2027 Budget and Financial Plan

Committee of the Whole, November 23, 2026
Service Transition: Setting priorities for a sustainable financial future



Today's Discussion



- How the financial outlook has changed
- The cost of maintaining current services and infrastructure
- Three scenarios and their trade-offs
- Why staff recommend Scenario 2: Service Transition
- The path to longer-term financial sustainability
- Council direction and next steps

Discussion with Council in June

- Council direction (June 29, 2026)
  - Develop 2027 budget options using tax, service-level and revenue measures
  - Report back in the fourth quarter of 2026
- Council's guardrail
  - Inflation (3.0%) plus 1.5% for asset renewal = ~ 4.5%
  - June outlook: MPI of 6% to 9% a year (average ~7.5%)
- Today's ask
  - Confirm the preferred scenario to guide development of the draft 2027–2031 Financial Plan



Significant changes since June

Measure	June outlook	November update
Cost to maintain services – tax requirement	MPI about 6% to 9% a year (average ~7.5%)	About **9.0%** increase for tax supported services
Combined utility outlook	About 8% a year	About **7.4%** with potential reductions as Metro Vancouver updates its forecast
What moved the outlook	Structural gap between ongoing revenue and the cost of maintaining services	Higher employee benefit and partner-agency costs, BC Hydro property-tax revenue change, higher debt costs
Capital funding gap	Capital plan review initiated	**Approximately $100M** over 5 years, subject to reconciliation

The outlook has worsened since June, and most of the pressure remains outside municipal control.

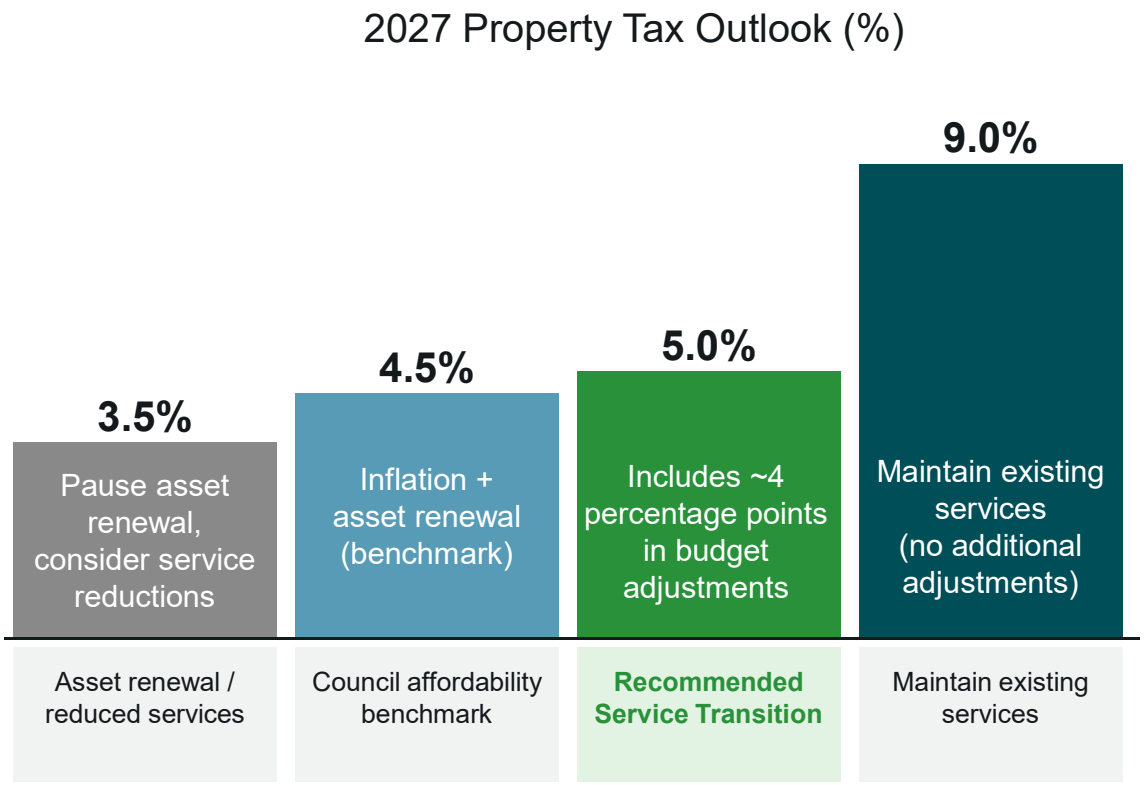
Factors Driving Cost Increases

- Municipal Price Index
  - Wages and employee benefits
  - Contracted and shared services
  - Construction and materials
  - Fleet, equipment and energy
  - Debt servicing
  - Regional charges
- Reduced external revenue
- Planned service enhancements

Together, these pressures produce an estimated 7.5% operating requirement before the 1.5% asset-renewal provision.

2027 Budget Starting Point

Maintaining existing services and asset renewal requires approximately 9%, compared with Council's 4.5% affordability benchmark.



The preliminary 9% outlook excludes new service requests.

Three scenarios for 2027

	Scenario 1: Reduced Service Capacity	*Scenario 2:* Service Transition (Recommended)	*Scenario 3:* Maintain Service Levels
Tax increase	**3.5%**	**5.0%**	**9.0%**
Annual impact on average home	**$105**	**$150**	**$270**
Budget adjustments	4.0% in budget adjustments, plus either: • Pausing the 1.5% for Asset Renewal; or • Additional service reductions	4.0% in budget stabilization and service adjustments; retains the 1.5% for Asset Renewal, or a targeted investment (i.e. recreation centre)	No additional adjustments assumed; excludes new service requests
Main implication	Reduced service capacity and increased risk	Balances affordability and service stability, with increased financial and service risks.	Maintains services, with the highest tax impact, and reduces service risks.
Council direction required	Consider pausing Asset Renewal or identify services for reduction	Advance the 2027 budget and service and capital reviews	Confirm support for the higher tax increase

All scenarios remain preliminary and involve trade-offs between affordability, service levels, infrastructure investment and risk.

Scenario 2 Property Tax Increase – Impact on Average Home

2027 Budget Components	Operating budget increase	Asset Renewal	Total
Cost to maintain existing service levels	7.5%	1.5%	9.0%
Budget adjustments	(4.0%)	-	(4.0%)
Proposed tax increase	**3.5%**	**1.5%**	**5.0%**
Annual impact on average home	**$105**	**$45**	**$150**

Each 1% municipal tax increase represents approximately $1.4 million, or $30 annually for the average home.
Other taxing authorities and utility rates are separate.

Budget Adjustments

Scenario 1: Reduced Service Capacity (3.5%)	*Scenario 2:* Service Transition (5%) Budget Stabilization and Service Adjustments 4.0 percentage points to achieve the 5% target		*Scenario 3:* Maintain Service Levels (9.0%)
Council direction on pausing the annual 1.5% Asset Renewal or priority services for review	Reduce budget adjustment contingency	**1.0%**	No adjustments
	Pause planned service enhancements	**0.7%**	
If service reductions are supported, Administration to report back in Q1 2027	Pause historical contributions to reserves (capital expansion)	**1.3%**	
	Increase budgeted investment income	**1.0%**	

Risks

Scenario 1: Reduced Service Capacity (3.5%)	*Scenario 2:* Service Transition (5%)	*Scenario 3:* Maintain Service Levels (9.0%)
Service reductions and slower responsiveness	Reduced flexibility to manage emerging pressures	Highest tax impact: about $270 per average home
Pausing Asset Renewal would increase infrastructure failure and repair risks	Deferred service enhancements and historical contributions to reserves	Affordability pressure; well above the 4.5% guardrail
Less capacity to absorb further cost pressures or advance climate & social equity priorities	Temporary measures may create future budget pressures	Potential public concern about affordability and value for taxes paid.

Risk does not disappear across the scenarios; it shifts among service delivery, infrastructure, affordability and future budgets.

Staff recommend *Scenario 2*: Service Transition



Why it fits

- Close to Council's guardrail: 4.5% vs. 5.0% for Scenario 2
- Maintains the 1.5% for Asset Renewal or a targeted investment (i.e. recreation centre)

What it avoids

- Avoids pausing Asset Renewal / deeper service reductions of Scenario 1 (3.5%)
- Avoids the higher household tax impact of Scenario 3 (9.0%)

What it sets up

- Returns to Council in Q1 2027 with the draft budget, preliminary service impacts and priority areas for further review
- Provides a bridge to Council strategic planning and 2027 public engagement
- Advances a review of municipal services and capital priorities in 2027

Scenario 2 is a managed transition, not a permanent solution. It increases financial and service risks and requires longer-term action.

Q4 2026: The Current Financial Picture

Area	Where we are	What happens next
Property tax outlook	Preliminary October analysis: 9.0% to maintain current services	**Refined through preparation of the draft 2027–2031 Financial Plan**
Utility rates	About 7.4% combined; expected to ease as Metro Vancouver updates its costs	**Updated rates return to Council December 7, 2026**
User fees	Preliminary modelling considers increases of 7.5% or applicable service cost pressures, subject to cost-recovery review and Council direction.	**Confirm assumptions following Council direction and review of cost recovery**
Capital plan	Preliminary funding gap: about $100M over 5 years, potentially up to $500M over 10 years	**Advance critical work; return with remaining capital priorities following Council strategic planning**
Household impact	Approximately $150 annually for the average home under Scenario 2, excluding utilities.	**Confirm impacts through final budget and rate modelling**

These figures remain preliminary. Council's direction will guide development of the draft 2027–2031 Financial Plan.

2027 Budget Direction

- Does the Committee of the Whole support advancing Scenario 2 – Service Transition, targeting 3.5% for operating and 1.5% for asset renewal?
- What service and financial risks should Administration prioritize in refining the 2027 budget?

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Setting service priorities and targets

Connecting Council priorities, service levels and financial sustainability

1

Understand current services

Document service levels, full costs, performance and risks.

2

Establish Council targets

Council sets service priorities and targets based on community needs, affordability and risk.

3

Evaluate choices

Compare service, funding and risk implications.

10-Year Rolling Financial Plan

Translates Council's service targets into sustainable operating, capital and funding strategies.

Capital strategy: keep critical work moving

Balancing critical infrastructure investment with affordability and Council priorities over the 5-year plan.

$400M

Critical work proceeding over the next five years

$50-$70M

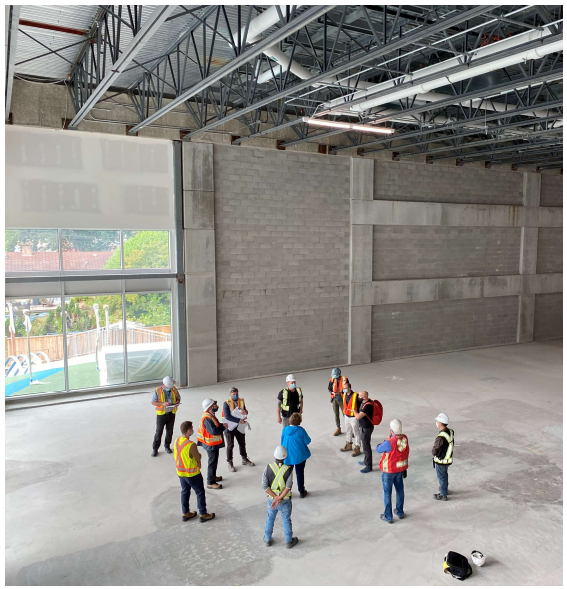
Remaining funding against $150M in identified capital demand

~ $100M

Preliminary 5-year funding gap

Critical work seeks direction through the Service Transition Budget. The remaining $150M in potential investments will return for Council consideration in Q1–Q3 2027, following strategic planning.

Capital priorities – Next steps



Moving forward with critical work

- Service Transition Budget

Council sets strategic priorities

- Establish service priorities, investment targets and funding limits

Investments requiring further direction

- Deferral or re-scoping of renewal work
- Growth-related infrastructure and amenities
- Strategic investments

See Attachment 6 for scheduled reports to Council by service

Innovation and non-tax revenue

Innovation and service delivery

- AI, automation and digital transformation
- Service efficiencies, alternative delivery models and partnerships

Non-tax revenue and economic development

- Better utilization of District assets: rentals, parking, sponsorships and commercial opportunities
- New revenue-focused services and partnerships
- Grow the business tax base through zoning, permitting, investment and tax policy advocacy

These opportunities can improve financial sustainability but will not fully close the funding gap.
Non-tax revenue options will return to Council in Q1 2027.

Discussion – Longer-term financial sustainability

- What service priorities should guide the District's long-term financial planning and the establishment of service-level targets?
- What opportunities should Administration prioritize for innovation, non-tax revenue and economic development?

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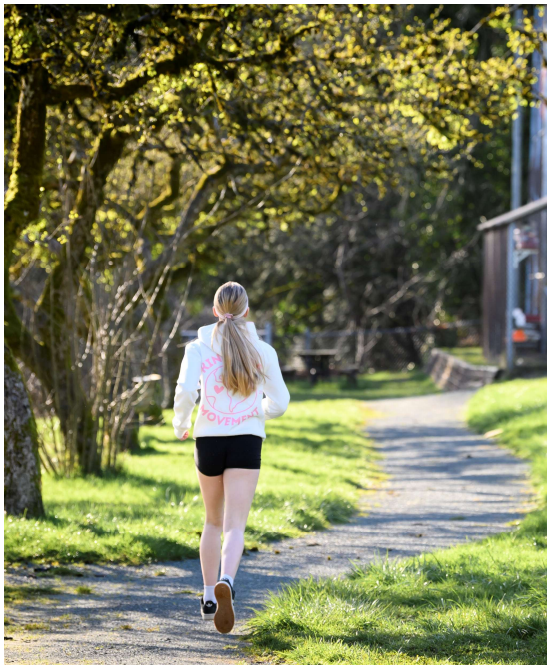
Council direction requested

1. THAT the Committee of the Whole recommend that Council:
   - Direct Administration to work towards Scenario 2 – Service Transition, targeting a 3.5% operating increase and 1.5% for asset renewal, for a combined property tax increase of 5%; and
   - Direct Administration to advance a review of municipal services and capital priorities, and progressively bring forward options for service levels, funding and associated risks for Council's consideration, through the phased service planning process outlined in Attachment 4.

OR

1. THAT the Committee of the Whole recommend that Council:
   - Identify either Scenario 1 or 3 as the budget planning direction and direct Administration to work towards advancing the identified scenario, which includes undertaking further analysis or developing alternative service, revenue, tax, or capital scenarios before advancing the 2027 Budget.



Next steps



- **November 23, 2026:**
  Council direction on Scenario 2 – Service Transition
- **December 2026:**
  Utility rates and user fees (Dec 7), Capital priorities (Dec 15)
- **January 2027:**
  Draft Service Transition Budget and service impact statements
- **Q1 2027:**
  Council strategic planning – priorities, service targets and funding limits
- **Q1–Q3 2027:**
  Further capital investment decisions, non-tax revenue options and public engagement