District of Lantzville

Agenda for the Special Finance Meeting of Council of the District of Lantzville to be held on Wednesday, November 27, 2024, at 6:00 pm in the Council Chamber, Municipal Hall - 2nd Floor, 7192 Lantzville Road, Lantzville, BC

Council members may attend this meeting in person, or electronically (except for the Mayor) for a hybrid meeting (per the *Community Charter* and the Council Procedure Bylaw). For in-person and hybrid meetings, the Council Chamber will be open for the public to attend. Due to limited seating, the public is encouraged to view the open portion of the meeting starting at **6:00 pm** via the livestream, and to provide verbal public input on agenda items by registering in advance using the Zoom Webinar link provided for each Council meeting event at **lantzville.ca**, written comments by **noon** the day of the meeting and emailed to **district@lantzville.ca,** or in person. Prior to attending at Municipal Hall, please self-assess to ensure you are healthy and do not attend if you are ill. Members of the public must remain seated unless invited to address Council. Meetings recorded by the District of Lantzville may be viewed on demand at **lantzville.ca**.

Public input regarding personnel matters, legal action, nominated political candidates, applications for grants in aid or public hearing topics (EXCEPT DURING THE OFFICIAL PUBLIC HEARING) will not be included or will be severed.

Page No.

1. CALL TO ORDER

1-2 **2. ADOPTION OF AGENDA**

THAT the November 24, 2024, Special Finance Council meeting agenda be adopted, as presented.

3-4 **3. ADOPTION OF MINUTES**

THAT the November 13, 2024, Special Finance Council meeting minutes be approved, as presented.

4. PUBLIC INPUT PERIOD *(Persons recognized by the Chair to speak must first state their name and address for the record, may speak once for up to 2 minutes (unless Council resolves otherwise), and are limited to providing comment regarding items listed on the Council agenda for this meeting (**EXCLUDING PUBLIC HEARING TOPICS**).* ***Comments must be directed to the Chair, are not to be directed to individual Council members, staff or the audience and must not include personnel issues.***

5. NEW BUSINESS

5-13 **Draft 2025-2029 Financial Plan**
[Ken Bjorgaard, Interim Director of Financial Services]

6. INTRODUCTION OF LATE ITEMS (In accordance with Council Procedure Bylaw No. 141, 2020, subsection 18(8) for regular agenda)

7. INTRODUCTION OF "NOTICE OF MOTION"

8. PUBLIC CLARIFICATION *(Persons recognized by the Chair to speak must first state their name and address for the record and the agenda item regarding which they are seeking clarification (excluding public hearing topics), and may speak once for up to 2 minutes to ask clarification questions.) E.g., How did the vote go?, about technicalities – request interpretation of abbreviations or jargon, etc.*

9. MOTION TO CLOSE THE MEETING TO THE PUBLIC

THAT the regular Council meeting be closed to the public, pursuant to sections 90(1) (c) and (k) of the *Community Charter*, for the purpose of considering:

(c) labour relations or other employee relations;

(k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public;

Following adoption of the above motion, the meeting will be closed to the public.

MEETING REOPENS TO THE PUBLIC

10. RECONVENE

11. ADJOURNMENT BY MAYOR

SCHEDULED MEETINGS:

December 4, 2024 @ 6:00pm - Regular Council Meeting
January 8, 2025 @ 6:00 pm - Regular Council Meeting

Minutes of the Special Finance Meeting of Council of the District of Lantzville held on Wednesday, November 13, 2024, at 6:00 pm in the Council Chamber, Municipal Hall - 2nd Floor, 7192 Lantzville Road, Lantzville, BC

Council: Mayor Mark Swain
Councillor Joan Jones
Councillor Jonathan Lerner
Councillor Rachelle Mundell*
Councillor Ian Savage

Staff: Sundance Topham, Interim Chief Administrative Officer
Glenn Morphy, Director of Public Works
George Robinson, Director of Planning
Ken Bjorgaard, Interim Director of Finance
Neil Rukus, Fire Chief
Aria Long, Deputy Director of Corporate Administration

**participated electronically*

CALL TO ORDER

The Mayor called the meeting to order at 6:00 pm, and acknowledged that the meeting was being held on the traditional territory of the Snaw-naw-as, the Nanoose First Nation.

ADOPTION OF THE AGENDA

MOVED AND SECONDED, THAT the November 13, 2024, Special Finance Council meeting agenda be adopted, as presented.
CARRIED UNANIMOUSLY

PUBLIC INPUT PERIOD

No written comments were received; no members of the public registered via Zoom; and no member of the gallery provided public input on the Council agenda.

NEW BUSINESS

The Port Theatre Society Grant Request

MEETING RECESSED: 6:08 pm
MEETING RESUMED: 6:19 pm

MOVED AND SECONDED, THAT Council refer the following motion in camera:

"THAT Council direct staff to approve the grant request of $9,500.00 for the Port Theatre Society."
CARRIED UNANIMOUSLY

Draft 2025-2029 Financial Plan

MOVED AND SECONDED, THAT Council refer the request regarding a full-time exempt position in camera.
CARRIED UNANIMOUSLY

INTRODUCTION OF LATE ITEMS – NIL

PUBLIC CLARIFICATION

No members of the public via Zoom or in the gallery requested clarification on agenda items.

MOTION TO CLOSE THE MEETING TO THE PUBLIC at 8:47 PM

MOVED AND SECONDED, THAT the regular Council meeting be closed to the public, pursuant to sections 90(1) (c) of the *Community Charter*, for the purpose of considering:

(c) labour relations or other employee relations;

(k) negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public;

Following adoption of the above motion, the meeting was closed to the public.

MEETING REOPENED TO THE PUBLIC at 10:10 PM

Mayor Swain, Councillors Lerner, Savage, Mundell and Jones were in attendance. Also, Interim CAO Topham, and Interim Director of Finance Bjorgaard.

ADJOURNMENT

MOVED and SECONDED, THAT the November 13, 2024, Special Finance Council meeting be adjourned.
CARRIED UNANIMOUSLY

MEETING ADJOURNED at 10:15 PM

Certified Correct:

_____
Delcy Wells, Director of Corporate Administration

Confirmed this __ day of _____, 2024.

_____
Mark Swain, Mayor

District of Lantzville

REPORT TO CHIEF ADMINISTRATIVE OFFICER

Meeting Date: November 27, 2024

SUBJECT: **Draft 2025 – 2029 Financial Plan**

PURPOSE

The purpose of this report is to respond to information requests from Council that arose at the November 13, 2024 budget meeting and to seek Council's direction on the next steps with the District's Draft 2025 – 2029 Financial Plan, including the 2025 utility rates.

RECOMMENDATIONS

Different scenarios are provided for Council's consideration. Other specific budget items can be dealt with on an individual basis.

BACKGROUND/RELEVANT HISTORY

Council requested the following information at the November 13, 2024 budget meeting:

- The GL codes associated with the District's Draft 2025 – 2029 Financial Plan
- Historical reserve contributions including the reserve amounts funded from taxation/revenue versus interest

The Draft 2025 – 2029 Financial Plan has been re-distributed with the GL codes noted. Information on historical reserve transfers and interest is provided below.

In addition to the above, discussion occurred around the following items:

- Asset Management Plan including Natural Assets
- Details around the new Administrative Position included in the operating spending packages
- New Protective Gear for Fire Department
- Harper Beach Road End
- Public Works Equipment (skid steer and small backhoe)
- Savrina Beach Road End (this should be Sebastion Road)
- Church Building Rehabilitation
- Public Works Building Re-design/Planning & Construction

Discussion of these items is included further on in this report.

ANALYSIS/RATIONALE

Reserve Contributions & Interest

Final year-end reserve contributions are ultimately dependent upon the net amount left over from revenues and expenses at the end of the year. For example, if the net revenue/expense amount is higher than budgeted for then more funds can be transferred to reserves. Conversely, if the net revenue/expense amount is lower than budgeted for there will be less funds available for transfer to reserves.

While taxation revenue is part of the net revenue/expense equation there are other revenue and expense amounts that make up the net amount left over, including interest income; therefore, it is difficult to determine the exact amount of property tax dollars which are allocated to reserves.

The District's Draft 2025 Budget and longer-term financial plan treat interest income according to the following formula. This methodology of accounting for interest income is consistent with the way interest is dealt with at year-end and in District's financial statements.

Interest Income		Explanations
$621,742	A	Gross Amount of Interest Earnings projected from the District's entire investment portfolio as a whole for the year
($62,160)	B = A x 10%	Allocate approximately 10% of A to DCCs based on estimated average balances (does not go through income statement or budget as DCCs are classified as Deferred Revenue)
($62,160)	C = A x 10%	Allocate approximately 10% of A to Water Operating Fund based on estimated average Water Reserve and Unrestricted Surplus balances - funds further allocated to Water Reserves in Water Operating Fund
($31,089)	D = A x 5%	Allocate approximately 5% of the A to Sewer Operating Fund based on estimated average Sewer Reserves and Unrestricted Surplus balances - funds further allocated to Sewer Reserve in Sewer Operating Fund
$466,333	E = A - B - C - D	Funds left over for allocation to General Fund Reserves & Unrestricted Surplus
($419,700)	F = E x 90%	Allocate approximately 90% of interest to General Operating Fund Reserves as per their estimated average balances
($46,633)	G = E x 10%	Retain 10% of above in General Fund operations based on estimated General Operating Fund Unrestricted Surplus balance
$0		Interest fully allocated and utilized

The District's financial statements show that interest income has been dealt with contrary to the above in the past including little or no interest allocated to the Water and Sewer Operating Funds and no clear allocation of interest based on average reserve fund balances for the year. There was no backup as to how interest was allocated to reserves, deferred revenue, etc., in the District's files.

A broad analysis of the funds allocated to reserves in the General Operating Fund follows. This information is based on the best data available. It should be noted that Covid-19 grant funds were used to increase reserve transfers in 2021, and these funds have been left out of the analysis. Interest income has also been impacted by recording the changing market value of certain investments as opposed to recording changes in book value, which is less volatile. Interest earnings have generally not been allocated to Water and Sewer operations, which has led to more interest being available in the General Operating Fund for reserve transfers. Interest earnings have contributed to the reserve transfers but have not been separated to show the portion of reserve transfers from operations versus interest.

General Operating Fund				
Reserve Transfers & Interest	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2025 Budget**
Total Reserve Transfers from General Fund Operations (includes interest in 2021 – 2023) (1) (4)	$740,700	$1,102,900	$1,099,800	$533,555
Interest Allocated to General Fund Reserves (2)	$46,532	$111,743	$217,223	$419,700
General Fund Interest Earnings which Contributed to Reserve Transfers (2) (3)	($101,566)	($430,967)	($713,728)	($419,700)
Net Amount from Operations which Contributed to Reserve Transfers (4)	**$685,666**	**$783,676**	**$603,295**	**$533,555**

1) Not including Community Works Funds grant and related transfers – has been treated as a reserve in the 2025 Budget as opposed to deferred revenue (in 2021 – 2023) and will likewise be treated in the 2024 year end. Not including Covid-19 grant funds which were used to increase reserve transfers in 2021
2) As per District's financial statements
3) Not including adjustment for market value loss in 2022 which did not impact reserve transfers related to interest
4) Operating surplus funds, other than interest, also contributed to the level of reserve transfers

Follow-Up from November 13, 2024 Budget Meeting

- Asset Management Plan including Natural Assets – **staff recommend budgeting $100,000 for this project with 50% grant funding and 50% of the funding coming from the Community Works Reserve Fund.**

- New Administrative Position in the operating spending packages – **the Director of Corporate Administration will provide further details in regards to this proposed position at the meeting including any savings that would be realized.**

- New Protective Gear for Fire Department – shown in 2026 capital plan as Wildfire Protective Equipment for $10,000**.** The Fire Chief has indicated that the cost of this protective gear would be much higher at about $50,000 and could be staggered over 2 years **It is recommended that this remain as budgeted for now until the Reserve restructuring is completed.**

- Public Works Equipment (skid steer and small backhoe). **Public Works needs to undertake a wholistic review of their entire fleet over the long-term (at least 15 years) including estimated time frames for replacing current units and a determination of new units which are a priority. Further discussion should occur after this takes place.**

- Harper Beach Road End – currently in capital spending packages without any dollar value. **The scope and related budget for this project needs to be determined. It would be worthwhile to allocate some funds for determining the project scope and budget if it is a priority.**

- Sebastion Beach Road End – currently in capital spending packages without any dollar value. **The scope and related budget for this project needs to be determined. It would be worthwhile to allocate some funds for determining the project scope and budget if it is a priority.**

- Church Building Rehabilitation – currently listed is 2025 capital budget at a budgeted cost of $100,000. Other numbers have been provided for this project including $300,000. The scope and total estimated cost for this project needs to be determined. **The $100,000 should be more than enough to determine the scope and related budget to complete the project.**

- Public Works Building Re-design/Planning & Construction – currently $50,000 is included in the 2025 Capital Budget for the Re-design/Planning and a placeholder of $2,000,000 is included in 2026 for construction. **The Interim CAO has indicated that it would be prudent to take a more wholistic approach to new facilities, in the form of a Facilities Master Plan and Space Needs Assessment - something that looks at public works, fire/rescue and administrative needs all at once.**

Other Budget Items

- North Road – funds are needed to undertake geotechnical work and engineering for this project. **The Director of Public Works has indicated a budget of $100,000 for this initial phase.**

- Traffic Safety Studies – funds need to be set aside for traffic safety studies. **Staff recommend including $25,000 in the capital budget as a placeholder these traffic studies. Staff will then come forward with a report at a later date that identifies total project costs and will obtain approval to undertake the necessary work.**

Funding of Additional Budget Items

Most of the new budget items identified above are capital related and would be funded from reserves. As we are in the midst of a reserve re-organization or re-structuring it would be best for staff to come back to Council with a funding plan for any priority projects once the reserve restructuring has occurred. The funding plan would include specific funding sources and the year(s) in which the various projects could be funded. At that time Council may also want to juggle the capital projects to ensure their immediate priorities are addressed in 2025.

Allocation of General Government Costs

The District's budget includes a recovery of general government costs, e.g. governance, corporate administration, finance, legal & insurance, etc., from the Water, Sewer and Environmental services (garbage, organics and recycling pick-up and disposal) functions. As shown below total General Government costs, based on 2024 budgeted expenses, are $1,737,398.

These recoveries have not been reviewed in a few years; therefore, a higher-level analysis was undertaken as to the reasonability of these recoveries. Overall, about 12.4% of the costs are attributable to the Sewer function and 21% to the Water function, as shown below, based on 2024 budgeted expenses in the supported areas noted. The recovery from the Environmental Services function has no net effect on the budget as it is in the General Operating Fund.

Allocation of General Government Costs based on 2024 Budgeted Operating Expenses		
General Operating Departments	1,012,903	58.3%
Solid Waste	144,204	8.3%
Sewer Operations	215,437	12.4%
Water Operations	364,854	21.0%
	1,737,398	**100.0%**

As a result of the above analysis, the budgeted 2025 cost recovery allocations were increased by 20%, as shown below, as an incremental first step. Certain administrative costs were also removed from the Water and Sewer budgets, such as audit fees and insurance, as they are part of the administrative cost recovery. There is rationale for further recoveries from Water and Sewer, which would result in savings in the General Operating Fund.

Recovery Areas	2024 Allocations	New Allocations based on Analysis	Differences	2025 Draft Budget with 20% over 2024
Solid Waste	15,500	144,204	128,704	18,600
Sewer Operations	75,000	215,437	140,437	90,000
Water Operations	142,100	364,854	222,754	170,520
Total	**232,600**	**724,495**	**491,895**	**279,120**

Status of Draft 2025 Operating Fund Budgets and Direction

The District's base Draft 2025 Operating Fund budgets, as reflected in the Budget Document, includes a 0% property tax increase, a 3% increase in water user rates and a 3% increase in sewer user rates (flat sewer rates would increase by 6.9% with the shift from 44% to 22% variable rates).

The changes to date in the Draft 2025 General Operating Fund Budget reflect a 1.4% reduction in taxes based on the new construction revenue estimate, which was distributed at the last meeting, as shown below.

TRACKING CHANGES TO THE DRAFT 2025 GENERAL OPERATING FUND BUDGET

	2025 Draft Budget Changes		
	Budget Dollars	% Property Tax Impact	Comments & Notes
Changes - Tax savings (-) and Tax increases (+)			
Estimated new construction revenue	(43,096)	-1.4%	New construction revenue is subject to updates
Additional allocations to reserves	To be determined	0.0%	
Operating spending packages	To be determined	0.0%	
		0.0%	
		0.0%	
Total Tax Impact	**($43,096)**	**-1.4%**	

The funding of priority operating spending packages and/or increased reserve transfers with the following should be discussed:

- New construction revenue
- Increased general government cost recoveries from Water and/or Sewer
- Property tax increase
- Other budget changes identified

Staff request Council's direction in terms of the District's 2025 – 2029 Financial Plan and related 2025 budget, including the 2025 Water and Sewer user rates. The various tax and utility rate increase scenarios presented at the last budget meeting, including the impact of the various increases on an average assessed value home in Lantzville, are shown below for information purposes. Please note that the Draft 2025 – 2029 Financial Plan recently distributed with the GL Codes has not changed from the original version and does not incorporate any of the projects or potential changes outlined in this report.

2025 Increases in Municipal Property Taxes, User Rates and Parcel Taxes Based on Different % Increases

Based on Average Value Home in 2024 = 1,142,118

		Scenario A - as reflected in Budget Document presented (0% increase in property taxes, 3% increase in water user rates, 6.9% increase in flat Sewer user rates - includes 3.9% increase for shift to sewer flat rates)			Scenario B (3% increase in property taxes, 5% increase in water user rates, 3.9% increase in flat Sewer user rates - for shift from variable to flat sewer rates)			Scenario C (5% increase in property taxes, 7% increase in water user rates, 0% increase in Sewer user rates - assumes no shift from variable to flat sewer rates)		
FOR AVERAGE ASSESSED VALUE RESIDENTIAL CLASS PROPERTY	2024 Actual	$ Levies	% Increase	$ Increase	$ Levies	% Increase	$ Increase	$ Levies	% Increase	$ Increase
For Homes Connected to Water & Sewer Systems										
Municipal Property Taxes [1]	1,593	1,593	0.0%	0	1,641	3.0%	48	1,673	5.0%	80
Water User Fee (connected to water system) [2]	361	372	3.0%	11	379	5.0%	18	386	7.0%	25
Water Parcel Tax	355	355	0.0%	0	355	0.0%	0	355	0.0%	0
Sewer User Fee (connected to sewer system) [2]	569	608	6.9%	39	591	3.9%	22	569	0.0%	0
Sewer Parcel Tax Phase 2	246	246	0.0%	0	246	0.0%	0	246	0.0%	0
Sewer Parcel Tax Phase 3	483	483	0.0%	0	483	0.0%	0	483	0.0%	0
Residential Collection (Garbage, Recyclables & Organics) [3]	203	213	5.0%	10	213	5.0%	10	213	5.0%	10
Total Property Taxes, User Rates & Parcel Taxes (if not in Phase 2 or 3 Sewer Parcel Tax Area)	3,081	3,141	1.9%	60	3,179	3.2%	98	3,196	3.7%	115
Total Property Taxes, User Rates & Parcel Taxes (if in Phase 2 Sewer)	3,327	3,387	1.8%	60	3,425	2.9%	98	3,442	3.5%	115
Total Property Taxes, User Rates & Parcel Taxes (if in Phase 3 Sewer)	3,564	3,624	1.7%	60	3,662	2.7%	98	3,679	3.2%	115
For Homes Not Connected to Water & Sewer Systems, but capable of connecting										
Municipal Property Taxes [1]	1,593	1,593	0.0%	0	1,641	3.0%	48	1,673	5.0%	80
Water User Fee (not connected to water system)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water Parcel Tax	355	355	0.0%	0	355	0.0%	0	355	0.0%	0
Sewer User Fee (not connected to sewer system)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sewer Parcel Tax Phase 2	246	246	0.0%	0	246	0.0%	0	246	0.0%	0
Sewer Parcel Tax Phase 3	483	483	0.0%	0	483	0.0%	0	483	0.0%	0
Residential Collection (Garbage, Recyclables & Organics) [3]	203	213	5.0%	10	213	5.0%	10	213	5.0%	10
Total Property Taxes, User Rates & Parcel Taxes (if in Phase 2 Sewer)	2,151	2,161	0.5%	10	2,209	2.7%	58	2,241	4.2%	90
Total Property Taxes, User Rates & Parcel Taxes (if in Phase 2 Sewer)	2,397	2,407	0.4%	10	2,455	2.4%	58	2,487	3.8%	90
Total Property Taxes, User Rates & Parcel Taxes (if in Phase 3 Sewer)	2,634	2,644	0.4%	10	2,692	2.2%	58	2,724	3.4%	90

[1] Property Taxes does not include amount collected on behalf of Library, Regional District of Nanaimo, Regional Hospital District, Municipal Finance Authority (MFA), BC Assessment Authority(BCAA), and Provincial School and Police

[2] Based on consumption of 300 cubic meter of water per year. Includes shift in sewer rates from 44% variable rates to 22% variable rates, with the revenue being made up in a increase in the minimum flat rate in Scenarios A & B

[3] Residential Collection (Garbage, Recyclables & Organics) charges based average customer usage

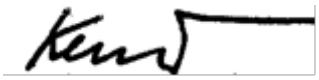
Public Budget Consultation

In order to move to budget consultation, we need to arrive at a budget or financial plan scenario which Council would like presented to the public. In terms of a process for public consultation, there are many options including a separate, special budget consultation meeting or providing for public budget consultation as part of a regularly scheduled Council meeting agenda. Council's feedback as to their preferred option would be helpful for staff.

ATTACHMENT(S)

1. Updated Draft 2025 – 2029 Financial Plan Document (previously distributed)

Prepared by:



Ken Bjorgaard
Interim Director of Financial Services

Date: November 20, 2024

Approved for submission to Council:



Sundance Topham
Interim Chief Administrative Officer

Date: November 20, 2024

REVIEWED WITH:			
☒ Corporate Administration	☒ Fire Rescue	☒ Public Works/Engineering	☐ RCMP
☒ Financial Services	☒ Planning	☐ Solicitor	☐ Committee:
☐ Other:			

COUNCIL AGENDA INFORMATION:		
Meeting Type	**Date**	**Agenda Item #**
Regular		
Special (COW)	November 27, 2024	
(In-Camera)		