sewer Future Capital	\$ 221,700
Water Future Capital	\$ 500,000
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	\$ 1,863,545

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 same is proposed in 2014. 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 2014 for a further 0.75% 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. Council has directed a portion of the 2013 anticipated surplus to be identified as a funding source for the 2014 Capital Improvement Plan.

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The projects identified are as follows:

Bike Racks (Public Realm)	\$ 5,000
Yellow Curbs in Downtown Area	\$ 15,000
Traffic Lane Thermoplast Marking	\$ 7,500
LED Lighting Business Case	\$ 5,500
Timms Community Centre	\$ 150,000
Additional Dog Off-Leash Park	\$ 25,000
Additional Community Garden	\$ 30,000
Buckley Park Field Lights	\$ 30,000
BC Senior Games	\$ 12,000
Environmental Stewardship (LEPS)	\$ 50,000
	<u>\$ 330,000</u>

Casino Proceeds

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

It is estimated that the casino proceeds will be \$5.75 million in 2014. A total of \$5.78 million was received in 2013. 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 2014 - Casino Proceeds Allocation

Road Rehabilitation	\$ 500,000
Traffic Calming (School Zones)	\$ 75,000
Signal UPS Backups	\$ 60,000
Streetlight Bases/Poles Eastleigh Cr.	\$ 140,000
Streetlights Fraser Hwy, 206 - 208 St	\$ 150,000
Ornamental Lights, Douglas & 56Ave	\$ 200,000
Highway Directional Signage	\$ 50,000
Municipal Athletic Park	\$ 100,000
Timms Community Centre	\$11,005,000
Trail Expansion & Upgrades	\$ 40,400
Dog Off-Leash Parking Lot Paving	\$ 55,000
Douglas Park Tennis Court Resurface	\$ 35,000
Douglas Park Sports Box Refurbish	\$ 90,000
Douglas Playground Rubber Tiles	\$ 40,000
Sendall Gardens Pond	\$ 65,000
Brydon Lagoon outlet structure	<u>\$ 67,500</u>
	\$12,672,900

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 20.5% over the last nine 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. 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 2014 - 2018 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