

# AGENDA

## *COUNCIL WORKSHOP*

**Monday, July 22 2024**

**5:00 p.m.**

**Committee Room, Municipal Hall**

**355 West Queens Road**

**North Vancouver, BC**

**Watch at <https://dnvorg.zoom.us/j/64484156494>**

**Council Members:**

Mayor Mike Little

Councillor Jordan Back

Councillor Betty Forbes

Councillor Jim Hanson

Councillor Herman Mah

Councillor Lisa Muri

Councillor Catherine Pope



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## AGENDA

We respectfully acknowledge the original peoples of these lands and waters, specifically the səlilwətał (Tsleil-Waututh), Skwxwú7mesh Úxwumixw (Squamish), and xʷməθkʷəy̓əm (Musqueam), on whose unceded ancestral lands the District of North Vancouver is located. We value the opportunity to learn, share, and serve our community on these unceded lands.

### 1. ADOPTION OF THE AGENDA

#### 1.1. July 22, 2024 Council Workshop Agenda

*Recommendation:*

THAT the agenda for the July 22, 2024 Council Workshop is adopted as circulated, including the addition of any items listed in the agenda addendum.

### 2. ADOPTION OF MINUTES

### 3. REPORTS FROM COUNCIL OR STAFF

#### 3.1. 2025 Budget Outlook File No.

**p. 7-16**

Report: General Manager - Finance and Chief Financial Officer, July 11, 2024  
Attachment 1: Capital Prioritization Framework  
Attachment 2: Sustainable Financial Planning Framework

*Recommendation:*

THAT the July 11, 2024 report of the General Manager – Finance and Chief Financial Officer entitled 2025 Budget Outlook is received for information.

### 4. PUBLIC INPUT

(maximum of ten minutes total)

### 5. ADJOURNMENT

*Recommendation:*

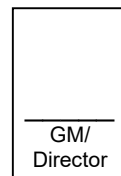
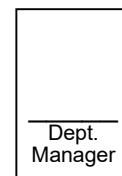
THAT the July 22, 2024 Council Workshop is adjourned.

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## REPORTS

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AGENDA INFORMATION	
<input type="checkbox"/> Regular Meeting	Date: _____
<input checked="" type="checkbox"/> Other:	Date: <u>July 22, 2024</u>



## The District of North Vancouver

### REPORT TO COUNCIL

July 11, 2024  
File: 2025 Budget

**AUTHOR:** Rick Danyluk, General Manager, Finance and CFO

**SUBJECT:** 2025 Budget Outlook

#### RECOMMENDATION:

THAT the July 11, 2024 report of the General Manager, Finance/Chief Financial Officer entitled 2025 Budget Outlook is received for information.

#### REASON FOR REPORT:

Following an unusually-high taxation rate in 2024, resulting from inflationary cost pressures, Council has expressed a desire to moderate future tax increases in response to stabilizing inflation and increasing cost pressures in other areas. This 2025 Budget Outlook provides Council with financial context and background information in advance of an upcoming budget workshop, which is an early opportunity to guide development of the 2025 Budget.

#### SUMMARY:

The Budget Outlook serves as a starting point for staff to begin building the 2025 Budget and revisit the Sustainable Financial Planning Framework, focusing on opportunities to reduce ratepayer impacts. Strategies may include some or all of the following:

- generating new revenue,
- adjusting services,
- deferring less time-sensitive expenditures,
- pursuing new financing and partnerships, and
- improving processes, including capacity building or reducing costs.

Staff are currently updating the Capital Plan and will report back to Council after the summer break with a recommended recalibration to stay within affordability limits and reflect project delivery capacity, cost escalation, and emerging needs. To help guide this work staff are seeking direction on the capital prioritization framework in Attachment 1.

Key risks are also being monitored and measures to mitigate these risks are being evaluated, with additional contingencies being required.

To balance the 2025 Budget and maintain service levels, the initial budget outlook indicates a property tax increase in the range of 7% and utility rates increase in the range of 10% may

be required. However, staff are aware that Council has expressed concerns relating to this range of increase - and therefore a reduction in service level or change in current strategy is necessary. Council direction on the target property tax increase and capital prioritization framework will enable staff to develop options to reduce ratepayer impacts over the next few years.

**BACKGROUND:**

Council is well-aware of increased costs associated with higher-than-usual inflation, cost of construction, and cost of labour. Staff continue to focus on strategies to address these pressures and more, such as labour and supply cost inflation, increased demand for services and higher costs passed on from external agencies and senior levels of government.

One major impact on costs and the 2025 Budget Outlook, of course, is the outcome of the Metro Vancouver Board decision regarding the anticipated North Shore Wastewater Treatment Plant cost overruns. On May 31, 2024, the Metro Vancouver Board directed staff to prepare its 2025 Budget and 2025 – 2029 Financial Plan, and allocate the additional \$2.8 Billion required to complete the North Shore Wastewater Treatment Plant Program according to Option 3 from Table 6 of the report. This decision was made after six rounds of voting among the Metro Board: the requests for additional financial support from the region were defeated.

The Board decision results in an additional \$590 per household to the North Shore for Greater Vancouver Sewerage and Drainage District (GVS&DD) charges over the next 30 years.

As information presented did not show total comparable increases to households in the region, those increases are shown here for information:

Table 1: Total Comparable Increases in GVS&DD Charges by Sewerage Area

Sewerage Area	Total Comparable Increase <sup>1</sup>
North Shore Sewerage Area (NSSA)	\$1,182
Vancouver Sewerage Area (VSA)	\$421
Lulu Island West Sewerage Area (LIWSA)	\$228
Fraser Sewerage Area (FSA)	\$183

*Note 1: charges shown reflect increases already planned in the 2024 – 2028 Financial Plan (NSSA \$407) and add the May 31<sup>st</sup> decision (NSSA +\$590) and the additional cost that would be incurred should Council decide to finance its share of debt servicing over 15 years instead of 30 years (\$185). All other sewerage areas reflect debt servicing over 15 years.*

With the NSSA financing its share of debt servicing over 30 years, the NSSA increase is reduced from \$1,182 to \$997. As Metro Vancouver's 10-year Capital Plan has not been fully updated, total impacts won't be known until Metro Vancouver's Long-Range Financial Plan is updated in Q1 of 2025.



This financial decision regarding the Metro Vancouver's North Shore Wastewater Treatment Plant project has significant implications to the District's budget outlook in 2025 and beyond.

**EXISTING POLICY:**

The Financial Plan supports sustainable financial planning through a set of guiding financial principles that aim to bring the plan into balance each year and over the long term. When emerging needs arise, new strategies are developed following the guiding financial principles.

The Sustainable Financial Planning Framework (see Attachment 2) supports the development of options for Council's consideration during the annual budget process. This Framework was introduced through the 2024 Budget Deliberations meeting last January.

**ANALYSIS:**

The Budget Outlook considers projected increases to maintain service levels through the 2025 Budget and 2025 – 2029 Financial Plan. Through the Budget Outlook, staff analyze cost drivers for both the Operating and Capital Plans before discussing options with Council to reduce ratepayer impacts in the Financial Sustainability Plan.

Operating Plan

Inflation and other municipal and North Shore cost drivers are considered in developing the operating forecast. The Consumer Price Index (CPI) is a widely-used measure of general inflation and CPI forecasts provide an indication of general inflation trends. However, the District's cost base is also driven by other inflation factors. The Conference Board of Canada (CBOC) has forecasted that the average Consumer Price Index (CPI) for the Vancouver area will be an average of 2.5% for 2024 and further decline to an annual average of 2% for 2025 to 2028 period. While the general trend over the next five years is a return to lower inflation rates, the District is expected to continue to experience higher rates of inflation over the next several years due to:

- Salaries and benefits, driven by regional collective agreement patterns.
- Compensation-related cost increases.
- New cost increases for Protective Services determined at a national level, outside of our regional scope of control.
- Emerging and time-sensitive capital infrastructure demands, including climate adaptation investments to reduce risk.
- Asset management planning gaps, ensuring all assets are accounted for and new assets include realistic operating impacts.
- Metro Vancouver charges, including household increases for the NSWWTP.
- Other anticipated cost increases, including contingency provisions.

As a result of the factors listed above, the District's costs to deliver existing services is expected to increase by 6% in 2025. In addition to the increased cost of maintaining existing service levels, the 2025 Budget Outlook contemplates continuation of a 1% property tax increase to support infrastructure renewal and the infrastructure deficit.

The 2025 Budget Outlook also includes the full-year impact of investments approved in prior budgets, such as the new Maplewood Fire and Rescue Centre, Lynn Creek Community and Recreation Centre, and the Argyle Artificial Turf Field.

### Capital Plan

The District's Capital Plan includes a five and 10-year plan, with a 20-year plan recently added to align with new provincial housing legislation.

The five-year Capital Plan is implemented through the Annual Capital Budget. Through the annual budget process, the Capital Budget is created to establish annual spending authority for capital projects.

### *2025-2029 Capital Plan*

Council's original 2023 - 2027 Capital Plan was approved in April of 2023. Adjustments to the plan are implemented throughout Council's term to address new projects, incorporate additional external funding and stay within affordability parameters. Staff are reviewing the Capital Plan and will report to Council with an update on delivery, including recommended recalibrations to accurately reflect projected delivery, cost escalation and emerging demands this fall.

While staff have been working within the approved Capital Budget for the first half of 2024, including the capital carryover budget from prior years, cost increases are constraining implementation of the remainder of the plan. Although construction cost increases have started to stabilize, \$50 million in project deferrals or cancellations are likely required to stay within established affordability limits over the full five-year plan. Additional information on the Capital Plan will be presented at the budget workshop on July 22.

### Financial Sustainability Plan

For ongoing financial stability, staff will include \$10 to \$20 million in the budget for contingencies to address material risks, including weather-related events, revenue shortfalls, cybersecurity, and other non-discretionary items.

To address financial pressures over the next three years staff recommend applying the Capital Prioritization Framework in Attachment 1 and are seeking Council direction on the target property tax increase, considering the Sustainable Financial Planning Framework in Attachment 2. Staff will be exploring opportunities for revenue growth, service adjustments, financing and partnerships, and process Improvements, including opportunities to build capacity and reduce costs.

Table 2: Property Tax Increase Options (1% increase = \$27 per household)

Option 1 Maintain Service Levels	Option 2 Rate Smoothing	Option 3 Mitigation Strategies
7.0% +	5.0%	4.0%
Uncontrollable increases, no mitigation	Stabilize increases at 5% per year over next 3 years	Reduce increases to 4% per year over next 3 years

Option 1 reflects the impacts from the cost drivers shared earlier in the report, and the estimated property tax increase to maintain service levels. As assumptions continue to change, this figure will be updated again this fall.

Option 2 looks at the forecast over the next 3 years and the average property tax increase required to maintain service levels. This option stabilizes increases through use of reserve funds, with an estimated increase of 5% per year for the next 3 years.

Option 3 reduces the property tax increase over the next 3 years to 4%, which will require significant savings in the range of \$3.6 million per year by year 3, or a 3% savings on the property tax levy.

Staff will present additional information on ratepayer impacts at the July 22 Budget Outlook workshop.

**Timing/Approval Process:**

The Budget Outlook will be followed by the development of detailed budgets and service plans, with another update and options presented to Council in the fall of this year.

**Concurrence:**

This report has been developed with input from senior management.

**Public Input:**

This workshop is open to the public and public engagement on the annual budget process will take place between November 2024 and January 2025. Public input will inform Council deliberations on the budget in January 2025.

**Conclusion:**

The Budget Outlook serves as a starting point for staff to begin building the 2025 Budget and revisit the Financial Sustainability Plan, focusing on opportunities to reduce ratepayer impacts over the next three years. Staff are in the midst of updating the Capital Plan and will report back to Council with a recommended recalibration to stay within affordability limits this fall. To help guide this work staff are seeking direction on the capital prioritization framework in Attachment 1 and the Property tax increase / Sustainable Financial Planning Framework in Attachment 2.

Respectfully submitted,



Rick Danyluk  
General Manager, Finance and CFO

REVIEWED WITH:		
<input type="checkbox"/> Business and Economic	_____	<input type="checkbox"/> Finance
<input type="checkbox"/> Bylaw Services	_____	<input type="checkbox"/> Fire Services
<input type="checkbox"/> Clerk's Office	_____	<input type="checkbox"/> GIS
<input type="checkbox"/> Climate and Biodiversity	_____	<input type="checkbox"/> Human Resources
<input checked="" type="checkbox"/> Communications	<u>CF</u>	<input type="checkbox"/> Integrated Planning
<input checked="" type="checkbox"/> Community Planning	<u>DM</u>	<input type="checkbox"/> ITS
<input type="checkbox"/> Development Engineering	_____	<input type="checkbox"/> Parks
<input type="checkbox"/> Development Planning	_____	<input type="checkbox"/> Real Estate
<input checked="" type="checkbox"/> Engineering Operations	<u>NC</u>	<input type="checkbox"/> Review and Compliance
<input type="checkbox"/> Environment	_____	<input type="checkbox"/> Solicitor
<input type="checkbox"/> Facilities	_____	<input type="checkbox"/> Utilities
		External Agencies:
		<input type="checkbox"/> Library Board
		<input type="checkbox"/> Museum and Archives
		<input type="checkbox"/> NSEM
		<input type="checkbox"/> NS Health
		<input type="checkbox"/> NVRC
		<input type="checkbox"/> RCMP
		<input checked="" type="checkbox"/> Other: <u>AC</u>

In a limited funding environment, this framework ensures projects already underway can be completed and existing service levels maintained before new investments are considered.



Note 1: projects already underway are typically at the “delivery” stage. Projects at the “needs” or “concept” stage are included under priority 2-4. Projects which address risks to life and property can move to priority 1 to meet established risk tolerance levels.

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A Sustainable Financial Planning Framework supports decision-making by helping Council balance ongoing pressures of affordability with the objectives of the Official Community Plan over the course of Council's term.

1. Maintain and adjust service levels as the community grows
  - Continue to incorporate impacts from projected growth into the Financial Plan through the annual budget and financial planning process.
  - Adopt the new Development Cost Charge (DCC) Bylaw and Amenity Cost Charge (ACC) Bylaw to help ensure growth pays for growth.
2. Advocate for senior government support and legislative changes
  - Continue to participate on regional committees to work on municipal finance reform.
  - Continue to participate in regional and provincial initiatives to help guide new legislation on development finance (Bill 46) and housing (Bill 16).
  - Advocate for additional financial support for the NSWWTP.
3. Mitigate ongoing risks and leverage opportunities
  - Set aside funding to increase contingencies and mitigate known risks.
  - Review opportunities and develop options for reduced property tax impacts, including revenue growth, service adjustments, financing and partnerships, and process improvements, including capacity building and reducing costs.
4. Set financial and affordability targets
  - Based on Council direction at the Budget Outlook workshop, options for the property tax increase will be developed and brought back to Council in the fall.
  - Debt levels are already set in the 5-year Financial Plan and are not recommended to increase as the full impacts from Metro Vancouver's debt charges are not yet known,
5. Rolling financial plan, improve understanding
  - The Rolling 10-year Financial Plan will be updated prior to introducing the 2025 Budget and concurrently with changes to the OCP planned for next year.
  - Metro Vancouver charges will be clearly separated in the 2025 – 2029 Financial Plan

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